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# Performance Management: The Implementation Challenge

## Key research findings

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# 1 Performance Management: the Evolving Story

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This note summarises the interim findings of literature and case-based research into the implementation of performance management systems conducted by IES in 2011. IES is working with seven organisations in a range of sectors on this research and listening to the views of employees and line managers as well as those of HR professionals. Further details of the research aims and methods can be found at the end of this note.

**Performance management systems have been getting increasingly complex in terms of the range of topics they expect managers and employees to cover and the corporate information they are expected to provide.**

The history of appraisal systems and their evolution into performance management systems can be compared to the telling and re-telling of an epic saga. Performance management has become such a key process in the eyes of HR professionals that the function is tempted to put more and more things it would like to address into this process. The shift in terminology from performance appraisal to performance management was intended to make the process more relevant to the business. It has, however, also encouraged HR to put more and more ideas into that concept of 'performance management.' Each time HR adds in another idea to its own performance management story, it becomes a bit more complex and the list of purposes for this system tends to grow.

## 1.1 An ever-growing list of performance management topics

As HR tells the story to itself, it seems quite rational. But let's look briefly at just some of the main components of the performance management narrative as

experienced by management and employees as such systems have evolved over the past few decades:

- An end-year **appraisal** or **review** of each employee's work by their line manager so they get **feedback** on how they have done and can be **praised** for what they have done well and **helped to improve** what they need to do better.
- An **agreed, written summary** of that review on paper and now often on-line, often also including a sign off by the boss' boss.
- Setting **objectives, preferably SMART** ones, to help individuals focus their work and lead to more objective appraisal of whether they have done a good job.
- Agreeing some **development actions** to improve an employee's skills – sometimes called a **Personal Development Plan**.
- We also encourage a discussion of **career aspirations**, possibly also feeding into the PDP or a separate career plan.
- A **performance rating**. This is a handy metric for the organisation and can clarify feedback to poor performers – and potentially to good ones too.
- The performance rating becomes very important if there is a **link between performance rating and pay**. To make this kind of pay system fair, we might give managers a **forced distribution** for their ratings and/or have a **ranking system or moderation process** where we compare people after their appraisals and see if their ratings look right.
- An **assessment of promotion potential**. This was common in the 1970s and 1980s, then disappeared with the vogue for self-managed careers and now has returned to support **talent management**.
- **Competences** may give managers and employees a framework for talking about skills and behaviour so we will expect some assessment against these. We are interested in how people behave as well as what they achieve. To improve **leadership** we might add some behaviours particularly relevant for leaders. We might also link competencies or behaviours for all employees to our organisational **values**.
- Even after doing all this for many years, we are still worried about persistent **poor performers** so we have a linked process for dealing with this problem, part of which is a **performance improvement plan** (not to be confused with a PDP).
- Feedback on leaders might be improved by obtaining **360 degree feedback** and/or by pulling in the results of engagement surveys. Perhaps all employees

might benefit from 360 degree feedback and should also give **upward feedback** to their manager in their own appraisal.

A common critique of PM both in the literature and in the IES study is that the list of topics within a single PM conversation and form is simply too long. In its desire to tell the evolving PM story in all its glory, the HR function feels it is almost a heresy to leave out any part of it, or to acknowledge that each part of the story is a choice to be made in design and implementation.

Getting everything into PM is a bit like packing a suitcase or a rucksack. If you try and pack too much, you get to a point where everything gets squashed down. Then beyond that when you want to put something in, you really need to take something out or the case will break. HR is trying to squash in more and more – pre-retirement planning looks like the next thing managers will be asked to talk about in performance reviews.

Perhaps it is time to ask *'which of all the things we would like managers and employees to discuss do we make a part of the formal PM system and paperwork, and which should we deal with in some other way?'*

## 1.2 A wide range of possible purposes

The story above is usually told by HR – as we have done – in terms of all the things a manager and employee need to talk about and record. The items are usually reflected in sections of a form which is filled in by the manager or the employee or both.

But of course this system has purposes which are not always well explained and can be numerous. Those purposes can include:

- Aligning the priorities of employees with organisational goals.
- Developing employees to perform better in their current jobs.
- Facilitating employees in developing their own careers.
- Generating corporate data for use in reward, succession/talent management, training needs analysis and possibly also in managing individual promotion, job filling, exits, re-deployment *etc.*
- Triggering processes for managing poor performers.
- Building a more open and supportive working relationship through two-way dialogue.
- Motivating employees through goal-setting, constructive feedback, recognition and development.

