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Twenty Best Practices for Just Employee Performance Reviews : Employers can use a model to achieve performance reviews that increase employee satisfaction, reduce the likelihood of litigation and boost motivation

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What is This?

Twenty Best Practices for Just Employee Performance Reviews

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Employers can use a model to achieve performance reviews that increase employee satisfaction, reduce the likelihood of litigation and boost motivation.

One of the most dreaded tasks managers face is meeting with employees to discuss their job performance. These meetings present a dilemma for managers. On one hand, managers need to give constructive criticism so that employees can improve their performance. On the other hand, managers do not like to give negative feedback because of the bad feelings that often result. It is not surprising, then, that managers avoid giving accurate evaluations, give overly generous evaluations or avoid the process altogether.
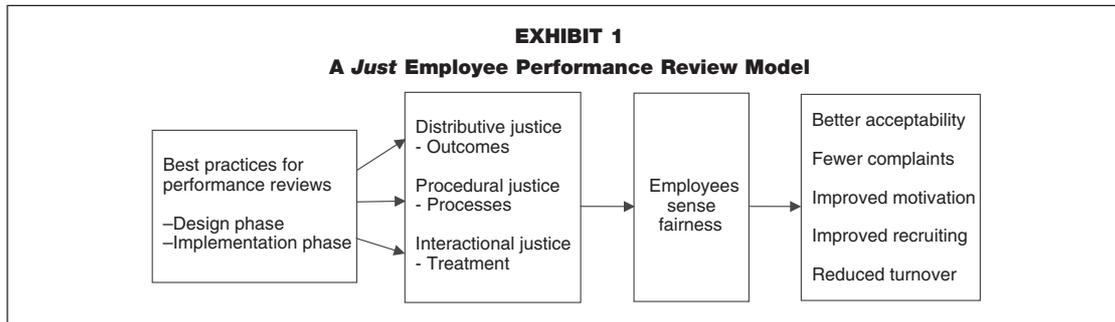
Unfortunately, inflated performance reviews (PRs) make it less likely that employees will be motivated to improve their performance. Overly generous PRs can also create legal problems if the employer later decides to discipline or terminate the worker.[1] Finally, concern is growing about legal liability from employment discrimination when there are differences in the outcomes of PRs based on the race or sex of the worker or the manager conducting the PR.[2-12]

Over the years, numerous researchers have attempted to address concerns related to PRs by improving the design of PR forms, measures and methods. These design interventions date back to World War I when Walter Scott Dill first invented a method for comparing one worker with another. Since then, researchers have proposed many notable PR design innovations including graphic rating scales, ranking, forced distribution methods, behaviorally anchored rating scales and 360-degree feedback.[13-14]

EXHIBIT 1
A *Just* Employee Performance Review Model

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┌─────────────────┐      Distributive justice      ┌──────────┐      Better acceptability
│ Best practices  │      - Outcomes                │          │
│ for performance │                                 │          │      Fewer complaints
│ reviews         │      Procedural justice         │ Employees│
│                 │  →   - Processes           →    │ sense    │  →   Improved motivation
│ –Design phase   │                                 │ fairness │
│ –Implementation │      Interactional justice      │          │      Improved recruiting
│ phase           │      - Treatment                │          │
└─────────────────┘                                 └──────────┘      Reduced turnover
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Organizations are often proud of their well-designed PR process. Yet they should not assume that the process will be implemented with the good intentions underlying the designers' motivations. Despite the well-intentioned advances in designing performance evaluation methods, managers may still be reluctant to implement PRs in a way that provides employees with constructive criticism. Instead, managers tend to inflate ratings to avoid conflict with workers.

The solution to this problem lies in a greater emphasis on fairness at the implementation phase of PRs. Fairness at the implementation phase can soften the blow of low performance ratings and negative feedback. In this way, managers will be more likely to implement accurate PRs that can improve worker performance in the future.

Moreover, recent research has proven that employee perceptions of fairness are much more complex than previously thought. In addition to the employees perceiving fairness among the outcomes of workplace practices, a growing body of empirical research shows that employees also perceive fairness from multiple dimensions of procedural and interpersonal justice. This is important information for employers. They can use multiple dimensions of justice to both design and implement PRs in a way that increases employees' perceptions of fairness. Even though employees may not like having their work criticized or receiving low performance ratings, their negative feelings can diminish significantly if they know that the process was fair and they were treated with respect and dignity.

