Whither Performance Management?

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1. Introduction

Although it is a concept that has commanded considerable attention from academics, researchers and practitioners alike over the past ten to twenty years, performance management retains much of its 'grail' type quality for many organisations.

In spite of its many iterations, designing, implementing and applying a performance management process that both adds value to business performance and creates a developmental, satisfying and rewarding place to work continues to challenge each layer of management and their HR partners. More specifically, there remains widespread interest in:

- creating a deeper 'line of sight' from the boardroom to the customer interface so that individual contribution is directly aligned with the strategic goals of the organisation
- identifying the characteristics of successful approaches to performance management
- deepening our understanding of performance and what really drives it
- exploring the link between approaches to performance management and the creation of a high performance culture
- isolating the activities and behaviours of line (and HR) managers most closely associated with building capability and raising achievement.

The purpose of this paper, therefore, is to contribute to the performance management debate by identifying the key areas that management must address if it is to maximise the contribution of performance management.

2. From Performance Appraisal to Performance Management: Background and History

As highlighted by Fletcher and Williams (1992), while people have appraised each other's performance informally for as long as the human race has indulged in group activities, the roots of today's formal appraisal systems lie in the work of Frederick Taylor and his followers before World War I. Ratings for officers in the US armed services were introduced in the 1920s, and this spread to the UK. So did some of the factory-based American systems. Appraisal schemes of the 1930s were incentive-linked, and the incentive was promotion. This characteristic was still in evidence in the 1950s but gradually American influence crept in and greater attention was paid to management development. Feedback — letting individuals know where they stood — started to become important, although at this stage the motivation was to make people work harder by showing them they had been noticed rather than to increase productivity through greater satisfaction and happiness.

By the late 1950s, appraisal systems were characterised ratings and a focus on personality traits. This led to the publication of McGregor's Harvard Business Review article (1957) in which he pinpointed the reluctance of managers to give critical feedback to subordinates because they felt uncomfortable 'playing God'. McGregor advocated a switch away from appraising personality and towards job performance by assessing against set goals (incorporating Drucker's 'management by objectives' principles). The role of the appraiser become 'helper' rather than 'judge' and the appraisal, in turn, become more future-orientated than before.

The seminal investigations of Herbert Meyer and his colleagues in the General Electric Company in America highlighted that appraisal interviews which sought to both give feedback and produce an increase in subordinate motivation (and therefore performance) tended actually to reduce motivation and bring about little or no change in behaviour. Criticism in the interview seemed particularly damaging especially if appraisals were linked to rewards and they advocated therefore that pay should be separated from appraisal as far as possible and that 'work-planning and review' sessions should be held instead. By the end of the 1960s therefore, the virtues of a participative and problem solving approach were being realised.

The 1970s saw greater openness in reporting, increased subordinate participation and the rise of trade union interest in appraisal practices. The term 'performance management' was first used in the 1970s by Beer and Ruh (1976) but did not become a recognised process until the latter half of the 1980s. In contrast to performance appraisal, performance management was described as a comprehensive continuous and flexible approach to the management of organisations, teams and individuals which involves the maximum amount of dialogue between all those concerned. Whilst a large scale postal study carried out in 1991 by the Institute of Manpower Studies (IMS; now the Institute for Employment Studies) for the Institute of Personnel Management (now CIPD) concluded that 'there was no consistent definition of performance management among those professing to operate it' (Institute of Personnel Management, 1992), it did identify a number of characteristics which distinguished 'performance management' organisations from others such as the use of mission/ vision statements, more measurable performance targets and practices like TQM and PRP.

Armstrong and Baron (2005) later contrasted performance management with the more limited, top down and historic approach to performance appraisal (see Table 1 below).

Though organisations professing to have formal performance management policies *tended* to engage in practices and activities of the kind advocated in the textbooks, the IMS researchers were able to identify only three per cent of organisations (out of the 856 respondents) which closely matched their textbook model.

This led Williams (2002) to question whether performance management exists, highlighting that the dominant approach to managing employee performance still rests on objective setting and annual appraisal, supplemented often by various forms of performance-related pay. More fundamentally, it also raises the question of where performance management goes from here. In spite of all that has been studied, researched and written during the evolutionary period summarised here, there is evidence to support

Table 1: Performance appraisal compared with performance management

Performance appraisal	Performance management
Top-down assessment	Joint process through dialogue
Annual appraisal meeting	Continuous review with one or more formal reviews
Use of ratings	Ratings less common
Monolithic system	Flexible process
Focus on quantified objectives	Focus on values and behaviours as well as objectives
Often linked to pay	Less likely to be directly linked to pay
Bureaucratic – complex paperwork	Documentation kept to a minimum
Owned by the HR department	Owned by line managers

Source: Armstrong and Baron 2005

the view that performance management is still not working in UK plc. Contrary to much of the rhetoric around empowerment, engagement and productivity, independent research sources continue to throw up such damning statistics like the following.