Faced with a complicated form to fill in, one can understand why managers and employees are asking themselves what the organisation is trying to get out of performance management.

**Managers and employees in the IES study not only found the PM process complex and overly-bureaucratic. They felt this complexity masked its fundamental purposes. The purposes of PM are under-communicated by an HR function which too often talks about PM as an administrative procedure.**

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## 2 How HR Makes Performance Management into a Form-Filling Exercise

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The issue of complexity is very strongly linked to that of form-filling. Both push PM increasingly into being an administrative procedure not a live management tool.

The HR narrative as heard by managers and employees is mostly focused on PM as an administrative process, that is centred on one or more forms as containers for assessment or comment on the topics it covers. HR does not necessarily intend this to happen; originally the paperwork may have been intended to help managers structure good conversations. Increasingly, however, one suspects that HR has slipped into seeing the paperwork as a way of controlling PM and generating data.

**The commonest criticism of performance management by both managers and employees was that it was a 'box ticking' or 'form filling' exercise.**

HR people get rather annoyed by this comment and wonder why managers can't just do it properly. But there are some inconsistencies and tensions in both the design of PM systems and their implementation which really do make it feel like a form-filling exercise:

- As we have seen above, the forms often contain quite **a lot of different topics**, so filling in the form is quite a challenging job and there does not always seem to be a logical flow from one topic to the next.
- Some forms really do have a lot of **boxes to tick**, especially those which ask for ratings of competencies or behaviours as well as overall ratings. So managers really do tick a lot of boxes!

- In a desire for standardised HRM processes across large organisations (including globally in major companies), performance review **documentation often over-prescribes** how much of the content of a discussion should be recorded and exactly how it is to be recorded. Typically there are not just a number of sections, but fixed formats within each of these. It is not clear that the material recorded in each of these sections will actually be used for anything or that it needs to be recorded in a specific way, although IT systems usually require this. This overly-rigid paperwork gives the impression of a very bureaucratic approach and of a conversation which needs to follow the structure of the paperwork. Typical PM forms confuse guidance to support the structure of a conversation with the really much more limited need to record the key points and outcomes from that conversation.
- The complexity of paperwork is also sometimes brought about by HR trying to meet some of its **other requirements of PM**. For example, the process needs to be visibly supportive of diversity/equality policies and explicitly fair in its execution. As we have seen above PM is often used to ensure that written evidence is in place to support other decisions (*eg* promotion, redundancy, dismissal, bonuses *etc.*). All these additional requirements tend to both extend the information recorded and specify more tightly how this must be done.
- Most aspects of PM are **genuinely challenging to address properly**, as we will see below. This gives managers and employees the feeling that some topics have to be discussed cursorily just to get through the process. This is especially so for managers with wide spans of control. Some junior and middle managers in the focus groups had more than 20 staff to appraise– a pretty massive paperwork exercise with typical current forms.
- The loudest message from HR and senior managers is often the need to **get the forms filled in on time** – a message about administrative compliance. So again in a real sense HR is asking for form-filling, so should not be surprised when managers say it feels like form-filling!

There are of course other competing and important messages which HR does try to communicate. These include:

- The need for high quality, open and constructive conversations about performance and development.
- The merit in having such conversations throughout the year in regular one-to-one meetings.
- The opportunity to praise and recognise good work throughout the year.
- The need to nip poor performance in the bud, not wait until the end of the year.

Although HR people are very well aware that managers need complex skills to have all these different kinds of conversations, their messages about giving good feedback, even about setting good objectives, are heard less strongly than the key message *'just get it done and get it in.'*

**The biggest tension in PM is between managing performance and filling in the paperwork. HR knows it really wants the first but can't help itself from emphasising the second.**

Once managers and employees collude in treating PM in terms of compliance with filling in the paperwork, all sorts of bad things happen. Here are just some of those we have heard from managers and employees in this study:

- Performance management is seen as something you do *'to keep HR quiet.'* It is seen as owned by HR not about how you manage people properly.
- PM is overly focused on individual performance and does not link properly with the way individuals and teams contribute to organisational performance.
- Individuals cut and paste last year's objectives into the form and managers simply accept these.
- Managers don't give honest feedback and employees don't tell managers what they are thinking. There is no real conversation. 360 degree feedback is sought only from those who will say positive things.
- PDPs are cursory and may list a course or two. They are filed and not used.
- Poor performers are rated as satisfactory.
- Both parties sign the form to get it over with.
- There is no action resulting from the performance review.
- If one-to-one meetings are held, they are either a quick general chat or talk about the progress of work tasks, not about how the individual is performing the work or their development.

