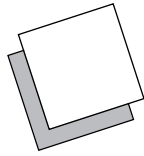*An executive summary
for managers and
executive readers can
be found at the end of
this article*

How should product managers' job performance be evaluated in emerging product management systems?

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Introduction

Throughout the past decade, marketing and management firms have undergone a rash of changes. The boom years of the mid- to late 1980s, when the corporate focus was on expansion and divestiture, have become distant memories, replaced by several years of focussing on realignment, streamlining and corporate downsizing. This thrust by organizations to become leaner and meaner stemmed from a highly volatile market that caused phenomenal change to every organization's external environment. In response to changing external markets, companies have been forced to restructure their internal systems. One such system that has undergone extensive change in the past decade is the product management system.

Another internal system which has not changed significantly, but possibly needs a major overhaul, is the performance appraisal system used to evaluate a product manager's performance.

Purpose of the research

Lysonski (1985) described traditional product management as what is generally known in management and other fields as "boundary spanning". "Boundary spanners" are persons who have informal communication links with other individuals both inside and outside the firm. Recent research efforts have focussed on the individual boundary spanners themselves (Lysonski and Andrews, 1990; Lysonski and Durvasula, 1990; Lysonski *et al*., 1988; Wood and Tandon, 1994). By looking only at internal aspects of this role, researchers have ignored the importance of the external environment to the brand management function. Considering this one-sided nature of past brand management research, together with the radical changes in corporate structure and the marketplace, it becomes clear that a need exists for research on how the changes to this system affect other organizational systems working in congruence with the product management system.

One such other organizational system which affects product managers is the method of performance appraisal. An effective performance appraisal system encourages individual performance by reinforcing organizational objectives. This is accomplished by establishing personal performance objectives that are congruent with overall organizational goals. In turn then, encouraging individual performance through performance appraisal promotes overall organizational performance. Because the product management system is also designed to maximize overall organizational performance, the performance appraisal system must therefore work in congruence with the product management system. In short, both systems work together to achieve the same goal; maximum organizational performance.

Boundary spanning

A normative framework

There is no existing research that examines directly how and on what criteria product managers are evaluated. As part of a larger study, Bart (1986) briefly mentions that evaluation criteria are "entirely qualitative" in nature and does not include any mention of brand profitability. The "entirely qualitative" criteria, however, are not specifically discussed.

The objective of this study is threefold:

(1) to examine the types and characteristics of the new forms of the brand management system in marketing organizations as identified in previous research,

(2) to review existing research on performance appraisal and performance appraisal systems, and

(3) to match the new forms of brand management systems with performance appraisal systems in order to provide a framework for organizations wishing to maximize their individual product managers' performance, thereby maximizing overall organizational performance.

This research will include a review of existing research complemented by interviews with various informants from *Global* 500 multinational marketing and management organizations. This is the first time an attempt has been made to establish a normative framework for the appropriate appraisal method of product managers.

Review of existing research

Research on the subject of product management is substantially focussed on the role of boundary spanners. This review will therefore begin by examining this body of research, and continue with that of performance appraisal.

Boundary spanning and environmental uncertainty

Engaging in uncertainty absorption

Defined as an important mechanism that links an organization to sources of information (Lysonski, 1985; Tushman and Scanlan, 1981), Wood and Tandon (1994) identify that within the context of product management, effective boundary spanning is a two-part process; the first being to obtain information from sources inside and outside the organization, and second to disseminate this information to relevant parties to ensure the successful marketing of a particular brand or product. A key aspect of the boundary spanning role involves engaging in uncertainty absorption; filtering and packaging information gathered from several sources so it can be clearly transmitted to appropriate decision makers (Nonaka and Nicosia, 1979). From increased environmental uncertainty stem two problems commonly associated with product management, role ambiguity and role conflict.

Role ambiguity is defined as "the degree to which a person is uncertain about others' expectations with respect to the job, the best ways to fulfill known role expectations, and the consequences of different aspects of role performance" (Miles and Perreault, 1976). Role conflict is defined as the degree of incongruity or incompatibility of expectations associated with a role, and has been widely associated with boundary spanning roles, particularly that of the product manager (Lysonski, 1985). Studies have identified that both role ambiguity and role conflict are more functions of environmental uncertainty than of boundary spanning activities (Lysonski, 1985; Lysonski *et al.,* 1988).

Taken together, "Product managers must be on guard against high levels of tension resulting indirectly from uncertainty in the environment and directly

from role conflict and ambiguity" (Lysonski *et al.,* 1988). These role pressures, in moderation, can create tension and have been known to show a positive motivational effect. However, higher levels of role ambiguity and role conflict were found to be associated with adverse personal outcomes such as lower perceived performance, lower job satisfaction and increased tension (Lysonski *et al.,* 1988). Furthermore, the same study found that experience is strongly associated with increased levels of tension, which indicates that more experienced product managers never learn to deal with role conflict and role ambiguity, but simply "burn out."