- Only five per cent of managers are very satisfied with their company's performance management process (Corporate Leadership Council, 2002).
- Only five per cent of the workforce understands corporate strategy (Bain, 2002).
- Eighty per cent of UK employees are 'not engaged at work' (Gallup Q12 index, 2001).
- Just 20 per cent of employees trust their manager (Oxford Consultancy, 2002).
- Fifty per cent of employees blame poor performance on bad leadership (ISR, 2003).
- Under 40 per cent of UK workers feel that managers deal with underperformance effectively and only 20 per cent agree that good performance is attributable to management behaviour (Mercer HR, 2003).

One of the reasons that performance management receives so much airtime in daily organisational life is that top management regard it as one of the few HR practices / policies that is directly and critically aligned with delivering performance. It is not satisfaction, not 'engagement' (assuming they understand the term), not wellbeing, but performance. Yet the statistics above suggest that performance management is, to a significant degree, failing to do the basics well. If an organisation's performance management system is not adding to performance then how else can such investment of management time and energy be justified? 'Adding to' is very different to 'measuring' or 'controlling', which, though important, cannot drive higher levels of achievement.

More fundamentally, if you believe Porter's (2003) analysis that Britain is less productive than all her major European partners in manufacturing, distribution and financial services, primarily through a failure of middle management, then you have to ask how well the HR-led performance management system is contributing to overall business performance. Is there a real link between the two or are they disconnected? Is this an isolated, insular and compliance-driven performance management system, which is not linked to the fundamentals of achieving business success?. If HR's prime performance-enhancing mechanism is simply not delivering in most UK organisations, what are the solutions to the problem?. How can performance management more effectively contribute to the development of human capital in organisations?

3. What is Performance?

The first challenge along the journey is to provide some clarity in an area that is either 'dumbed down' to a simplistic and meaningless level or over-engineered and complicated so that no-one is able to 'see the wood for the trees'!

As Williams (2002) observes, 'the predominant conception of performance in the UK is that it is an intervention targeted at individual employees with the aim of directing and enhancing their performance so as to improve organisational effectiveness'. Surveys of appraisal practice (Gill, 1977; Long, 1986; IMS, 1992; Armstrong and Baron, 1998) show that a results orientation has come to be the dominant approach for expressing performance requirements. These requirements are expressed in a whole myriad of documentation ranging from accountability statements to job descriptions, balanced scorecards and objective statements. The clear emphasis is on the often numerical 'what'. What income has been earned, what costs incurred, what volume processed, *etc.*?

The focus on end product is, of course, an entirely sensible and legitimate one (after all, this is ultimately the whole point of organisational endeavour and to lose sight of this risks complacency and decline) but the pluralistic and complex nature of modern organisational structure means that it does have its limitations. A focus on the 'what' can represent an accurate assessment of the performance of individuals who have a large degree of end-to-end control over what they make, sell or deliver, but who really has that anymore in matrix managed, shared service operating models? The complexity contained within organisational processes, aligned as they must be with the demands of a whole range of operational, regulatory and reputational stakeholders, means that the impact of most job holders is just one of the variables in a complicated equation. The contribution of each individual is hard to assess. Everyone has a part to play and can influence the outcome but then so can a whole bunch of other individuals and factors over which they have little or no control. This problem is particularly acute in the public sector which is why successfully introducing performance related pay based simply on meeting objectives is so difficult (Reilly, 2003).

Defining performance simply in terms of *what* has been achieved becomes therefore a limiting factor in an organisation's performance management system. If outputs can't accurately reflect the contribution of individuals then the chances of accurately diagnosing and *enhancing* such contribution become extremely remote (not to mention issues of fairness and motivation). This dissatisfaction with the crudeness of the idea that 'performance equals output' has led commentators and practitioners to include the *how* within their performance. This is where it all starts to get very complicated.

More common today is a view that performance is actually behaviour rather than outputs or results, central to which is the fact that for many jobs, results are not necessarily the product of what individual employees do — there may be other contributory factors that are nothing to do with the person doing the job (Cardy and Dobbins, 1994; Murphy and Cleveland, 1995). As Williams (2002) observes, the term performance tends to be used in everyday practice in a loose way to embrace both outputs and behaviour. This may be convenient shorthand for organisations but they are both different entities and require different management systems and processes.