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## 3 Improving Performance Management in Practice

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In spite of all the criticisms of complex forms and HR nagging people to send them in, the managers and employees in this study saw the need for effective performance management and felt that some kind of formal system should be useful. Some individuals had experienced very valuable performance discussions. As we would expect, they mentioned constructive feedback (of both strengths and areas for improvement), clearer priorities and agreed development actions as the characteristics of such effective conversations.

So where do the levers lie in designing and implementing more effective performance management? Here we look at some of the hot topics for managers and employees in the IES research and some of the actions which were moving practice forward in the case study organisations.

### 3.1 Real purposes and outcomes for all employees

**HR needs to change its own mindset to think less about PM as an HR system defined by a series of topics on a form and the administrative process of getting that form filled in and returned. HR needs to think more about how performance management systems can support managers and all employees to achieve individual and organisational performance.**

Perhaps if HR shifts its own mindset in this way it will talk about PM in terms which make more sense to managers and employees and feel more part of everyday working life.

Oxfam GB has an unusually clear description of the purposes and content of performance management. These are clearly linked to its specific business mission and values, and emphasises why performance management is important and its benefits for both the organisation and the employee. It places 'day-to-day management' of performance centre stage, supported by agreeing objectives and development and the annual performance review. These central messages and the process design have been kept as stable as possible over a number of years.

Organisations need to clarify what happens as a result of the performance review. If performance is rated, where does this rating go and what is it used for and by whom? If development needs are identified, how are they acted on? If the form is accessible to HR, what does it do with it?

There has been much recent interest in high performers and 'talent' and this is putting a particular spin on performance management as an input to talent identification.

Managing poor performers remains an area of concern for several of the case organisations and progress is being made in specific procedures for improving their performance.

The group at risk of neglect is the persistent good performer, especially those with very long service (as in Surrey Police) or in support roles (as in BDO).

Surrey Police has reduced the complexity of its PM approach for employees who are satisfactory performers and do not intend to apply for promotion. However the resulting 'streamlined' process for this group tends to lead to cursory discussions, which are not too time-consuming but are also unlikely to make this group feel recognised, motivated or developed.

### 3.2 Aligning individual objectives with business priorities

**Objective-setting was seen by managers and employees alike as a very important aspect of PM. However, setting good objectives is not nearly as easy as it sounds.**

Some of the issues encountered included:

- The need to set objectives for business turnaround situations, where downsizing may be going on and those who remain may find their jobs changing.
- A lack of visible strategic or operational business plans and senior managers who do not talk to employees much about business priorities.

- A manager who knows about their own objectives and perhaps those of their boss, but has limited understanding of their division or the organisation more widely.
- A confusion between alignment to business goals and setting 'individual objectives' which might include development or career goals.
- Some confusion between broad individual objectives and specific shorter-term targets (often associated with a particular project or piece of work).
- Getting the right degree of challenge into objectives. Stretching objectives are motivating but simply cranking up expectations year on year is seen as unfair and dishonest.

A fairly frequent observation, especially from employees, was that the idea of annual 'objectives' does not suit all types of job. For example, jobs which stay much the same over time really require people who meet professional standards in their work, as the objectives may be much the same from year to year. At the other extreme, jobs which are very unpredictable cannot have fixed objectives in advance. Here assessing how well individuals respond to situations may be a fairer assessment of performance.

The HR approach to objective-setting within PM can become too far removed from how individuals, managers and teams need to think about and discuss work priorities. Again the problem is HR's concentration on PM as an HR process rather than seeing it in its wider context. Some HR functions seem to have mislaid the link between individuals achieving important goals and organisational performance. The senior managers interviewed in this study were very interested in strengthening this link by communicating business priorities more effectively.

BT Operate is helping people see business unit results much more clearly. Cost and efficiency are measured and reported, as are measures of the customer experience and leadership behaviours (generated by employee surveys). This sends very clear messages about what matters in terms of business performance, against which individuals can understand their own priorities.