Variables are totally unclear

The relationship between performance appraisal, role ambiguity and role conflict therefore may play an important part in the success of the product management system and the product managers working within this system. However, the marketing environment is currently in such a state of flux that the variables on which product managers are being evaluated are totally unclear. This may indicate that product managers are also unclear as to what tasks they must perform to be successful at their jobs. As long as this uncertainty exists, so too does the role ambiguity and role conflict, and therefore, so too, may poor company performance.

Galbraith (1977) suggests that as uncertainty increases, so too does the amount of information processing by decision makers, such that an increasingly uncertain marketplace representing increased threats to a product manager's products should encourage the product manager to increase boundary spanning activity. Yet, Lysonski (1985) and Lysonski *et al.,* (1988) found a surprisingly weak association between environmental uncertainty and intensity of boundary spanning activity which they interpreted as signaling deficiencies in the product management system.

Taken in conjunction with Caminiti's (1990) and Power's (1992) findings that as the external environment facing organizations becomes more turbulent, external boundary spanning activities become even more critical to an organization's ability to adapt, survive and prosper, a serious flaw in the product management concept is identified. Product managers may not spend enough time engaging in external boundary spanning activities, because this area may not be included in their formal performance evaluations. Wood and Tandon (1994) speculate that the lack of external boundary spanning is where modern product managers are failing, and in today's volatile customer environment, the product management function requires a significant reorientation toward the outside environment.

External boundary spanning

As previously stated, unclear performance appraisal criteria may be to blame for this failure. For example, if product managers are receiving ambiguous messages that the most important task on which they are being evaluated is external boundary spanning, because external boundary spanning has become paramount to the success of the product management function, then they may not be conducting enough external boundary spanning to perform their jobs effectively. Current performance appraisal systems may not encourage product managers to increase external boundary spanning activities.

Examining the environmental changes
There are several reasons for the recent upheavals in product management. Wood and Tandon (1994) state, "today's volatile marketing environment, engendered by burgeoning new technologies, the rise of retail power, and fragmented consumer markets, has significantly decreased the relevance of

traditional product management." Additionally, the product manager's ability to deal with these changes may not be a factor on which their performance is evaluated.

This has been supported by Shocker *et al.* (1994), who provide an exhaustive list of the major environmental forces that have had an adverse effect on the product management system.

A strategic orientation

Product manager's strategic focus
Further, product managers are associated with their products for only a short time, so their focus becomes short-term marketing planning, which detracts from developing a strategic orientation and building up the brand's long-term strength (Kotler, 1991). Cosse and Swan (1983) determined that, by and large, product managers should, but do not, have a strategic planning orientation. The authors suggest the long-term strategic orientation of the product is being pushed upwards to the executive level where group product managers are forced to set the strategic orientation for the product manager's products. Some are not communicating strategic orientation to their product managers even after they have established it (Cosse and Swan, 1983). Again, this leads to tension and uncertainty about how the product manager's performance is evaluated, which creates ambiguity, conflict and burnout on the part of the product manager.

Radical change to this system is currently under way (Katsanis and Pitta, 1995). For example, the Boston Consulting Group recently revealed that 90 percent of *Fortune* 1000 firms have restructured their marketing departments, including the brand management function. And both the *Journal of Marketing Research* (1994) and the *Journal of Product and Brand Management* (1995) devoted entire issues to presenting the problems and concerns in modern product management.

Facing these major trends, Wood and Tandon (1994) ask, "Do traditional product managers, trained to focus on products while seeking efficiencies through mass promotions, common packaging and standardized product features, all aimed at the widest possible audiences, possess the skills needed to succeed in today's sophisticated and fragmented markets?"

Taken one step further, the authors pose the following questions:

(1) Do traditional product managers still exist, and if not, are the "new" product managers aware of the skill sets and behaviors necessary to perform effectively in the new organizational structures?

(2) If they are, what system can reinforce the new behaviors, if it is not the performance appraisal system?

Three broad categories

Emerging product management systems
A variety of theoretical and applied approaches have been suggested as responses to the wide-scale changes mentioned. These approaches generally fall into three broad categories; an internal team approach, an external collaborative team approach and a focus on improved individual product manager responsiveness (Katsanis and Pitta, 1995).

Internal team approaches
The objective of the internal team approach is to improve the internal structure of the brand management organization in order to improve product innovation, gain direct contact with customers, and create direct reporting responsibility for more rapid decision making (Katsanis and Pitta, 1995).

Thamhain (1990) proposed the use of "technological teams," which include product managers. His research showed that improved product performance and achievement of company objectives were attained utilizing this method.

The Economist (1994) reported that some companies are using "multidisciplinary marketing teams," consisting of one representative from each functional department. By giving all team members direct decision-making power with respect to the brand being managed, this system provides the direct links for decision making that the current product management system lacks.

Finally, Higgins (1989) reports the use of "regional marketing teams." These too are multidisciplinary teams consisting of functional department members. Regional teams, however, deal directly with customers and distributors in a specific region in order to improve their ability to market their brands within that region.