Implied in the behavioural view is the notion that whilst performance is behavioural, not all behaviour is performance — only that which is goal relevant counts. However, some writers have drawn a distinction between the aspects of jobs that are formally required and expected and those expectations arise in a more informal way. Borman and Motowidlo (1993) distinguish between task performance (*ie* activities that contribute to the technical core of the organisation and contextual performance, which supports the broader, social/psychological environment of the organisation). Examples of contextual performance would include things like helping others, following rules and procedures even when personally inconvenient or distracting, supporting broader organisational objectives.

This class of behaviour has also been referred to as 'organisational citizenship behaviour' (eg Bateman and Organ, 1983), 'prosocial organisational behaviour' (Brief and Motowidlo, 1986), 'organisational spontaneity' (George and Brief, 1992), or 'extra-role behaviours' (Van Dyneet *et al.*, 1995).

The inclusion of a behavioural element to definitions of performance has been furthered by the work of Campbell (1993). His taxonomy of performance components includes the following:

- job-specific task proficiency
- non-specific task proficiency
- written or oral communication proficiency
- demonstrating effort

- maintaining personal discipline
- facilitating peer and team performance
- supervision and leadership
- management administration.

Campbell's taxonomy takes us into the complex and opaque notion of 'competency', a concept that is subject to even more confusion than performance is.

As accounts (*eg* Tuxworth, 1989) of its origins show, confusion about competency seems to have existed from the beginning and it has been compounded by lack of definitional rigour (Collin, 1989) and by loose use of terminology in much of the literature. This has been further exacerbated by the use of such terms as 'core competence' and 'distinctive competence' as properties of the organisation (Sparrow, 1994 and 1996). Thus, here, the term competence refers to distinctive features of the organisation and to properties of jobs. In the UK we have to associate competences with National Vocational Qualifications (NVQs) and the Management Charter Initiative (MCI) National Standards.

The term 'competencies', on the other hand, is more usually related to a person but there is still substantial disagreement. There seem to be two main conceptualisations. One popular interpretation of a 'competency' is that it is 'a dimension of overt, manifest behaviour that allows a person to perform competently' (Woodruffe, 1992). Examples of 'competencies' as defined by Woodruffe include 'drive to achieve results', 'incisiveness' and 'sensitivity to view of others'.

There is another conceptualisation of competencies though that is associated more with what people are, not simply with what they do. This definition, strongly associated with the work of the McBer consultancy, focuses on the fundamental properties of the person — traits, motives, self concept — that are causally related to superior job performance. In other words, competencies here are not behaviours which are therefore performance in themselves, but are rather personal characteristics that determine or cause performance. It is this element of the definition that lends this conceptualisation of competencies some distinctiveness from the seemingly behavioural approach taken by Woodruffe.

In comparing the two definitions, Williams (2002) notes that Woodruffe (1991) objects to the McBer definition on the grounds that it 'seems to cover pretty well anything'. Indeed it does, and mixing up traits, attitudes, thought processes and behaviours would seem to be unhelpful, particularly from a theoretical point of view. Thus, Woodruffe (1991) sees behaviourally defined competencies as offering 'a chance to get away from the muddle of traits and motives'. However, if we look at some of Woodruffe's competencies we see that the more basic characteristics of the person are implied: 'preparedness to compromise' — true enough we recognise this in behaviour that is displayed, but surely this implies a dispositional characteristic; 'takes on problems', 'suffers personal inconvenience', 'shows empathy', 'gets to the heart of a problem', 'identifies limitations to information' — these all imply dispositional, attitudinal and similar underlying characteristics of a person. Thus, when we look at examples of Woodruffe's competencies it is clear that they include more than is conveyed by his definition: they are not so exclusively behavioural after all.

This confusion has been around for a while now. A previous IES report (Strebler *et al.*, 1997) highlighted the suspicion and indifference that surrounds the use of competencies and the need for organisations to invest in educating mangers in their definition, purpose and application.

Rather than addressing this confusion, organisations (and in particular their HR people who shoulder much of the responsibility) proliferate misunderstanding by finding even more complicated ways of trying to say the same thing (which few understand in the first place). However good this looks on slide deck presentations in Head Office, lobbing terms like 'capability frameworks' into a glossary packed full of words like competence, competency, attitudes, behaviours and performance enablers is not going to help! Some suggestions for finding a way out of this maze are included in the summary at the end of this paper.