### 3.3 Keeping the focus on conversation and feedback

It is clear that having good performance and development conversations is desired by all stakeholders in PM. Employees in the case organisations wanted to know what they were good at and not so good at and what they should be doing differently. Where such holistic feedback was given in a flexible and constructive way it was much appreciated and motivating.

There are several parts of a typical PM process which tend to move it away from a focus on conversation and feedback. They tend to be the formal assessment parts of the process. For example, overly complex assessments of competencies can be distracting. The elements of PM most likely to blow effective conversation out of the water are performance ratings and their link with reward.

### **3.4 Ratings and the link with pay**

Organisations find it convenient for a number of purposes to ask managers to rate employees' performance as part of the PM process. In particular identifying very high and very low performers can be useful both at individual level and in terms of how these metrics are distributed in the organisation and workforce.

However formal end-year rating inevitably changes the tenor of performance conversations and raises challenging issues in relation to fairness and objectivity of any such assessment of performance.

In some of the case organisations, some of those in the focus groups said they liked having some kind of simple rating as it gave a clear message about how they were really doing. This was more useful where the rating conversation was low key and ideas about high or low performance were part of normal conversation throughout the year so the final rating should be 'no surprise'.

The performance rating aspect of PM was not seen as motivating by most of those involved in the research, especially as it tells most people they are satisfactory, which is not very exciting news and mildly demotivating. Some employees would like a rating scale with more points, but this seems likely to generate more dissatisfaction. Performance rating is also seen as unfair because objectives vary in difficulty and managers in how they assess. We can see why most organisations want to give a performance rating – it covers their backs in case of poor performance (although ironically poor performers are not always rated as such), feeds into talent identification and is a handy metric to have for reporting purposes (although less often for real action).

There are many arguments and pressures on organisations when it comes to linking individual performance to reward. For example, public sector organisations are under political pressure to go down this road. In some cultures, a link with pay can make PM be taken more seriously and can ensure that managers at least do a minimal job in discussing performance. Such links more or less require some kind of individual performance rating. Employees are then put in the position of using the performance review as their chance to influence this rating and thereby their pay.

The more organisations work on trying to make performance ratings more objective or fairer, through forced distributions, ranking meetings *etc.*, the less trust employees seem to have in the system. These all look like ways in which ratings are somehow ‘fiddled’ as employees cannot see what is being done. There is a further danger here that what an employee is told at their review does not match the final rating or pay outcome. For example someone might be told by their manager that they have had a good year but then their reward does not seem to square with this message.

Part of the issue is that managers are not trusted to assess and reward staff correctly, hence the rankings, moderation panels and so forth. In a better world managers would be skilled and confident to make good decisions and be trusted to do so, which brings us back to the issue of the people management capability of the line.

It is clear, however, that linking performance to pay – however attractive in principle – tends to lead to rating and reward dominating the PM process. This tends to displace the holistic feedback and open conversation which has the potential to motivate. This difficult balancing act has to be deliberately managed by HR.

**Only clear and simple performance ratings with the minimum of fuss and argument, will leave energy and airtime for conversations which can get to the bottom of performance issues and look to the future.**

360 feedback adds more work into PM but was broadly welcomed by employees in those case organisations which were using it. There are still issues about the honesty of feedback, but it may improve the ability of people to both give and receive feedback over time.

After a period of placing heavy emphasis on quarterly formal performance rating against forced distributions, BT Operate is keeping a fairly simple ratings approach without forced distributions or quotas but with clearer guidance for managers. It has retained a ‘levelling’ process to shape consistency of ratings across the business. There is an increasing emphasis on helping managers have the right kinds of performance conversation to put this aspect of PM in the foreground.

BDO has also found that using forced performance distributions has weakened employee trust in the performance assessment, which is a sensitive issue as it has a strong link to pay.

### 3.5 Clarifying the developmental purposes of PM

In several of the case organisations, employee development was an important intended purpose of PM but it was weakly executed compared with objective-setting or performance review.

One issue here is that several sections of typical PM processes deal with development but in different ways. Assessment or feedback against competencies or behaviours (sometimes linked with values) is often intended to prompt discussion of development in terms of skills needed in the current job. The objectives part of PM may include objectives which are about development of a particular skill or, for example, people management abilities. There is also often a section which invites discussion of career issues. This can cover both individual career aspirations or interests and – perhaps separately – a discussion or assessment of career or promotion potential. Near the end of the forms, or separately, many systems have a section for recording development needs or a development plan.