External team approaches

Two external team approaches

Katsanis and Pitta (1995) identify two external team approaches: trade management teams, designed to move the product manager out of the headquarters office and into the field so that new product development and customer responsiveness can be improved, and the transorganizational firm, which involves developing collaborative partnerships for increased globalization and new product development.

Trade management teams, also multidisciplinary in nature, are responsible for entire product lines and not just individual products. "The trade managers work directly in the field instead of the headquarters office, and regularly visit suppliers as well as retail stores in order to develop new products faster, and develop closer relationships with customers" (Katsanis and Pitta, 1995).

The second external team approach, the transorganizational firm, was actually coined by Achrol (1991) but has also been suggested by Shocker *et al.* (1994). This is a group of firms founded on partnership agreements who allow for collaboration with each other and each other's customers, the ultimate goal being to improve overall market responsiveness.

Individual product manager approaches
These approaches, which include category management, channel management, and expert systems continue to emphasize the individual product manager. The focus, however, is on changing the function of the product manager in order to improve the direct responsibility for the products managed, the profitability and cost structure of the brands, and service to the customer (Katsanis and Pitta, 1995).

Category management

Procter and Gamble utilizes category management, an organizational form whereby several product managers are replaced with a single category manager (*Fortune*, 1989). The category manager is placed in charge of an entire group of products, thereby forming mini profit centers with decision-making authority that allows the category manager to improve cost reduction and profitability of the full line of products, as well as get closer to both retail customers and end consumers (Katsanis and Pitta, 1995).

Channel management provides additional support to the product managers by partnering them with channel managers. These channel managers are charged with developing different marketing programs for different suppliers and distributors in the marketplace. The advantage of this system is

improved customer responsiveness and new product development because managers are better able to identify key product factors that are important to the customer (Higgins, 1989).

Types of evaluation methods
As previously mentioned, there is no existing research that directly examines how and on what criteria product managers are evaluated. As part of a larger study, Bart (1986) briefly mentions that evaluation criteria are "entirely qualitative" in nature and does not include any mention of brand profitability. The criteria, however, are not specifically mentioned. Opponents to the use of quantitative measures provide the following as rationale for the use of the undefined qualitative measures:

- Product managers do not have formal authority within organizations to ensure that projects related to achieving the product's financial objectives are carried out in a timely, efficient and effective manner.

- Quantitative measures can be disruptive to company harmony in that some managers would become more aggressive in striving to "meet their numbers."

- Quantitative measures have the potential to increase drastically the amount of administrative paperwork and as a result may neglect other aspects of the job such as training and development.

- There are too many uncontrollable external factors that can prevent the product managers from attaining financial goals, such as the economy, budget cuts and new competitors.

Bart suggests that other "highly qualitative" criteria should be established; however, he does not point out what these criteria should be.

Appraisal sources
A key factor in the appraisal of performance is the source of the evaluation information. Existing research identifies numerous sources of performance appraisal, including superiors, subordinates, peers and self-evaluation.

Supervisor appraisal. Performance evaluations have traditionally been conducted by an employee's immediate supervisor for two reasons: first, it is an integral part of the supervisor's job to monitor task performance and to suggest and communicate goals for improvement and development of such performance. Second, performance appraisal discussions often are a forum for relaying important personnel decisions such as salary adjustments.

Because the supervisor is privy to information that offers a clear understanding of the goals of the organization, the most common method of evaluation employed by supervisors is MBO, or management by objectives. Management by objectives involves including the subordinate's input and establishing realistic performance objectives, then monitoring performance as the subordinate progresses toward these goals. A Thomas and Bretz (1994) survey of *Fortune* 100 companies found that 80 percent report using objective-based approaches for their executives and managers, and 70 percent used them for professional employees.

Subordinate appraisal. A 1988 study asking supervisors how valuable they would find subordinate feedback for their personal development determined that 75 percent would find such feedback definitely or extremely valuable (McEvoy, 1988). Because of the rank-and-file employee's unique view of the supervisor, subordinate evaluations can be useful in revealing trends and tendencies in a manager's behavior. However, those with whom product

Numerous sources of performance appraisal

managers conduct boundary spanning activities are not considered subordinates, as these people do not share a direct reporting relationship with the product manager. Rather, members of the functional departments of the organization are considered as being the product manager's peers.

A superficial exercise

Peer appraisal. Peer group appraisal may be applicable to product managers, particularly when they work in parallel with one another and all report to the same supervisor or if working in teams such that the success of any individual is largely dependent on the success of the group (McConnell, 1992). The group members evaluate each other as a supplement to – but never as a replacement for – individual appraisal of each member by the team's manager. The author warns, however, that unless there are several peers who are intimately familiar with a supervisor's work, peer group appraisal can be no more than a superficial exercise.