4. Goals that Motivate, not Tasks that Control

One of the consequences of the outcome-based definition of performance in the UK has been the widespread use of goal setting within the performance management process. Goal setting is much advocated in the literature of (particularly practice-orientated) performance management, (Ainsworth and Smith, 1993; Armstrong, 1994 and 1995; Costello, 1994; LGMB, 1993; Lockett, 1992; Moores, 1994). It has a strong theoretical underpinning. At an individual level, 'goals' have become synonymous with 'objectives' and as a result of being in such widespread use, there is some consensus about what 'good' looks like. McConkie (1979), analysing the views of nearly 40 authorities on MbO identified near universal agreement about three aspects of goals within the context of MbO, namely:

- goals and objectives should be specific
- they should be defined in terms of measurable results
- individual and organisational goals should be linked one to another.

These principles are reflected in much of today's conventional wisdom about objectives which is often expressed through the term 'SMART', standing for:

S pecific

M easurable

A chievable

R esults orientated

T ime bound.

But is there a risk that current practice is in danger of missing the fundamental theoretical premise that underpins the whole concept of goal setting and performance? Look closely at the functions of organisational goal setting and what becomes very apparent is that these are primarily about alignment, control, structure and measurement. Objective setting in this sense becomes an instrument of accountability, decision making and prioritisation. This is not undesirable *per se*. A sense of clarity and alignment between the goals of the organisation and the objectives of the individual is a perfectly valid and necessary prerequisite of commercial success but is there not more to it than that?

The extensive work of Locke and Latham (1990) shows that one of the most robust research findings in the behavioural sciences field is that goal setting has a beneficial effect on individual performance by being a source of increased motivation. As long as certain criteria can be fulfilled, goal setting leads to an increase in the intensity and persistence of effort which, if mediated by ability, leads to an improvement in performance. Much research into goal setting has found that the following criteria are necessary in releasing this motivational impetus.

- Specific goals lead to higher performance than general 'do your best' goals.
- Difficult goals lead to higher performance than easy goals.
- Goals must be accepted by the individual as fair and reasonable.
- There must be an element of commitment or ownership on behalf of the individual.

Accepting the work of Locke and Latham dictates a mind shift in the value and nature of goal setting. In this world, objectives are not *just* about making sure that everyone is pointed in the right direction or that everyone can be held accountable for what they do or even that the reward 'cake' can be shared equitably in light of relative contribution. They are instead an instrument of motivation and higher achievement. This difference is not one of semantics. Organisational performance management surveys will typically ask, and get generally positive responses to questions like 'I know how my performance is assessed', or 'I understand how my pay is linked to performance'. How many though ask their employees the question 'How motivational are your objectives in helping you meet your performance expectations?' and what would be the response if they did? Although we are speculating here, one suspects that if organisations were to audit these goal setting mechanisms against Locke and Latham's criteria, rather than the SMART acronym, they would typically conclude that they were longer on difficulty and specificity and shorter on equity and ownership.

This motivational challenge also extends to the issue of measurement. In the output dominated world of UK performance management, one often hears the phrase 'What gets measured, gets managed'. The pursuit of objective, quantifiable measures of individual contribution, whilst not inherently undesirable, again reveal a bias towards accountability and historic judgement rather than motivation and future improvement. Broadening the debate, government obsession with targets may have had some beneficial effects on public service delivery, but at the cost of some displacement (the non targeted areas get neglected) and of a deleterious effect on staff motivation (Pearson *et al.*, 2004).

This centrality of measurement in judgements about performance and pay has spawned the conventional wisdom that only measures which are within the complete control of the individual should be adopted. As we have already observed, however, such wisdom ignores the complex, pluralistic and matrix structured nature of current day organisations in which so few jobholders have end-to-end control over the value chain or customer experience. The reality is that measures or indicators which provide the job holder with meaningful information about progress towards their objectives, can also most likely be affected by factors outside the job holder's control. For example, when we get behind the wheel of a car we have an objective of getting from A to B on time and in one piece. In front of us is a dashboard with a set of indicators (or measures) which provide us with information that tells us whether it is likely that our goal will be met. We know though that however well we drive, these indicators can be affected by external factors over which we have little or no control, *eg* the behaviour of other car drivers, road closures or even the weather. We may therefore miss our stated objective through no fault of our own.