The concept of a just PR is illustrated in the Just Employee Performance Review (JEPR) model illustrated in Exhibit 1. This model proposes that managers use the best practices for employee PRs to increase employee perceptions of three types of organizational justice: distributive, procedural and interactional. In turn, these dimensions of justice will increase employees' sense of fairness

in the PR process. This should increase employee acceptance of the PR process, reduce complaints, improve motivation and employee recruiting, and reduce employee turnover.[15-16] The JEPR model begins with the best practices for employee PRs.

Identifying Best Practices

The best practices for PRs were drawn from published reports by recognized professionals as reported in peer-reviewed academic journals. This search included an extensive literature review using the PsycINFO and Business Source Premier (especially ABI/Inform) databases using the following keywords: performance appraisal, performance evaluation, performance management, personnel evaluation and performance assessment.

An initial search yielded more than 1,000 citations. These were narrowed down by reading all the titles, and then reading abstracts of those articles that appeared relevant. Citations were also narrowed down by quality indicators; for example, peer-reviewed publication outlets were preferred, dissertations were excluded because they are not published, and popular press articles such as newspapers and magazines were excluded as well.

All the articles and books that appeared potentially relevant were then obtained and read in full. Additional relevant articles were identified through cross-referencing. In total, 18 research articles included specific recommendations on best practices for PRs. For those interested in conducting a more thorough review of this topic, the specific references are listed in the endnotes.

The most common type of article (nine in total) included reviews of cases that delineated the PR practices viewed favorably by the courts. The next most common type of article (six in total) included studies examining PR practices leading to employees' perceptions of fairness and due

EXHIBIT 2 Best Practices at the Design Phase of Performance Reviews			
Best Practices	**Distributive**	**Procedural**	**Interactional**
1. The content of the performance review (PR) should be based on a job analysis or shown to be job related.	X	X	
2. Subject matter experts, such as current job incumbents, should have input on the factors to be evaluated in the PR.	X	X	
3. The PR should be based on observable job behaviors to the extent possible, it should be behavior rather than trait oriented, and it should be specific rather than global.	X	X	
4. The PR should be standardized (e.g., using forms, administrative procedures) and reliable.	X	X	

EXHIBIT 3 Best Practices at the Implementation Phase of Performance Reviews			
Best Practices	**Distributive**	**Procedural**	**Interactional**
Relevance			
5. The performance review (PR) should compare employees doing the same or similar work.	X		
6. Objective performance data should be considered to the extent possible.	X	X	
7. The PR should be aligned with the business goals and objectives.	X	X	
Timing			
8. The PR should be conducted close to the time when the results will be used for personnel decisions.	X	X	
9. Reviewers should have the opportunity to frequently observe employees' job performance or otherwise be knowledgeable of employees' performance.		X	
10. The PR ratings should be spread over appropriate intervals, not too frequent or rare.		X	
Independent review			
11. A higher authority should evaluate the PR results, or multiple evaluators should be used.		X	
12. An appeal mechanism should be allowed.		X	
13. The PR process and results should be documented.		X	
Guidance			
14. Reviewers should be given specific and clear instructions on procedures.		X	X
15. Reviewers should be trained in how to administer the PR.		X	X
Communication			
16. PR results should be discussed with employees.		X	X
17. The policies on the conduct and uses of the PR results should be communicated to employees.		X	X
18. Performance expectations should be clearly communicated with employees.		X	X
19. Employee participation should be allowed in the PR process (e.g., setting goals, providing input on performance).		X	X
20. The PR should be developmental (e.g., indicate how to improve).		X	X

process. The remaining articles provided advice for PR practices based on other types of research methodologies.

Reviewing these articles resulted in identifying 20 best practices for PRs, summarized in Exhibits 2 and 3. These practices fall into two categories. The

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first category deals with best practices at the *design phase* of the PR process (Exhibit 2). The second category deals with best practices at the *implementation phase* of the PR process (Exhibit 3).

Distinguishing between these two categories is important because in the past, too much attention has been placed on the design of a system, and not enough on how it works when implemented. Moreover, by distinguishing the design from the implementation of PR practices, it is easier to illustrate the emerging recognition of the importance of procedural and interactional justice during the implementation phase.

Three Types of Justice

The recommended best practices were mapped onto three types of organizational justice: distributive, procedural and interactional.