Self-appraisal. This type of performance evaluation is praised for its potential to increase the effectiveness of the performance appraisal interview (Bernardin and Beatty, 1984; Latham and Wexley, 1981). Fundamentally, self-evaluations are thought to be effective because they force employee participation into the evaluation process. Numerous studies have found that participation enhances the perceptions of performance appraisal fairness (Greenberg, 1986; 1987) as well as motivation to improve performance, acceptance of appraisal results, and satisfaction with the appraisal (Burke and Wilcox, 1969; Cederblom, 1982; Wexley *et al.*, 1973). Clearly stated, "This gives the employee the feeling that he can affect the direction his job will follow…Employees are more willing to be committed to their goals when they are the result of their own ideas" (Tinkham and Kleiner, 1993).

A composite model

Research suggests that creating a composite model using more than one of the previously mentioned sources would be beneficial. Baruch and Harel (1993) point to research findings illustrating that different rating sources often give similar ratings and suggest, "it is reasonable to assume that the achievement of moderate correlations enables us to improve the accuracy of the performance appraisal process by combining multiple rater's appraisals into one performance appraisal." Their research went on to find that correlations between various rating sources were relatively high, especially between the direct supervisor's and the peer appraisals. Vance *et al.* (1988) add that among a sample of jet engine mechanics, peer, self and supervisory ratings were equally valid sources of appraising performance.

Whichever source undertakes the task of appraising performance, Wexley and Klimoski (1984) suggest the person doing the assessment meet four criteria:

(1) Be in a position to observe the behavior and performance of the individual of interest.

(2) Be knowledgeable about the dimensions or features of performance.

(3) Have an understanding of the scale format and instrument itself.

(4) Must be motivated to do a conscious job of rating.

Feedback method
Wexley and Klimoski (1984) present four alternative approaches to providing performance appraisal feedback that have applicability in organizational settings: tell-and-sell, tell-and-listen, problem-solving (Maier, 1958) and the mixed-model approach (Beer, 1981):

(1) The tell-and-sell approach is to communicate the employee's appraisal and to persuade the employee to follow the plan outlined for improvement.

(2) The tell-and-listen approach is to communicate the manager's evaluation to the employee and allow for response.

(3) The problem-solving approach allows the manager and employee together to generate solutions to problems and agree on steps to be taken.

(4) The mixed-model combines problem solving and telling. It starts with employee-led discussions on problems, problem solving, and a plan of action, and concludes with the manager providing his views and final evaluation.

Several unique types of force

The authors report there is no one-best-way to provide performance appraisal feedback. In choosing a format, a manager needs to consider several unique types of forces within the situation systematically before choosing the proper approach. These forces include characteristics of both the superior and the subordinate, their shared relationship and the organizational environment.

Need for feedback

A number of authors (Ashford, 1986; Ashford and Cummings, 1983, 1985; Northcraft and Ashford, 1990) have indicated that feedback recipients will engage in feedback seeking as a response to uncertainty (consistent with the notion of job ambiguity). They found that as job-related uncertainty increased, so did feedback seeking behaviors. Fedor *et al.* (1992) went on to find that feedback becomes an even more valuable asset when it is seen as necessary for performance improvement. Self-esteem and tolerance for ambiguity moderated the relationship, in that those with high self-esteem are reluctant to ask for feedback, and those with low tolerance for ambiguity, more likely.

Rating errors and accuracy

Although the effect of rating errors on performance appraisal accuracy has gained substantial research attention, conclusions have been contradictory. Based on meta-analytic results, Murphy and Balzer (1989) concluded that the correlation between rating errors and accuracy was very near zero and, therefore, error measures were not good indicators of rating accuracy. Bretz *et al.* (1992) add, "Because most performance is multidimensional, some correlation between performance dimensions is expected. Therefore, raters with large observed correlations may, in fact, be accurately rating performance."

Rater and ratee training

Ratee training is virtually nonexistent

Research on rater training has been extremely limited, focussing on methods of improving rater accuracy, reducing halo effect and reducing leniency (Smith, 1986). Bretz *et al.* (1992) found that rater training is most likely to focus on conducting appraisal interviews and providing feedback, proper use of forms, setting performance standards, recognizing good performance and avoiding rater errors. Ratee training is virtually nonexistent. It remains uncommon for managers to be evaluated on how they manage the appraisal process.

Appraisal formats

Different appraisal formats include trait-based, behavior-based and productivity- or objectives-based approaches. It is important to note that objectives-based approaches may be quantitative, i.e. "Attained a sales increase of 12 percent," or qualitative, i.e. "Developed a distribution strategy by benchmarking competitors". Hughes and Prien (1986) evaluated alternative scoring methods for mixed standard scales and found very few differences between various formats. They were therefore led to conclude that the method of evaluation be chosen based on ease of application and explanation.

Current performance appraisal practices

Four dimensions

Bretz *et al.* (1992) integrated the results of three major organizational surveys (encompassing 3,587 companies) to describe the modal setting in which performance appraisals are currently taking place. Results are grouped into four dimensions;

(1) system design and characteristics,

(2) system management,

(3) important issues and current uses, and

(4) performance distributions.