The challenge that this provides to those charged with making performance judgements based on available measures is the extent to which the performance, as measured has taken place because of, or in spite of, the activities and behaviours of the job holder. The lack of trust in the ability of organisations and/or managers to make this type of mature and sophisticated judgement risks 'dumbing down' the whole measurement approach at individual level. Only those measures completely within the individual's control are likely to be adopted and they are likely to therefore show more about tasks (reports, meetings, projects) than they are about goals (income, customers, efficiency and capability). To return to our car driving analogy, the preoccupation becomes how many times gears have been changed or mirrors have been checked rather than whether the destination was reached in the quickest and most cost-efficient fashion.

5. Stop Managing!

As with the term 'performance', the word 'management' may itself be part of the performance management problem. Although everyone is likely to have their own definition, there are some general Anglo Saxon themes that can be identified in the cultural attitudes that persist here. Management in UK plc tends to be synonymous with words like hierarchy, control, supervision and measurement yet are these the things that make the most difference in performance management systems?

Worthy of study is research by the Corporate Leadership Council (2002). The data presented in this survey was gathered by a web-based survey during May and June of 2002. The sample, 19,000 people, was very large by traditional standards and was gathered from employees and managers from 34 organisations across seven industries and 29 countries. The survey asked employees and managers about nearly all facets of their organisational performance management systems, including manager quality, organisational context, on the job development and training and day-to-day work. Survey data was combined with company supplied data on employees and managers, including most importantly, data on individual performance. The Council analysed this data using structural equation models which estimate the impact of one variable (*eg* frequency of informal feedback) on another variable (*eg* discretionary effort) and how changes in this second variable impact a third (*eg* employee performance). This allowed the Council to isolate the unique impact of each of the 106 performance strategies examined and therefore generate a list of performance drivers in rank order of their impact on individual performance.

The findings make interesting reading. One aspect that is very apparent is that not all performance management activities carry equal weight in terms of their impact on improving performance. Of the 106 drivers examined, only nine were found to have more than a 25 per cent impact upon performance (making them 'A-level' drivers) whilst the vast majority had a benign, passive or even destructive impact.

This variation in the impact on performance was particularly apparent when the Council examined the role of management. Traditionally valued management activities such as measuring results and holding people accountable were shown to be less influential on performance than other more enabling interventions. The most value adding activities centred around managers providing employees with specific, tangible answers and assistance to help them do their day to day jobs.

We know intuitively that this makes sense. For example, as a social golfer (and a poor one at that) I aim to shoot a score under 90. I know that I am 'accountable' for whatever score I end up shooting. Having someone repeatedly telling me this will do little to help me achieve a better score next time round. However, someone who can help me find the right coach or who can help me eradicate some faults in my swing might make a difference. Why is this seemingly obvious insight so difficult for organisations to grasp? Maybe the answer lies in some deep-seated attitudes about the nature of people and their motivation (see below) or maybe managers just feel more comfortable compiling and distributing league tables.

The point though is that we need to start valuing different things. The good news for managers is that this may mean less rather than more. The CLC research pointed to the damaging impact of making frequent changes to assignments and projects (Corporate Leadership Council, 2002). Certainly, some moving of the goalposts is both inevitable and unavoidable but how many times is this also because of managers' inability to avoid interfering? Counter-intuitive though it may be to those brought up in a 'managers manage' culture, enabling, supporting and coaching will pay bigger performance dividends than directing, controlling and measuring.

6. The Will and the Skill

If what managers do is critical to optimising performance management, how can organisations ensure that they are equipped and enabled to do it?

The temptation here is to believe that the issue of line management capability is all about training. The work of Purcell (CIPD, 2003) is helpful in steering us away from this flawed assumption. Purcell and colleagues posit that our performance in any given task is dependent upon three variables:

P	=	A	+	M	+	O
performance		*ability*		*motivation*		*opportunity*

This equation is hugely valuable for its simplicity and applicability. (Think about anything you do at work, at home or at play and this equation holds true.) But it is also helpful in examining how to help managers be more effective in performance management activity. In other words, managers' performance in executing performance management policy and practice will be dependent not just upon their skills and knowledge but upon their motivation and opportunity too.

The 'opportunity' and 'motivation' parts of the equation are so important but often overlooked. To examine opportunity: is the organisation's system a help or a hindrance in facilitating high quality performance conversations? Why does there have to be so much paper involved? Does the performance management form represent this or that agenda adequately? Have the diversity people 'approved' it? Can we reinforce our brand values in it? Where does the 'grandparent' write their comments? There is lots of research data about what works in performance management, very little of it says make the form longer but when does it ever get shorter?

Many organisations are now automating key parts of the system. This offers a seemingly attractive solution but there are risks. Allow your performance management system to become an IT deliverable rather than a performance driver and it could well become even more over-engineered and opaque to the end user than the paper driven process.

