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Jochen REB

Singapore Management University, jochenreb@smu.edu.sg

Gary J. GREGURAS

Singapore Management University, garygreguras@smu.edu.sg

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Running Head: Dynamic Performance and Performance Ratings

Dynamic Performance and the Performance-Performance Rating Relation

Jochen Reb

Gary J. Greguras

Singapore Management University

Both authors contributed equally to this commentary. Correspondence concerning this article should be addressed to Jochen Reb at jreb@smu.edu.sg, or Gary Greguras at garygreguras@smu.edu.sg.

Author contact information:

Jochen Reb
Singapore Management University
Lee Kong Chian School of Business
50 Stamford Road
Singapore 178899
++65-6828-0246 (phone)
++65-6828-0777 (fax)
jreb@smu.edu.sg

Gary J. Greguras
Singapore Management University
Lee Kong Chian School of Business
50 Stamford Road
Singapore 178899
++65-6828-0747 (phone)
++65-6828-0777 (fax)
garygreguras@smu.edu.sg

Dynamic Performance and the Performance-Performance Rating Link

In this commentary we discuss the appropriateness and usefulness of taking into account the dynamic nature of performance when considering the relation between job performance and ratings of job performance. Like the vast majority of research in this area, Murphy (this issue) does not critically examine whether or how changes in ratee performance over time influence job performance ratings. As noted by Murphy and Cleveland (1995), a limitation of performance appraisal research is that it has ignored that employee performance "...is embedded in a context or pattern of employee performance over time" (p. 73). In this commentary, we argue that a consideration of dynamic performance is essential to our understanding of the relation between performance and performance ratings because the dynamic nature of performance (a) affects what raters observe, their utilized integration rules, and ultimately their performance ratings, (b) likely interacts with elements in multi-factor and mediated models (e.g., Murphy, this issue) to influence ratings, and (c) provides useful information about ratee effectiveness. Based on this discussion, we suggest that the dynamic nature of performance should be explicitly addressed in performance measurement systems to strengthen the relation between performance and ratings of performance, and thus increase ratings' usefulness.

It is well accepted that performance typically changes over time (Ghiselli & Haire, 1960). Changes in ratee performance impact both what raters observe and how they integrate these observations into overall performance ratings. In most situations for a given evaluation period, a rater will not have the opportunity to observe the universe of ratee behaviors. Because performance changes over time, raters who observe only a subset of ratee behaviors likely base their evaluations on deficient information, thereby weakening the link between performance and ratings of performance and introducing variation between raters.

Even assuming a “best case” situation in which raters have access to all performance episodes, arriving at summary evaluations of performance over an interval of time requires the application of some *integration rule*. The simplest rules are probably to calculate the sum or mean of all performances, but other rules also may be used (e.g., taking performance variation or trends into account; focusing on peak performance). For example, in a laboratory experiment, Reb and Cropanzano (2007) manipulated different characteristics of performance profiles over time (i.e., performance mean, variation, and trend). Not surprisingly, they observed that performance mean explained the largest amount of variance in overall performance ratings. However, consistent with their prediction that salient Gestalt characteristics of a performance profile would affect performance evaluations, they also found that performance trend influenced ratings such that improving performance was rated more favorably than deteriorating performance. Given that the dynamic nature of performance influences ratings, it is important that performance rating theories and models address how dynamic performance affects performance ratings and their relation to performance.

Our second argument in this commentary is that, in addition to having a main effect as described above, changes in performance can also interact with ratee, rater, and contextual factors to influence performance ratings. For example, Reb and Greguras (2007) examined the influence of rating purpose on performance ratings in the context of dynamic performance. They found that when evaluations were for developmental purposes, performance trend and variation had a stronger influence on performance ratings than did performance mean, but when evaluations were for administrative purposes, performance mean had a stronger effect on ratings. These effects seem logical given that *changes* (trend and variation) in performance seem especially useful when identifying developmental needs, whereas average (or total) performance

seems to be especially appropriate when recording or rewarding past performance for administrative purposes. Given that rating purpose likely impacts a rater's goals (Murphy & Cleveland, 1995), these findings also suggest that rater goals may play a moderating role rather than (or in addition to) the mediating role suggested by Murphy (this issue, Figure 1c) in understanding the relation between performance and performance ratings.

Our third argument in this commentary is that changes in performance can provide useful information about employee effectiveness and that definitions and operationalizations of performance should consider the dynamic nature of performance. As Murphy (this issue) noted, raters are often required to make overall judgments that summarize ratee performance or effectiveness over a given period of time. Although most would probably agree that performance ratings are meant to summarize performance information, fewer may agree on what information, or how such information, *should* actually be utilized or summarized. The results from Reb and Cropanzano (2007) and others (e.g., DeNisi & Stevens, 1981) indicate that changes in performance over time influence performance ratings such that raters do not typically use a simple averaging integration rule.

There are at least two positions regarding the finding that raters do not simply use an averaging integration rule. One is to assert that performance is best considered as average performance (cf. Scott & Hamner, 1975) and that the influence of dynamic performance characteristics, such as trend and variation, introduce bias and error into performance ratings. A second position is to consider that, in addition to performance mean, various characteristics of dynamic performance (e.g., trend, variation, skew, peak) are appropriate and useful indicators of employee effectiveness. In other words, rather than treating deviations from the performance mean as errors and biases in the performance evaluation process, models of performance ratings

may want to consider such fluctuations as part of effectiveness itself. A failure to do so can lead to a weakening of the performance – performance rating link.

From a practical perspective, the question arises as to how performance rating practices and systems might deal with the complex issues associated with dynamic performance. One possibility would be to explicitly instruct or train raters to focus on performance profile characteristics, such as performance mean, trend, and variation. Depending on the rating purpose, raters could be instructed to focus on specific characteristics. As part of this approach, raters and ratees should receive clear definitions of performance. Thus, raters should be told whether effectiveness is solely a function of average performance, or also includes other aspects of dynamic performance. In addition to strengthening the performance – performance rating relation, training raters to focus on the same, clearly defined, performance characteristics may increase the interrater reliability of ratings and thereby enhance ratee receptivity to the performance ratings.

As a more formal approach, rating systems could try to explicitly integrate performance profile characteristics into the evaluation process. Kane's (1986; 1996) work on performance distribution assessment presents an important first step in this direction by considering the distribution of performance over time. However, more effort is needed to develop systems that take into account other factors such as trend, peaks, outliers, or skew. From the standpoint that such fluctuations introduce error and bias into performance ratings, explicitly measuring them would allow to correct for their influence. From the perspective that such fluctuations reflect relevant performance information, rating systems can be designed to focus on various aspects of dynamic performance depending on the definition of effectiveness, or the goals of the performance management system.

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