System design and characteristics. The average age of performance appraisal systems currently in use in American organizations is 11 years. They were designed by personnel specialists with limited input from raters (those using the system) and virtually no input from ratees (those affected by the system). MBO, or management-by-objectives, is the preferred format for assessing executives, managers and professional employees. However, "mixed" formats are common, and rating scales or ranking procedures are often used to supplement MBO-based approaches. For managerial and professional employees, the majority of performance ratings come directly from the immediate manager, with significant input from the second-level manager. Self, peer and subordinate ratings remain highly uncommon. Also, quantitative indices like profits, sales and costs, were frequently cited as important measures for executives and managers, with the acquisition and use of job-specific knowledge being considered important for professional positions.

System management. Performance appraisal policy decisions are made at the corporate level in most organizations but they are likely to be made at the business unit level in decentralized organizations. These decisions would include whether to conduct formal appraisals or whether to link pay to performance. However, decisions regarding appraisal practices, like type of format to use and rater training issues, are as likely to be made at the business-unit level as at the corporate level. On average, seven hours per year are spent appraising employees at higher organizational levels.

Uses of performance information

Important performance appraisal issues and uses. Managers identified fairness as the most important performance appraisal issue organizations face, and they tend to be very concerned that the appraisal system be an effective tool to manage future performance, not just past performance. Uses of performance information include improving future performance, making pay distribution decisions and communicating expectations regarding future performance. However, recent research by Napier and Latham (1986) had somewhat contradictory results: managers perceived no consequences (good

or bad) from conducting thorough performance appraisals, nor did they see any practical value in conducting them.

Matching product management systems with evaluation characteristics

Each of the three product management systems can work in congruence with a composite model of performance appraisal. From the background research presented in the previous sections, it is possible to draw linkages between the product management system and performance appraisal system.

External boundary spanning

A crucial aspect of a product manager's job

Of Shocker *et al.*'s (1994) list of nine environmental forces that have had an adverse effect on the product management system, seven directly relate the failing product management system to the inadequacies of the boundary spanning system utilized by product managers. Several other researchers have suggested that a major reason for the failure of the product management system has been an internal rather than an external focus (Lysonski, 1985; Lysonski *et al.,* 1988; Wood and Tandon, 1994). Katsanis and Pitta (1995) agree, and recommend that companies trying to catch up to today's marketplace start by eliminating internal boundary spanning wherever possible. Obviously then, effective external boundary spanning is a crucial aspect of the product manager's job and is a factor that directly contributes to the success (or failure) of the product manager. Therefore, product managers must be evaluated on their external boundary spanning ability.

Effectiveness as a team member

Because a number of organizations have changed their product management systems to a variety of team-based structures, it has become essential for the product manager to learn to work effectively as a member of a team. For organizations utilizing such systems, the importance of acquiring these skills must be reflected in the product manager's performance appraisal (see Table I).

Internal team approach. In evaluating product managers working within the internal team system, it is possible to use supervisors, peers, subordinates and self-evaluation as sources of input. As previously stated, the supervisor provides a clear understanding of the goals of the organization, and therefore must be included as a source of appraisal information. Product manager input into their own performance appraisal is also essential owing to the multiple benefits of the self-appraisal method. Also, because the internal team approach creates direct reporting relationships such that product managers have individuals reporting to them, then subordinates actually do exist and can be used as valuable sources of appraisal information for the product manager. And finally, in a team-based system, team members

Sources of input

Type of PM system	Source of appraisal information			
	Supervisor	Peer	Self	Subordinate
Internal team approach	X	X	X	X
External team approach	X	X	X	
Individual approach	X		X	

Table I. Matching type of product management system with appraisal sources

(peers) work closely enough with one another to provide accurate and useful appraisal information.

External team approach. In the external team approach, no one reports to the product manager. Therefore a subordinate view does not exist, so this source of performance information cannot be used. However, the remaining three sources, supervisor, peer and self-appraisal, all exist and can be used.

Individual product manager approach. When a team structure does not exist, as in the case of organizations focussing on individual product manager approaches, the product managers may or may not work closely enough with peers for the peers to provide useful appraisal information. If the product manager does work closely enough with certain individuals who can reliably provide accurate performance appraisal information, then this information should be solicited. Otherwise, without a team structure in place, performance information sources may include the supervisor and self-appraisal.

A highly participative approach

Appraisal method

There are a number of reasons why the method of delivering performance information must be open to participation from the product manager. Both the problem solving and the mixed method allow for the product manager's input. First, information gained through interviews with key informants suggests that the very nature of the job of product management encourages a highly participative approach to performance appraisal. As the "central transmitters of information" about their products, product managers are highly attuned to every aspect of the business surrounding each of their products. Functioning in such an environment instills a passion and thirst for information that extends beyond the boundaries of managing the product, into the areas of understanding and managing their own performance.