A system that enables, rather than prevents, better performance discussions does of course have a knock on impact to another of Purcell's variables: motivation. Of the three performance variables, this presents, arguably, the biggest barrier to organisations enhancing their performance management capability. Let's face it, most line managers (and have we not all been there?) will go to all sorts of extremes to find ways of avoiding the dreaded moment when they have to sit down with someone face-to-face and discuss their performance. It is bad enough with the good performers but when dealing with those who are under-performing, it is even worse. All of the negative inner voices clamber for attention: 'I hate doing this, it's not my job anyway', 'What if they challenge my data?', 'I'm not a social worker!', 'I don't know how to help them improve', 'My boss doesn't care anyway' are not untypical responses.

Part of the answer to this problem lies in improving opportunity (above) and ability (below) but when it comes to motivation, organisations must do more to make it matter. This should not be read in a punitive, 'stick' fashion but is instead merely an extension of the expectancy theory of motivation (Vroom, 1964): if an individual is to be motivated around a particular task, they must perceive that such effort will be reflected in performance as measured. In other words, if we want managers to be motivated to execute performance management more effectively this execution must be measured in some way and therefore feature in how their overall contribution is assessed and rewarded.

The dichotomy between rhetoric and reality (regularly a feature in performance management) is at its most extreme in this area. Top management will often put performance management centre stage in their strategies towards growth, renewal and delivery yet, however inadvertently, make it irrelevant and avoidable by their unwillingness or inability to measure managers' capability in delivering it. Given a choice between focusing on 101 metrics associated with income, costs and profit or a couple of lines on a staff survey that ask whether staff have had a performance review or not, where would you focus your effort?

What about ability? What are the skills and knowledge that managers need most when it comes to performance management? The CLC research (Corporate Leadership Council, 2002) provides some interesting insights. As well as looking at what goes on in formal performance reviews, the Council also analysed what made the most difference in the informal performance conversations that are a feature of daily organisational life. They found that informal feedback is an incredibly important tool for driving individual performance. Not only was 'fair and accurate feedback' (at 39.1 per cent) the single most influential performance driver out of the 106 examined in total, two of the other eight 'A Level' drivers (more than 25 per cent impact) also related to feedback — managers knowledgeable about employee performance and feedback that is focused on helping people do their jobs better.

The implications of these findings are worthy of further emphasis. Firstly, feedback is not nice to have. It is not there to make us feel better about the people or organisation we work for, it is a performance critical capability. What other business case can project a 39.1 per cent lift in performance without costing a penny? Secondly, feedback is more than just 'well done' or 'that's not good enough'. The performance-enhancing element is dependent upon fairness, accuracy and practicality. Thirdly, if feedback is to be accurate and help people do their jobs better, managers have to be able to analyse individual ability effectively. Without accurate diagnostic skills, feedback is likely, at best, to be irrelevant and, at worst, to be damaging and demotivational. Finally, it emphasises how performance management needs continuous adult-to-adult dialogue rather than a system to support the completion of a form once a year.

Again though, organisational practice often flies in the face of such powerful evidence. Feedback is often conspicuous by its absence within management development programmes. Attempts to measure feedback capability and license or accredit managers in its effective delivery are equally scarce. A general lack of rigorous measurement aside though, there is sufficient evidence for us to know that skill development in this area is still desperately needed amongst many managerial groups. Again, previous IES studies (Hirsh *et al.*, 2004; Tamkin *et al.*, 2003) draw attention to the ongoing skill gaps in this arena and highlight some often quite depressing examples encountered in their studies. Additionally, Chip Heath (Heath, 2003) at Stanford University reports that managers are generally poor at judging what motivates people and tend to have an 'extrinsic incentive bias' (which may provide clues also to why so many managers are keen on performance-related pay but are so often uncomfortable with forms of non-financial recognition). The corollary of this, though, is that the opportunity to make a significant performance difference here is massive. Are organisations and their learning and development practitioners willing or able to respond?

7. HR: Challenge or Acquiescence?

Perhaps the most worrying feature of the 'whither performance management' debate is the apparent unwillingness or inability of the HR community to provide the necessary leadership within organisations. Line management has its hands full with a whole plethora of short-term commercial problems — issues of sales, cost, technology, brand, process and distribution — so when it comes to the people agenda, they need to be able to turn to professional practitioners who 'know their onions', understand the strategic context in which they operate and can focus attention on the issues that matter most to performance.