In at least two of the cases, there were special types of development plan for poor performers often the word ‘improvement’ in their title. This made it difficult for good performers to talk about areas they wished to improve without seeming to say they were doing them badly.

**We might benefit from clarifying different kinds of development need which PM can surface and agree:**

- development needed linked to a specific work objective, often some new challenge
- development to improve more general performance in the current job, often associated with an area of competence or behaviour which even a good performer might need to improve
- career development, which usually involves clarifying career direction and accessing new work experiences as well as strengthening skills
- development to overcome particular aspects of poor performance

It is clear that the link between PM and development *action* needs more emphasis, which probably means that the feedback element needs to flow more naturally into agreeing actions. If competency frameworks are to be used, they may be better as a light touch guide to this conversation than a rigid series of tick box assessments. Managers and employees may need greater understanding of learning options – they still often see development plans as a list of training courses to go on.

Even if training plans are agreed, getting them translated into actual training activity can be problematic. Is this the manager's job or the individual's? Does the L&D function pick up this information and do anything with it? Might budget or resource constraints mean that agreed training does not take place?

Career discussions are quite complex in their own right as is discussion of potential. Performance management may more suitably form a backcloth for these than trying to contain them.

### 3.6 Balancing roles and responsibilities in performance management

Performance systems can make employees feel they are being 'done to' and the literature has frequently advocated greater employee involvement in setting their own objectives and self-assessing their performance and competencies.

Surrey Police have found that their system, designed to involve individuals in their own performance review, may have tilted too far away from line manager responsibility. Individuals set their own objectives and write their own draft performance evidence against competencies and activities. This can make it difficult for the manager to make an input into the review without seeming to criticise the employee. Those interviewed were looking for a more even balance between employee input and line responsibility.

Both DCLG and BT Operate have articulated responsibilities and expectations that managers and employees can have of each other in the PM process - a kind of performance management 'deal'.

Thinking through the role of HR in PM also emerged as an important issue:

- If PM drifts into form-filling then HR tends to take on a policing role – chasing people who have not filled in the forms, but then doing nothing with the forms which have been returned.
- HR needs to strike a fine balance between empowering managers to adapt performance management principles to their own circumstances whilst demanding reasonably consistent attention to PM. Staff tend to see inconsistent application of PM as unfair, especially if it influences development opportunities, pay, promotion *etc.*
- The more HR retreats from offering practical support to PM, the more it is seen in a policing role. HR Business Partners (or their equivalents) can do much by way of informal support to managers in divisions or units, for example giving quick refreshers when review time is coming up *etc.* Their conversations about employee performance and development needs are practical ways in which

managers can feed what they have learned from individual reviews into more aggregate people management activities.

- Managing poor performance emerged as an area in which line managers still look to HR for expert help. Most of the case organisations have reasonably clear procedures to use with poor performers but there remain some cases of persistent poor performance which cannot be resolved by supportive target-setting and coaching. In such cases, managers may need to remove the individual from the organisation and may need expert advice from HR and strong support from senior management to make this happen.

### 3.7 Developing the people management capability of the line

**The more we think about PM in terms of managing people throughout the year, the more we see that its effective implementation depends on the people management capability of line managers.**

In those cases where employees felt that PM was practised unevenly by managers, they usually thought this was due to a culture in which some managers did not take their people management responsibilities all that seriously and/or managers with uneven people management skills.

Training in PM was quite haphazard or cursory in several of the cases. It could be included as a small item in a general introduction to management. Such training often concentrated on how to fill in the forms rather than the purpose of PM or how to have performance and development conversations. Some cases had modules in managing poor performance, but PM training was often not mandatory. Training in PM still tends to the 'sheep dip' approach rather than being tailored to the manager's needs and level of existing expertise.

The issue of uneven attention to PM is only partly one of management skills. It also hits deeper issues about whether all managers actually see their people management responsibilities as important, especially if they are also delivering their own professional work. Training may improve skills, but only cultural change – especially how senior managers role model real PM – will shift underlying attitudes.