Second, as the most knowledgeable executives in the organization concerning their products and product markets, product managers are in the best position to plan strategically their products and the marketing mix elements that support them (Cosse and Swan, 1983). Therefore, they are also in the best position to identify performance criteria that will lead to the success of their products, and must be permitted to contribute these criteria to their performance appraisal. Product managers should therefore be actively involved in the development of the performance appraisal system.

Environmental uncertainty

Finally, previous research demonstrates that the negative consequences of boundary spanning role pressures, role conflict and role ambiguity, stem not from boundary spanning activities themselves, but from increased levels of environmental uncertainty (Lysonski *et al.,* 1988). These consequences lead to lower perceived performance, lower job satisfaction and increased levels of tension, leading to burnout. However, these negative effects of environmental uncertainty may be combated by increasing information gathering and feedback seeking activity. Therefore, benefits of using performance appraisal to encourage boundary spanning and feedback seeking activity include increased perceived performance leading to increased self-efficacy and job satisfaction, and decreased tension levels of product managers, diminishing the likelihood of burnout.

Appraisal content
The use of quantitatively based criteria such as sales figures and profitability has been criticized (Bart, 1986). In short, product managers have neither the

formal authority within the organization, nor the necessary control over a variety of factors external to the organization, to be appraised on whether or not they "made the numbers." Yet attaining sales budgets and maintaining sales profitability remain the first criteria mentioned when discussing performance appraisal with product managers and their supervisors. Organizations must understand that appraising product managers using criteria that are beyond their immediate control strips the performance appraisal system of its legitimacy, and in no way contributes to the development of the product manager.

Examples of qualitative factors

Some examples of qualititative factors derived from the areas of boundary spanning, team membership and strategic planning are listed as follows:

(1) Boundary spanning capabilities:

- Solicits product packaging, display information, and overall strategic advice from retail customers,
- solicits product performance information from end users,
- monitors competitors for the purpose of benchmarking innovative ideas.

(2) Ability to function effectively as a member of a team:

- Expresses openness and consideration to the ideas of other team members,
- offers ideas and makes suggestions on a regular basis,
- encourages other team members to offer ideas and suggestions.

(3) Strategic planning capabilities:

- Builds up the brand's long-term strength by developing a long-term strategic orientation,
- identifies most important criteria for maintaining product's long-term strength and focusses on developing these criteria.

Managerial implications

Gain support of both human resources and top management

Benefits of performance appraisal

Human resource managers have traditionally seen the benefits of performance appraisal as focussed on the individual, in that effective appraisal provides recognition and appreciation of work well done, as well as identifying areas of improvement for each employee:

> Coupled with joint target setting, appraisal can set the stage for expanding one's opportunity for interesting work experiences, as it is largely the individual's own preferences that determine what the targets will be. This focus is beneficial to supervisors and subordinates alike in that it keeps both supervisory and subordinate development in the forefront; one does not simply "do the job" but rather continually looks for ways to do the job more efficiently, more effectively, and more interestingly (McConnell, 1992).

However, the research presented here has demonstrated that performance appraisal can contribute directly to the organization's overall performance. To do so, performance appraisals must be used to acknowledge and reinforce the product manager's contributions toward not just individual goals, but overall organizational goals as well. Herein lies the true value of performance appraisal. By using appraisal as a tool to guide employee activities, the product manager, their immediate supervisor, and the human resource manager will ensure that all employees are contributing to overall

organizational goals. But in order to do so, the performance appraisal system must work in congruence with the product management system in place in the organization. In other words, the support of human resources and top management is essential for success.

Be aware and act on environmental forces as they affect your organization

Not threats, but opportunities

The following is the list developed by Shocker *et al.* (1994) of the changing environmental forces that are forcing organizations to adapt their product management systems. Face these changes not as threats but opportunities. Adjust your product management system so that you may utilize the turbulence in the external market as an advantage: and also, evaluate your product managers on their ability to manage some of these factors:

- Globalization of competition and openness of markets – the boundary spanning structure is currently inadequate to deal with the scope of globalization given the inward direction it has taken.

- Strategic alliances and collaboration with competitors – boundary spanning at the brand manager level does not permit the formal corporate ties needed for these relationships.

- The need to design products for global acceptance and product innovation – which suggests a need for more formal team approaches in product development rather than informal boundary spanning at the individual brand manager level.

- The impact of technological change – a brand manager cannot rely on informal information communication channels when technology is so complex and changing so rapidly.

- Time-based competition (rapidity of product development) – boundary spanning tends to slow down the new product development process, and, therefore, the ability to be first in the market.

- Increased power of distributors and the evolution of distribution channels – owing to the formal nature of partnerships with suppliers rather than informal relationships.

- Investor expectations and brand equity – new demands such as increased brand profit and cost reduction are being made on product managers that a boundary spanning system cannot accommodate owing to the lack of individual brand manager authority.

- Changing consumer markets – informal boundary spanning activity by individual brand managers cannot pick up on changes in market trends quickly enough either to adapt their existing products or develop new ones.