As it is in any professional—client relationship, providing necessary leadership in organisations is challenging because it will often mean 'holding the mirror up' and taking the organisation into uncomfortable and difficult areas. This generates resistance and even hostility. People go into the standard 'change curve' of denial, blame, anger, etc. and the temptation to 'shoot the messenger' is hard to resist. But this is what being a 'thought leader' is all about. If HR leaders are really to get the respectful attention of the business they crave, if the rhetoric of 'added value change agency' is ever to be fulfilled in practice, then colluding with the status quo in an attempt to reassure the organisation of its 'world class' status is never going to achieve it. If a patient wants to lose weight, or an alcoholic wants to go dry, it is going to involve change, resistance and discomfort; reaching the most challenging goals usually does, it is what makes achieving them so worthwhile. The adviser has a clear choice: assuage the patient's doubts and tell them it is not really so bad, or help them face up to their challenges and adapt to new ways of thinking and behaving. Sometimes the first choice may be the right one, but even when it is, one thing is certain, little will ever change as a result.

For the HR functions open to the challenge, here are some suggestions about what ground is worthy of contesting.

7.1 Learning from experience

Although this striking dysfunctional aspect of UK organisational life is not limited to just the issue of performance management, it is extraordinary how one dimensional and insular thinking on this issue has become. If we really want managers and employees to behave differently, that means they have to think differently and if we are to achieve this, we have to start presenting a different view of the world to which we have been conditioned to accept previously without thought or question. 'Paradigm shifts', as defined by Kuhn (another sexy phrase used by HR types to image-manage often minor and irrelevant system changes) require a fundamentally different set of assumptions about how we view the world. In performance management terms this means seeing different things as important (see section 7.2 'Stop tinkering with the system') and this can only be done by building a coherent and compelling cases for change.

The good news is that there is a whole world 'out there' of rigorous, valid and reliable research that can help HR directors do just that. If only they would look. The CLC research (Corporate Leadership Council, 2002) involved 19,000 people around the world … can our organisation really be that different?

Purcell's AMO model is so easy to understand and so potentially powerful in changing mindsets about what really drives performance yet remains under-utilised in daily organisational life.

Secret weapons are great as long as they are not so secret that no-one knows they have them! HR has to start using this data to their advantage. If they ignore it, change will continue to be driven by the latest epic written by a self-congratulatory, ex-hard man CEO bought in the Heathrow departure lounge bookshop.

7.2 Stop tinkering with the system: it doesn't matter!

Time and again, research evidence suggests that we over emphasise the importance of system features. A study by the Careers Research Forum (Lambert *et al.*, 2003) uses a motoring analogy to describe the performance management dilemma and differentiates the 'vehicle' (system) from the 'fuel' (fairness, trust, capability). What is very evident from their study is that it is not the features of the vehicle that power goal fulfilment but having enough fuel in the tank instead. And yet our typical response to problems along the journey is to keep sending the car back to the garage to have another optional extra fitted! Analysis of Armstrong and Baron's survey (2005) shows just how over-engineered and complicated these vehicles have become (see Table 2).

The harsh reality, though, is that whilst it may be of perceived importance in the Boardroom (or even supportive of some vested interests in HR who see control of the system as serving some 'legitimacy of existence' agenda), the features of the system are largely irrelevant to performance. The CLC study (Corporate Leadership Council, 2002) showed that employee understanding

Table 2: Use by organisations of system features (per cent)

	Organisations using this feature
Individual annual appraisal	65
Twice-yearly/biannual appraisal	27
Rolling appraisal	10
360-degree appraisal	14
Peer appraisal	8
Self-appraisal	30
Team appraisal	6
Subordinate feedback	11
Continuous assessment	14
Competence assessment	31
Objective-setting and review	62
Performance-related pay	31
Competence-related pay	7
Contribution-related pay	4
Team pay	3
Coaching and/or mentoring	36
Career management and/or succession planning	37
Personal development plans	62

Source: Baron and Armstrong (2005)

of performance standards (at 36.1 per cent one of those nine 'A' level drives) was far more influential than the specific content of the system itself. Moreover, some features of the system can have a worse than neutral impact on performance. Forcing employees into peer ranking of performance, for example, was one of the few 'D' drivers identified by the CLC study (Corporate Leadership Council, 2002), *ie* this had a negative impact upon performance. A more striking example of focusing on the wrong things is hard to imagine: how much air-time gets devoted to this divisive mechanism compared to, say, how can we equip our managers to give fair and accurate feedback that helps people do their jobs better?