Distributive justice relates to the fairness of the outcome of the PR. Distributive justice is based on equity. Equity means that you get what you deserve and you have earned what you receive. Equity is different from equality. Equality simply means that everyone gets roughly the same thing. In equation form, distributive justice looks like Exhibit 4. This exhibit shows two ratios comparing outcomes and inputs. The outcomes are the PRs, and the inputs are the employee's actual performance. The first ratio is the employee's own PR compared to his or her own performance. The second ratio is other employees' PRs compared to other employees' performances. For example, if a manager gives two employees essentially the same review, but one employee perceives that he or she has actually produced more or done higher quality work than others, that employee may feel inequity. As a result, that employee will be less motivated to work in the future. Note that this is not simply comparing the actual outcomes of PRs. Rather, this is comparing the ratios of PR outcomes to actual performance.

Procedural justice relates to the fairness of the process driving the PR.[17] Procedural justice occurs when employers use fair procedures during the PR process. This is more likely to occur when managers gather and use accurate, objective and relevant information and do so in a consistent manner.

Interactional justice involves the interpersonal treatment that employees receive during the PR process. This type of justice requires that employees be treated with respect and dignity

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EXHIBIT 4
Distributive Justice in Employee Performance Reviews

Review of employee		Reviews of others
———————	greater/lesser/equal to?	———————
Performance of employee		Performance of others

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and that managers avoid denigrating or disparaging comments.[18] Instead, they are professional, friendly and courteous.

When employees experience all three of these types of justice in the PR process, they are more likely to perceive the PR as being fair. The end result should be greater acceptance of the PR process, reduced frequency of complaints and lawsuits, and greater willingness to improve performance in the future.[19] Moreover, the employer can gain a reputation for being a good place to work, thereby enhancing recruiting efforts and reducing employee turnover.

Linking Best Practices to Organizational Justice

Exhibit 2 lists four best practices that can be used to improve organizational justice at the design phase of PRs. These factors will enhance both distributive and procedural justice. These four best practices are as follows:

1. The content of the PR should be based on a job analysis or shown to be job related.[20-24] This ensures that the dimensions of employee performance being evaluated are closely related to written specifications, a job description, the goals set for an employee and what employees are actually doing. This is important for distributive justice because it will ensure that measuring and evaluating the level and quality of the employee's effort and the results of his or her work match the job and are included and represented in the PR. This is also related to procedural justice because employees will perceive that the process is fair when it is related to their actual work.

2. Subject matter experts should have input on the factors to be evaluated in the PR.[22] Subject matter experts are people who are familiar with the tasks, duties and responsibilities of the job because they do it (i.e., job incumbents), have done it in the past or are otherwise familiar with

the work. This is important for distributive justice because evaluating employee performance should be based on factors truly important to the employee's actual job. Subject matter experts are more likely to have the ability to accurately identify and define these factors. This is also important to procedural justice because the process will seem fairer when input into the process is included from people who know and understand the job well.

3. The PR should be based on observable job behaviors to the extent possible.[21,22,25-28] It should be behavior oriented rather than trait oriented. This means that employee behaviors should be the evidence on which the PR is based. Traits are more like abstract general tendencies. Also, the PR should be specific rather than global. For example, behaviors that could be observed and measured are "Timely responses to customers" or "Made good suggestions." Global traits would be things such as "Attitudes" or "Initiative." Basing PRs on observable job behaviors is important to both distributive and procedural justice because it helps ensure more accurate evaluations and avoid biased assessments that could creep into the process through subjective judgments.

4. The PR should be standardized, using forms and administrative procedures, for example, and reliable.[17,19,22,29-31] Standardization means that the same methods are used for all employees in similar jobs. This helps to ensure that differences in PRs across employees are based on differences in employee performance and not differences in the way it is measured. Standardization improves consistency across raters and across different rating periods. Reliability is the statistical indicator of consistency. This consistency enhances distributive and procedural justice because it ensures that all employees will be evaluated in a similar way.

Exhibit 3 lists 16 best practices that can be used to improve organizational justice at the implementation phase of PRs. These best practices can be divided into five subcategories: relevance, timing, independent review, guidance and communication. Each of these factors is described below. The means by which each subcategory will enhance distributive, procedural and interactional justice are also explained.

Relevance

PRs should be relevant, meaning that they should be implemented in such a way that

important and logical comparisons and standards are used in practice. The next three best practices can enhance relevance and improve the distributive and procedural justice of PRs.

