
Performance Management Literature Review

Catherine Chubb

Peter Reilly

Duncan Brown



Institute for Employment Studies

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Institute for Employment Studies

Sovereign House
Church Street
Brighton BN1 1UJ
UK

Telephone: +44 (0)1273 763400
Email: askies@employment-studies.co.uk
Website: www.employment-studies.co.uk

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1 Introduction

This paper reviews the literature on performance management and appraisals to see where there may be useful learning for organisations. It also provides important criteria on which to judge the effectiveness of the implementation of a performance management system.

Firstly, we examine the purpose of performance management systems, then the changes organisations are making to their systems to support a shift from appraisal towards a more rounded performance management approach. We then highlight the common critiques of performance management systems. The focus of the paper then turns to the key themes which determine the effectiveness of a performance management process. This is followed by a review of the link between performance management and reward; personal development planning and career and talent discussions and the management of poor performance through appraisal.

2 The Purpose of Performance Management

There are many tensions within the multiple agendas and purposes of appraisals. Boswell and Boudreau (2000) make a most useful and clear distinction between two types of functions for appraisal systems:

- **Evaluative** functions include use of performance appraisal for salary administration, promotion decisions, retention/termination decisions, recognition of individual performance and identification of poor performance. To conduct this evaluative function the appraiser takes the role of the 'judge'. Evaluative functions focus primarily on differentiating **between people**.
- **Developmental** functions include the identification of individual training needs, providing performance feedback, determining transfers and attachments, identification of individual strengths and weaknesses. For this developmental function the appraiser takes the role of a coach or mentor. Developmental functions focus primarily on **within person** analysis.

A CIPD performance management survey showed that in the UK, while there has been a broadening in purpose and the linking of some of these different processes designed to impact on performance, the main purpose of the performance management process largely still revolves around personal objective setting and appraisal against objectives. This is included in the process in 90 per cent of cases (CIPD, 2005). Trends that have continued since the CIPD's previous survey (in 1997) showed that there is an increasing focus on the development aspects of appraisal, and also devolvement of control and operation of the process from HR to line managers (CIPD, 2005).

Baron (2004) claims that the focus of performance management is on elements such as recognition, constructive feedback, personal development and career opportunities. However, there will always be an inevitable tension within career management which has to satisfy both the interests of the organisation and those

of the employee. Individuals may demand a career where there is scope for development and progression, 'whilst organisations will need to ensure they have the right people in the right jobs and are building a talent pool for the future' (CIPD, 2003).

3 A Shift in Emphasis in Performance Appraisals

Much literature has pointed to the problems with performance appraisals, which has led some commentators to call for abolition of the process or a renewed focus on the core elements of performance appraisal. For example, Coens and Jenkins based on their experience in North America recommended '*abolishing performance appraisals*' (2000), citing regular failings in development planning, objective setting and 360 degree feedback. They advocate instead broader performance management approaches focused on customer outcomes and decoupling the complex mix of processes often tied up inside performance appraisal. They cite a Police Department in Madison, Wisconsin which replaced traditional appraisals with a system of individual goal setting, leadership training and employee involvement that let officers choose who they wanted to work with and who supervised them. A US Department of Justice comparative study found that Madison had the highest levels of citizen satisfaction following the changes.

Gratton and Ghoshal (2002) argue that at all levels, the emphasis should be on the core of the appraisal and development process, that is '*improving the quality of conversations*', rather than going through '*dehydrated rituals*', with open and honest leaders setting the example for a culture of curious, creative learning organisations. Cunneen (2006) also highlights the issue of managers and employees simply going through the motions of the process when he stated:

'Not only do managers dislike carrying out performance appraisals but many admit that it is the most dreaded task in their calendar. Too often it leads to a shallow discussion, with both parties colluding to meet the organisation's prescribed administrative procedure and, in doing so, avoiding the more fundamental issue of performance improvement.'

These failings of appraisal have led to new approaches to performance management.

Hurst (2009) discerns two strands in the performance management literature: a very structured and controlled backward-looking review approach which is 'done' to employees (Grote, 2000), and a much more inclusive, forward-looking approach involving the individual, supporting their development and linking in to the organisation's needs and values (Spangenburg and Theron, 2001). But as Cannell (2006) points out, there is still the need for a conversation to both reflect on past performance and to look forward.