7.3 Time, at last, to ditch Theory X

It is now over 40 years since McGregor's seminal work on human motivation at work but how much has really changed since? It may be harder to detect now, submerged between the rhetoric of people as assets, human capital management and employee engagement, but the thread of command/control Theory X attitudes still runs deep in the corporate DNA of organisations and is a gene that has proved incredibly resistant to all manner of therapies.

None of this is more evident than in approaches to financial reward. Study after study questions the motivational and performance impact of financial incentives. Of course, money is important but the evidence consistently suggests that it is a blunt instrument that is often used wastefully and nearly always encourages dysfunctional behaviour contrary to the organisational interest. The apocryphal story of German fighter pilots, incentivised on the number of Spitfires shot down in the Battle of Britain, provides a colourful if anecdotal illustration of this. The unintended consequences of this seemingly sensible idea was a 'them and us' culture between pilots and ground crew that created operational problems, pilots chasing Spitfires instead of staying with the bomber convoys they were charged with protecting and (most damagingly) inflated estimates of 'kills' which gave fighter command a misleading picture of the state of the battle.

Recognise any of this? And yet, still we persist with the notion that pay is the only motivational tool in the bag and, if the only tool is a hammer, everything looks like a nail, doesn't it? The irony of it all is that here is where HR really can make a significant and immediate bottom line impact. The waste of time, money and effort is enormous. Consider the cultural impact of halving compensation and benefit resource (and not just in HR, this applies also to all those tucked away in the business modelling all sorts of different schemes), saving 50 per cent of that resource off bottom line cost and redeploying the other 50 per cent into a new 'Motivation and Performance' function. In this way HR can start shifting the motivation debate away from the arid and flawed discussions around money onto ground where the evidence is so much stronger. Raising standards of motivational goal setting (as per Locke and Latham) and re-energising the work of Hackman and Oldham (also empirically validated) into the creation of varied, challenging and meaningful jobs offers hugely more productive performance returns. Then we might not only be able to talk about great places to work but mean it too!

8. Summary

The 'crossroads along the journey' analogy is an over-used cliché but has some genuine resonance in considering where performance management goes from here. The frustration that 'it' (and many other aspects of HRM too we might add) is not working is both understandable and justifiable. The issue is, though, what is the most appropriate response? There follow here some suggestions for practitioners to consider.

- Ban the word 'competency' from your performance management system. It is an empty and redundant term.
- Communicate clearly and simply what represents performance in your performance management process and how it will be assessed. If this definition includes the 'how' as well as the 'what', find no more than three simple bullets that express it in ways your front line managers tell you they understand.
- Find more meaningful measures of individual contribution. Adopting output measures for the sake of it, even though the jobholder has no realistic means of influencing such outcomes, is a recipe for demotivation and disengagement.
- Realign your reward decision-making processes so that they support the performance you want to see delivered. This is likely to mean not just what you do, but how you do it. The rhetoric should align with the reality, because reward and recognition practices are the first thing people look at when they say 'show me' what is important to the organisation.
- Incorporate education on motivational goal setting into overall management development strategy. If research consistently shows a stronger relationship between better goal setting and motivation/performance than other issues such as leadership and pay, then how can such education not be central to any strategic HR agenda? Similarly, should not the question 'to what extent do your performance goals motivate you towards a higher level of achievement?' be central to employee attitude surveys?
- Make performance management matter to your managers by changing what gets measured. Stop recording just whether everyone has objectives or, worse, a PDP and start assessing more qualitative criteria such as capability, motivation and

know how. It is hard to imagine how these performance drivers can be maximised without managers being held accountable for their development but without any meaningful data, that is difficult.

- Give feedback skills a higher profile by putting their development at the heart of any coaching initiatives. Coaching fads and fashions have often created an imbalance: managers feel prohibited from offering direct feedback about how well individuals perform and what practically they can try and change to improve their on-the-job effectiveness. Managers are not innocent bystanders to employee performance, they have a direct interest in raising achievement and should be encouraged to make a (fair and accurate!) contribution.

In considering these suggestions practitioners may wish to start with the question 'Why should we bother with this at all?' Challenging current practices in the way that this paper advocates improves the possibility of creating a world where performance, not management, is king. A world where the system is the means, not the end. A world where managers have simplicity of purpose and clarity of the core skills they need to get there. And, last of all, a world where all are adult and self confident enough to hold the mirror up to themselves and get out of the comfort zone. Fulfilling this ambition requires huge reservoirs of skill, tenacity, integrity and perseverance but, as we have observed earlier, the most worthy goals usually do.

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