- Perceived usefulness of brands – boundary spanning activity in recent years has tended to have an inward focus, which led to the development of products that were of questionable value to consumers (adapted from Shocker *et al.*, 1994).

Use qualitative instead of quantitative criteria

Qualitative criteria

The arguments against the use of quantitative criteria are innumerable. On the other hand, qualitative criteria are not difficult to employ and may be presented in a variety of forms. For example, one of the criteria found on a key informant's performance appraisal was to maintain a "new ideas" file. This objective encouraged the product manager to keep an eye on competitors and the external environment and benchmark any new and

innovative ideas. Qualitative criteria like these are particularly useful for two reasons:

(1) sought behaviors are identified, i.e. conducting external boundary spanning,

(2) the focus of each behaviour is also specified, i.e. conduct external boundary spanning for the purpose of developing a "new ideas" file.

Other examples of qualitative criteria that were used include surfing the Internet and locating sites that provide marketing information, determining the usefulness and value of this information, and introducing these sites to other product managers. As already demonstrated, criteria that are an absolute must for any product manager's performance appraisal are external boundary spanning ability and effectiveness as a team member.

Be permitted to participate

Allow for input when developing performance standards and criteria
Product managers need to be highly involved in the performance appraisal system development and appraisal discussion for a number of reasons. Product managers want to know how to manage their own performance. Therefore, they need to know what the key product performance criteria should be and, at a very basic level, be permitted to participate in order to thrive.

This will greatly help firms to develop performance appraisals that encourage:

- a highly participative approach to performance appraisal to develop evaluative criteria,

- the use of their knowledge about products and product markets to establish performance criteria,

- help from supervisors in order to avoid low perceived performance, low job satisfaction, tension and possible burnout.

Make sure your performance appraisal system is not dated
The wide-scale changes to the product management system as discussed in this paper have generally taken place within the past five years. Bretz *et al.* (1992) identified the average age of performance appraisal systems as being 11 years. Therefore, the possibility exists that your performance appraisal system is outdated and does not work in congruence with your product management system. It may even be working against your product management system by identifying objectives that directly contradict the objectives of your product management system, and therefore the goals of your organization. Your performance appraisal system must be updated so that it complements and works in congruence with your product management system.

Managing the evaluation process

Ensure your managers take ownership of the performance appraisal system
Bretz *et al.* (1992) found training in a number of areas of performance evaluation was provided for managers, which indicates organizations do take performance appraisals seriously. This is further supported by the fact that organizations spend on average seven hours, or one full day per year on performance appraisals. However, managers are rarely evaluated on how they manage the evaluation process. Managers must take ownership of the appraisal process, which may be accomplished by evaluating them on how well they evaluate their subordinates. Also, product managers, or the ratees,

should be trained on what to do with the appraisal information presented to them.

Utilize performance targeting to appraise product managers
An example of a somewhat revolutionary approach to performance appraisal is provided by Halachmi (1993). Performance targeting provides an interesting alternative to the standard performance appraisal and could be useful to a number of marketing organizations:

> Performance targeting shifts the focus from documenting and evaluating an employee's work to assessing the partnership between a subordinate and supervisor. When this partnership works, the supervisor creates the necessary conditions for the subordinate to do his share to meet organizational objectives. Performance targeting establishes not only the responsibilities of the subordinate but the supervisor's responsibilities as well. It replaces the management by objectives' passive "contract," to which employees are held accountable, with a functional relationship between supervisors and subordinates.

The entrepreneurial aspect of product management

What makes this method particularly attractive is that, as Bart (1986) suggests, it replaces quantitative criteria with a qualitative approach. It also follows Cosse and Swan's (1983) suggestion that the product manager be involved in developing organizational goals and determining how to contribute personally toward the attainment of such goals. Also, this method provides some insurance to the product manager in that it determines what the product manager's immediate supervisor must do to create the conditions necessary for the product manager to succeed. Targeting the relationship ensures that supervisors and managers concentrate on the future and do not dwell on the past. Finally, performance targeting can assist in actualizing the entrepreneurial aspect of product management, something Low and Fullerton (1994) suggest is essential to carrying the role of the product manager into the twenty-first century.

Eliminate internal boundary spanning where possible
Previous research has indicated that one of the major problems with product management systems is the internal versus external focus. Try to create as many direct reporting relationships as possible so that product managers can be evaluated most effectively based on actual versus perceived performance criteria.

Future research
Future research is required in three specific areas. First, there is a need for the collection of descriptive data that will allow researchers to determine exactly what it is that product managers utilizing the new product management systems are doing. Second, the relationships between product managers and their supervisors need to be examined to determine whether or not there is congruence between what the supervisor expects the product manager to be doing and what the product manager is actually doing. And finally, the impact of performance appraisal on the tasks the product managers are performing needs to be determined to ensure maximum overall company performance.