BT Operate sees improving the quality of performance management as a long-term journey, inextricably linked with the people management capability of the line. Training for managers in the skills to manage performance, including how to tackle difficult conversations, is high priority. So is providing all employees with a better understanding of performance issues.

Oxfam needs to equip managers in difficult situations in many countries to manage performance. Its Introduction to Performance Management is one in a series of 'Pick Up and Go' training modules which can be delivered quite simply anywhere in the world by a manager or other facilitator. With limited time, this module concentrates on the purpose of PM, how to set objectives and use 1-1 meetings as well as the standard information about how to fill in the performance review form. There are other modules on Managing Poor Performance and on Coaching and Feedback. Oxfam is also introducing a people management objective for all managers to signal the importance of this aspect of their own work.

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## 4 Top Ten Tips for Implementing Performance Management

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All the cases in this research are on a journey to make their performance management approaches more effective. This suggested list of '10 top tips' comes directly from what managers and staff felt would help and HR professionals were working towards.

### 4.1 Position performance management in terms of managing performance all year round

How PM is positioned is important. PM is about how people are managed all year round. This is *the* central message which so often seems to get lost. So managers and employees need to hear about performance management throughout the year, not just when the forms have to be filled in. They should hear about PM in terms of purpose and content, not as an HR system or a set of forms to be filled in. They should hear about PM in terms of priorities, feedback and development and how these link to business results. These messages need to come from senior managers, not just from HR. Even just talking about managing performance (what people do) rather than performance management (an odd piece of HR jargon) may help HR people remember what this is really about when they are talking to others.

Once PM is genuinely an all-year-round activity this opens the door to using different conversations for different aspects of PM and not cramming everything into the end year review.

### 4.2 Prioritise motivating performance and development conversations for *all* employees

Performance management is for everyone. Its power lies in its potential to motivate employees to do their best. If your system is only there to catch poor performers and talent manage or reward the best, then most employees and their

managers will find it a waste of time. Ask yourself: 'What will our approach do for high, medium and low performers? What will it do for those who have been in their jobs a long time as well as recent joiners? What will it do for different levels in the organisation or people working in different kinds of job or different countries?'

The alignment, motivational and learning outcomes of PM all come from two-way conversations – as honest and open as can be managed. Feedback on how people do their work, their strengths/weaknesses and how they might improve is the thread which runs through all these conversations. These conversations are just as important for the ordinary good performer as for those in difficulty or rising stars. Lifting the performance of the majority of employees by just a small amount is also likely to have the greatest business impact.

### **4.3 Keep the system design simple, clear and stable**

Managers and employees need clear design and explanation of purpose as well as content – in normal language not HR-speak. Only ask managers and employees to formally record information which they or others will really use.

Endless fiddling with the system design and paperwork does not lead to better management of performance. Keeping the approach as stable as possible makes it more likely that most people will understand what they are doing and why.

The fundamentals of PM are setting priorities, giving feedback and agreeing action, especially development action. All the other stuff - ratings, links to reward, competencies, potential and talent assessments – are legitimate concerns but should not be allowed to compromise the quality of actually managing performance. If your managers are still struggling with giving honest feedback or with agreeing sensible priorities, leave the other clutter out for now.

### **4.4 Technology can support PM but should not drive it**

Putting PM paperwork on-line may have advantages, but does not change it fundamentally or indeed make it any easier. The danger of on-line PM is that it confuses ease of interaction and recording (which it can help) with a corporate desire for data holding (which often gets out of control). If your MIS or personnel information systems start telling you what data to hold, how many words you can type, how many managers can submit reports at once *etc.* then something is very wrong. Make sure any on-line reference material (guidelines, information about jobs, business plans, development *etc.*) can be easily found.

## 4.5 Objective-setting is about business alignment and agreeing priorities

What matters in the 'objective-setting' bit is that work priorities are discussed and agreed and that individuals understand how they align with what the organisation is trying to do. Priorities do not have to be couched in terms of objectives – sometimes other terminology (*eg* standards, priorities) may suit the job better. Senior managers have a vital role in communicating priorities and helping others to become familiar with business plans and strategies. Team leaders could also do much more to discuss objectives in team meetings as well as with individuals in their 1:1s. Making business measures of organisational performance much more visible at various levels of disaggregation, takes some of the load off complex measurement of individual objectives through the performance review.