The latter is what is largely in the mind of those that advocate a more root and branch change to performance appraisal: a switch to a performance management philosophy that engages employees more in the process and drives performance towards key organisation goals. The concurrent simplification of processes that is underway switches the focus on individual scheme details and towards the essence of the performance management process.

In their book on the subject, Armstrong and Baron (2005) note the shift in terminology from performance appraisal to performance management, which they believe indicates a wider shift in the philosophy and content of the process:

'Performance appraisal has a reputation as a punitive, top-down control device, an unloved system. Performance Management is a holistic, total approach to engaging everyone in the organisation in a continuous process, to improve everyone and their performance, and thereby the performance of the whole organisation.'

Despite the move to adopt an all-encompassing approach, a recent trend towards simplification is also evident from CIPD research, with better support and training being provided as greater focus is being put on how these systems actually work in the reality of the organisation, rather than in respect of the many intended policy intention and outcomes.

Just under half of the respondents to the CIPD performance management survey (48 per cent) had proposed to make changes to their performance management arrangements over the forthcoming year, with a similar direction evident (CIPD, 2005).

E-reward's survey (2005) of performance management provides a clear picture of the changes that organisations are making to support the shift towards a performance management approach, but also to address problems such as over-complexity and bureaucracy. More than two-thirds of organisations in the E-reward research had either changed their systems in the past three years or were planning to make changes in the future. The commonest changes are shown in Figure 3.1.

Colville & Millner (2011) recognise that 'a trap that organisations can fall into is not recognising that the implementation of performance management is a change

process. Too often, organisations just look over the fence to what others are doing and do the same’ (2011, p.35). They argue that this practice is reasonable but it needs to be coupled with an understanding of how the process will ‘deliver organisation strategy and vision’. In order to achieve this, they argue HR needs to have an awareness of the ‘current state’, the ‘desired state’ of the organisation and its processes.

Figure 3.1: External trends: Changes in performance management systems

	Past Changes	Future Changes
1	Competencies inclusion	Enhance link to pay
2	Enhancing pay link	Streamline the performance management process
3	More regular meetings/feedback	Provide more coaching/development for appraisers
4	Simplification	Review/improve ratings process
5	Link performance management to strategic business goals	More regular feedback

Source: E-Reward. Rankings are based on the percentage of organisations with performance management systems planning changes

4 Critiques of Performance Appraisal

Criticisms of performance appraisal type processes are not new. Writing in the Harvard Business Review in 1959, Likert observed that: *'Performance review interviews as a rule are seriously deflating to employees' sense of importance and self worth. Not only is the conventional review failing to contribute, in many executives' opinion it can do irreparable harm'*. Grint writing more recently (1993) was even more scathing: *'Rarely in the history of management can a system have promised so much and delivered so little'*.

In addition to Likert and Grint, we find plenty of criticisms in other standard performance management texts, such as Armstrong and Ward (2005), Armstrong and Baron (2005) and Fletcher (2001 and 2004). The key criticisms of these writers and others focus on the process design; the execution of the process; and the managers who conduct the process.

4.1 Process design

- Appraisals are expected to meet too many and conflicting objectives. In particular the evaluative uses of appraisal drive out real conversation and thereby reduce its potential developmental and motivational impact. IES research (Strebler, 2001) points to the problem with performance appraisals with their multiple objectives of setting targets, giving performance feedback, assessing potential, discussing development needs and determining performance-related pay increases. These schemes, therefore, often require a considerable commitment in terms of organisational resources to be implemented. Murphy (2004) equally recognises that in many organisations appraisals are expected to fulfil numerous functions including: feedback, coaching, goal setting, skill development, pay determination, legal documentation, employee comparison and layoff selection and *'no performance appraisal system can meet all these ends'* (Murphy, 2004).

- The process is also considered to be too complex, time consuming and bureaucratic.

4.2 Process execution

- Appraisal is 'done to' employees and therefore does not have the desired impact on them. It has little perceived value or relevance for employees. Roberts (2002) sets out criteria for performance appraisal to be participative from the employee's point of view. Cawley *et al.* (1998) showed in a meta-analysis of 27 studies that participation by the appraisee in performance appraisal is associated with higher levels of acceptance of the appraisal and satisfaction with the process.