5. The PR should compare employees doing the same or similar work.[32] This is important for distributive justice because employees will most likely and logically compare themselves with other workers doing similar work.

6. Objective performance data should be considered to the extent possible.[22,27] This can include things such as actual production records, attendance, customer satisfaction reports and so forth. Using objective data can improve distributive and procedural justice because such data will reduce the likelihood that error or bias will affect the PRs. The evaluation will be anchored by the data and less likely to be influenced by factors such as the mood of the evaluator.

7. The PR should be aligned with organizational goals and objectives.[32] In other words, the factors used in the review process should reflect the organization's strategic posture. For example, if a firm prides itself on individualized customer service or wants to develop long-term relationships with customers, then the PR should emphasize the importance of these factors. In this way, distributive justice can be enhanced because the PR will be consistent across all workers and not based on individual employee differences in what they perceive as important outputs. This will also enhance procedural justice because the process will be consistent, not only across employees, but also across different messages that the employees receive from their employer about the importance of particular goals and objectives.

Timing

Timing issues are important in implementing PRs because even a well-designed system can appear faulty if poorly timed. The next three best practices related to timing can enhance the distributive and procedural justice of PRs.

8. The PR should be conducted close to the time that the results will be used for personnel decisions.[22] For example, if the PR is to be used to determine pay increases, it should be done shortly before the pay increase decisions are made. If the PR is completed much earlier than the pay increase decision, the procedural fairness of the process will be reduced.

9. Reviewers should have the opportunity to frequently observe the employees' job performance or otherwise be knowledgeable of employees' performance.[17,19,22,26,33,34] Sometimes employees believe that the person conducting their evaluations is not aware of the work that they have done. In other cases, an employee may have had one supervisor for 10 months and a new supervisor for the last 2 months. The new supervisor is responsible for conducting the annual PR. In this case, it is important for the new supervisor, to the extent possible, to be provided with input from the previous supervisor or consider objective records reflecting the employee's performance for the entire 12 months.

In sales and customer service jobs, a growing trend is for many large organizations to use customer satisfaction reports to evaluate employee performance. Advances in information technology have fueled this trend, which is often achieved through automated electronic data retrieval systems either by telephone or over the Internet. To make this a successful and fair method of evaluating employees' performance, organizations need to overcome two key obstacles. First, organizations need to obtain a sufficient quantity of reports so that one or two customers do not unduly influence the results. Second, organizations need to link the customer satisfaction directly to individual employees. This can sometimes be accomplished in settings such as banks where teller transactions are recorded. It becomes a bigger challenge in other sales jobs where the customer may actually interact with more than one person during his or her encounter with the organization.

Nevertheless, whether the reviewers are managers or customers, the key is to use frequent observations that are linked directly to the employee whose performance is being reviewed. When this is achieved, the employee is more likely to believe the process is fair (enhanced procedural justice) because the evaluators have accurate and complete information about job performance.

10. The PR ratings should be spread out over appropriate intervals—not too frequent and not too rare.[32] Performance feedback that is too frequent can be perceived as micromanaging and manipulative. On the other hand, annual PRs might be too infrequent for some jobs, especially for employees who may need feedback that would allow them to improve their performance. One can easily imagine a situation in which a hands-off manager waits for the annual review to tell employees what they did wrong, and why the employees would perceive this as procedurally unfair. When employees have more frequent feedback on the boss's expectations, they can change their performance.

Independent Review

Even a well-designed system can be fouled up through careless implementation. Using independent reviews of PRs can help correct errors and remove the impression that bias may impair procedural justice. The following three best practices related to independent review can increase procedural justice.

11. A higher authority should evaluate PR results, or multiple evaluators should be used.[22,24,32,35] In this way, errors can be caught and corrected. Using multiple evaluators, rather than just one person's perspective, will also reduce the potential that bias could skew the results of the PR.

12. An appeal mechanism should be allowed.[19,27,35,36] An employee who disagrees with the PR should be given the opportunity to appeal to someone who has the authority to overturn or modify the results. Knowing that there is a potential for appeal should induce the person conducting the PR to do so diligently. Moreover, when the review is done well, the availability of an independent review gives the reviewer the opportunity to receive support and verification from someone in a position of higher authority. The employee who receives the review will also have an avenue in which to voice concerns.

13. The PR process and results should be documented.[28,35] Documentation supports an objective review process. It also ensures that consistency in the content and justification for the PR are maintained as different people consider the content of the review. For these reasons documentation will help to achieve procedural justice.