## 4.6 Any link to pay needs to be simple and transparent

If performance is to be rated, as it often is, and if this rating is to be used to link performance with financial reward, as is also common, then there is a strong tendency for rating and reward to dominate performance management. Far from motivating employees, a lack of trust in the fairness and objectivity of rating and pay can remove most of the motivational potential of performance management.

Designing more elaborate machinery to try and make rating fairer only makes the issue loom larger and extra processes conducted behind closed doors reduce trust.

One has to go the other way and keep rating and the link with pay very simple indeed and very transparent. This cannot remove the concerns about fairness but can reduce the amount of airtime spent on rating and free up this airtime to be spent more productively on real performance and development issues and actions. Positive emphasis on the quality of conversation, not PM as control or administration, can offset the tendency for ratings and pay to seem to be the main outcomes of performance review rather than their proper role at potential supports for managing performance.

## 4.7 Clarify and emphasise development actions

Employees – whether excellent, average or poor performers – should all get appropriate support for development as part of the PM process. It does not matter whether this is positioned in terms of some development goals/objectives or some kind of development plan. It does matter that development actions are relevant to both the individual and the business. The term 'improvement' should not only apply to poor performers. The term 'career development' should not only apply to

exceptional performers. Many people need development actions both for their current work and for their future career direction. Development actions should reflect an appropriate way of learning something, not just ticking a list of competencies or training courses. HR should strengthen the link between PM and organisational learning needs analysis, either through bothering to read PDPs or through more aggregate conversations with management teams about what they have learned about development needs from their PM conversations.

#### **4.8 HR and senior management must support managers in dealing with persistently poor performers**

Managers should use the agreed process for managing poor performers and this will usually be enough. However some persistent poor performers lift their performance (often including their attendance) for only short periods of time while under the poor performance process and then drop back into their old habits as soon as the period of high attention is over. They are unwilling, rather than unable, to perform and are playing the system. Most managers need expert support from HR and clear leadership from top management to manage this kind of poor performer out of the organisation.

#### **4.9 Clarify and balance the roles of the line manager and the employee**

PM should be, as far as possible, a process in which two consenting adults – an employee and their manager – participate fairly equally. It should also have benefits both for the employee and for the organisation, so needs to balance its purposes with this in mind. HR should always consider both these parties in any communications or training. Senior managers and others (peers, subordinates, customers) can have useful roles either in providing additional feedback (as in 360 degree for example) or in seeing an individual's performance and career in a wider context.

#### **4.10 Performance management training is part of developing people management capability**

Train all managers, especially new ones or newly recruited ones, in how to *do* performance management, not just in how to fill in the paperwork. That means understanding how to align priorities, how to give and receive feedback, how to coach, how to motivate, how to manage poor performance. All employees should be equipped to play their role fully in the process – written guidance or a half hour session is probably not enough to achieve this. Experienced managers are likely to need refresher training and senior managers need skill progression in the art of

performance management so they can give wise advice to others on how to handle trickier situations. Not all performance conversations are 'difficult conversations' but they are all important ones. Coaching managers as they tackle demanding performance management situations may be an effective complement to formal training. Such coaching can come from more senior managers or HR experts in performance management or from HR Business Partners as part of the way they work with the line.

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## 5 The Research

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This research project has been conducted by the Institute for Employment Studies for, and with the support of, its corporate members. The focus of the research is the effective implementation and operation of performance management systems. While system design issues have been included, the main emphasis is on how you get effective performance management happening in practice. The project aims to produce practical insights and guidance for organisations on how they can improve the implementation of their performance management processes.

Specific issues examined include:

- Whether trends in system design are supporting the underlying purposes of performance management systems and indeed whether managers and employees are clear about what their performance management systems are for.
- What helps managers and employees to use these systems effectively and what support can HR and senior management most usefully provide.
- Practical routes to improving the quality of implementation of performance management.

The project has included a comprehensive literature review and case-based research. The case studies include BT Operate, Oxfam GB, Department for Communities and Local Government (DCLG), Surrey Police, BDO (an accountancy partnership), Centrica and an NHS Trust.

Within each case organisation, the IES researchers have interviewed a range of professionals in the HR function, including those responsible for performance management and examined performance management documentation and in some cases other evaluative evidence. Focus groups of line managers and employees without management responsibilities have been held by IES and those attending have also completed a confidential research questionnaire. In some of

the case organisations additional 1:1 interviews have been conducted with senior managers.

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