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This summary has been provided to allow managers and executives a rapid appreciation of the content of this article. Those with a particular interest in the topic covered may then read the article in toto *to take advantage of the more comprehensive description of the research undertaken and its results to get the full benefit of the material presented*

Executive summary and implications for managers and executives

How did I do, Boss? Flexible appraisal for product managers

Product management lay at the heart of marketing for nearly all fast-moving consumer goods. The idea of a product champion taking full responsibility for every aspect of a product's marketing became accepted as the best model because businesses such as Proctor & Gamble and Unilever demonstrated its success. The advent and explosive growth of television advertising and other mass media complemented this organizational model by providing a clear schema for promotion. It seemed that the rules of product marketing and management were set for all time and even that the product manager would become more and more powerful as international barriers collapsed and we moved to a seamless, global market.

This rosy picture did not fulfill itself and today product managers and the Proctor & Gamble model of product management no longer dominate thinking on the marketing of fast-moving consumer goods. Instead, we now see several competing models not all with a recognizable connection to the established approach. Katsanis, Laurin and Pitta ask, in the context of this change, how we should set about appraising product managers – assuming of course that we still have such beasts. However, before we proceed to look at how an effective appraisal system might operate, we must establish the nature of the changes to product management and the threat to product managers.

In essence, Katsanis et al. *identify three significant challenges to the established product management model:*

(1) Customer focus and relationship marketing. Here the emphasis is on customers and customer groups and on the need to develop a relationship with them to secure their loyalty. Service and support become part of the product marketing mix alongside the traditional 4Ps.

(2) Management by multi-functional teams rather than individuals with leadership not necessarily falling to marketers. Firms with a historic production focus have embraced the ideas of lean production, TQM and JIT and now seek to extend the team-based model at the heart of production effectiveness to other areas and particularly those focussed outside the company such as marketing. Katsanis et al. *also see the emergence of "teams" operating across the firm's boundary, involving consultants, agencies and even large customers such as supermarket chains.*

(3) Focus on channel management, logistics and the supply chain, incorporating a growing emphasis on close relationships, partnerships and alliances. Here the argument is that a close relationship along marketing channels secures sales so long as the firm maintains product and service quality.

These three challenges have led to two broad categories of response from businesses: dumping product management in favor of consumer group management or multifunctional teams; and allowing the product management system to evolve beyond responsibility for a single product or brand to responsibility for a retail category. In the former case, product managers – even where they exist in name – no longer dominate the marketing process. In the latter case, a product focus remains but on a more strategic level, allowing us to identify more formal profit centers and provide tighter financial management.

Katsanis et al. *then ask whether performance appraisal needs reconsidering in light of this changed role for product managers. In doing so, they raise*

again the common criticisms and concerns about appraisals heard in every business. Appraisals are too infrequent, they do not easily reflect what an individual has actually done, personal relationships color the way in which appraisals are conducted, it is hard to be critical when your job or promotion might depend on what you say…and so on. Everybody accepts the need for appraisal (or at least some way of assessing performance), but the balance between qualitative or subjective assessment and quantitative or objective assessment remains hard to strike. Even where clear profit responsibilities exist, the individual manager is not necessarily accountable for failure (or indeed success), merely responsible.

Because of this problem in defining the right basis for appraisal, most managers fall back on a feeling about what is right. In many cases, managers make decisions about pay, promotion and bonuses from a collection of inputs with appraisals as just one element. Appraisal also tends to fulfill more than one objective, since it is both a measure or report on performance and an opportunity to look forward in the appraisee's career and identify areas needing or deserving development. If the focus is simply on performance – looking back – then an appraisal can prove deceptive and demoralizing.

Given these problems, Katsanis et al. *set out a fairly unequivocal description of the approach to take in appraising product managers whatever their new role may be. Some key elements of their prescription need re-emphasis:*

- *Appraisal extends beyond the performance of the individual to affect the organization's overall performance. To achieve this extension, management needs to acknowledge contributions to business goals implicit in individual goals.*

- *Appraisal is, at heart, a subjective, qualitative process since in most businesses an individual contributes just a part of the achievement of quantified corporate aims. Also, some aspects of boundary-spanning are difficult to pin down in quantifiable terms and a role looking out must be flexible and responsive to the environment.*

- *Any appraisal system needs ample input from the product manager since they have a better grasp of the tasks involved in their job and how those tasks are best delivered. Such a system requires a mixture of the specific and the open-ended.*

- *Develop your appraisal system, make sure it reflects the task of product management and ensure that it is owned by those administering appraisals and not some arcane mystery jealously guarded by initiates in human resources.*

- *Look to add the views of peers and others relating to the individual, since their job is one of interacting with others and it is unduly limiting to see their role as a dyadic relationship between manager and subordinate. Where you use a team management approach, the team needs appraisal alongside individuals within the team, since performance is significantly affected by the interface between individual team members.*

- *Do not see an appraisal system as static, only changing when it reaches number one on some manager's list. Constantly review whether it is reflecting overall performance and seek feedback from those involved in the process itself.*

(A précis of the article "How should product managers' job performance be evaluated in emerging product management systems?" Provided by Marketing Consultants for MCB University Press.)