Guidance

The designers of a PR system may believe that implementation is straightforward. However, the people implementing the system may understand the intent of the process differently, or they may not know how the PR should be implemented in specific or unusual situations. For these reasons, the next two best practices related to guidance can help to enhance procedural and interactional justice.

14. Reviewers should be given specific and clear instructions on procedures.[22,24,26,27,32,35] Clear instructions should specify not only the need to apply procedures consistently and in an unbiased way, but also the need to treat employees with respect and dignity when conducting the review.

15. Reviewers should be trained how to administer the PR.[22,24,26,27,32,35] This training should include not only the objective facets of the system, but also the interpersonal skills and sensitivity that will be important as supervisors give performance feedback to their subordinates.

Communication

The next five best practices related to communication should enhance procedural and interactional justice. Good communication enhances procedural justice by imparting information about the logic, fairness and consistency of the process. It also enhances interactional justice by showing employees that they are valued and respected because the employer has taken the time to provide adequate explanations.

16. PR results should be discussed with employees.[17,19,21,22,24,27,28,33] If the reviewer simply documents conclusions and places them in the employee's file, the employee is likely to feel uncomfortable with the covert nature of the process. To avoid this, the employer should talk to the employee and adequately explain the results of the PR. In doing so the reviewer should act with patience, respect and civility.

17. Policies on the conduct and uses of the PR results should be communicated to employees.[22,32,33] Explaining to employees how the process was conducted and what the results will be used for demonstrates that the process is fair and relevant. It also shows employees that they are respected and valued as individuals.

18. Performance expectations should be clearly communicated with the employees.[17,19,36,37] Prior to the period of time covered by the PR, employees should have a good idea of what will be expected of them. This can be accomplished through interactive communication that enables the rater and ratee to mutually understand the basis on which performance will be evaluated. Failure to communicate clear expectations can result in employee frustration and confusion when they discover during the PR that the manager wanted something different than what they thought was expected.

19. Employee participation should be allowed to participate in the PR process (e.g., setting goals, providing input on performance).[17,19,20,32-34,38] Employee involvement in decisions that affect them has been repeatedly shown to be an important predictor of satisfaction in numerous studies. A driving force behind this result is that employees feel they have some control of the process and they have been shown respect by having their opinions considered.

20. The PR should be developmental (e.g., indicate how to improve).[32,34,35] Rather than simply telling the employee how well he or she did in the past, the PR should also focus on the future. An appropriate way to frame the discussion about future performance is under the rubric of development. This implies that whatever competencies employees currently have can be enhanced or improved, thereby enabling them to increase their performance in the future. This should lead to increased acceptance of the PR process because it signals that the organization is interested in helping the employee grow and develop. The subtle message underlying this theme is that the employee will be a valued member of the organization in the future. This is a logical approach because one cannot change past job performance, but one can change the future.

Conclusion

Managers who treat the PR process too lightly might be tempted to believe that "They're just employee PRs. What's the big deal?" The answer is that employees take PRs very seriously. This is especially true when managers give honest feedback that is not positive. That is why PRs should be just employee PRs, using principles of justice to ensure employees see the process as fair.

This article shows how best practices can be used to achieve a just employee PR process that incorporates three dimensions of organizational justice: distributive, procedural and interactional. By including these three dimensions of organizational justice in the PR process, employees should have an increased sense of fairness when they receive their review. Many of these improvements are intended to increase the fairness of PRs when actually implementing the process. This should increase the acceptability of the information employees receive during their reviews, reduce the likelihood of complaints and increase motivation, improve recruiting and reduce turnover.

The JEPR model can be used as an appropriate diagnostic tool for both organizational assessment and organizational development. Organizations that strive for continuous improvement or are otherwise willing to undergo serious self-evaluation can use this model to test the adequacy and fairness of their PR process. In addition, organizations are often concerned with the adequacy of managerial practices in businesses that they might want to acquire. This model may also be used as a due diligence standard to evaluate how well another organization is managing its PR process.

Good management follows something that can be called "The Golden Rule of Management." This golden rule holds that you should treat your employees as you would like to be treated. Certainly, managers want their own PRs to be fair. Managers should also be fair when they conduct the PRs of their subordinates. By treating employees fairly in PRs—a critical event in their work life—organizations can foster improved relationships in the workplace and improve their reputation as a good place to work. The 20 best practices for PRs presented in this article are one way to accomplish this goal.

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