4.3 Manager's role

- Line managers are not committed, partly because of this bureaucracy, but also because the system is not 'sold' well enough, or supported by wider management culture. They 'go through the motions'.
- Managers do not have the skills to operate appraisal effectively, either in judging performance or handling difficult conversations, especially with poor performers.
- Employees' relative performance can never be measured objectively or fairly. Even if the manager's judgement is careful and evidence-based, objectives are not equally hard to achieve and do not cover all aspects of the job. Putting more effort into 'accurate' performance measurement is a delusion.
- The manager's perception of an employee's performance may not be very valid, simply because they do not have enough information and do not see all aspects of their performance. They may also be biased by liking or disliking the individual or by prejudice.
- Managers may not always be the best person to support an employee in exploring their own performance and development (Mayo, 1997). Performance appraisals have become increasingly difficult to administer because of management layering. If a manager has multiple subordinates, it becomes impossible for them to intimately know the performance and development needs of all their direct reports (Ledford *et al.*, 1994).

5 Improving the Effectiveness of Performance Appraisals

The E-reward survey (2005) highlights a number of conditions for success in performance appraisal, showing that simplification and the use of competencies are among the most common measures applied to improve existing systems. Further conditions for success stem from these, for example, a simplification of systems can be supported by establishing more regular review meetings but to ensure these meetings are valuable and provide a forum for quality discussion managers need to be capable of conducting useful appraisals and be committed to the process. It could be argued this capability and commitment should be driven by the senior leadership. The senior team should also ensure that performance management is aligned with the corporate strategy, so that individuals understand how what they do contributes to the overall goals of the organisation.

In parallel to this, is the need to integrate the performance management process with the culture of an organisation and equally tailor the process to the varying needs of different employees. One way organisations are attempting to engage employees with the performance management process is to use technology to make the process more enjoyable and accessible. All of these elements require co-ordination and the process needs to be monitored to ensure it is capable of responding to changing business circumstances. In the following section we consider each of these conditions for success in more detail.

5.1 Simplification

As described earlier, performance appraisal within organisations can attempt to fulfil many different purposes. Whilst there has been greater use of input measures, such as competencies (Armstrong and Baron, 1998) and more adoption of personal development, there is still more progress to be made with respect to process simplification. The CIPD's 2005 survey of performance management found that over a quarter of respondents thought performance management

continued to be bureaucratic and time consuming. Indeed, one could argue that the very extension of the purpose of performance appraisal to include a broader-based assessment has added to its complexity.

Effective appraisal systems are inextricably linked to the control over the complexity of the scheme. Strebler (2001) states the *'increasing complexity of some of the systems might be a barrier. To make the process work, managers themselves have to be motivated to want to use it'*. The report suggests that an important element of effective performance management is 'user friendliness', stating *'users satisfied with their performance review system believed it did not cover too many purposes to be effective, irrespective of how many objectives it was trying to achieve and whether it was separated from assessment for pay or not. While overloading appeared a useful concept, it is perception of overloading that matters'* (Strebler, 2001, p.xi).

Good practice in performance appraisal systems, she suggests, is that they should have clear aims and be simple to understand and operate. They should also have their *'effective use core to all managers' performance goals and be closely allied to a clear and resourced training and development infrastructure'* (Strebler, 2001). Strebler also sensibly recommends that designing a system that satisfies users may encourage them to use it effectively.

Coens and Jenkins (2000) thought that de-cluttering performance appraisal could best be achieved by going further still by focusing on final customer outcomes. In their work for the Police Department in Madison, Wisconsin, this means the citizen.

Muras *et al.* (2008) advice around the implementation of performance management is straightforward *'keep it as simple as you can—only go for increased complexity and precision where the effort warrants'*. They argue that complex performance management systems will often *'confuse rather than enlighten managers and employees' due to the blend of 'complex processes, competing IT systems, and multiple dashboards'* which often don't provide the information that is valuable and therefore makes the measures of performance irrelevant. Finn (2007, cited in Wikina, 2008) also state that defining and understanding the performance management process as well as establishing the foundations of performance management are key steps in the foundations for successful performance management.

5.1.1 Simplification of the competency link

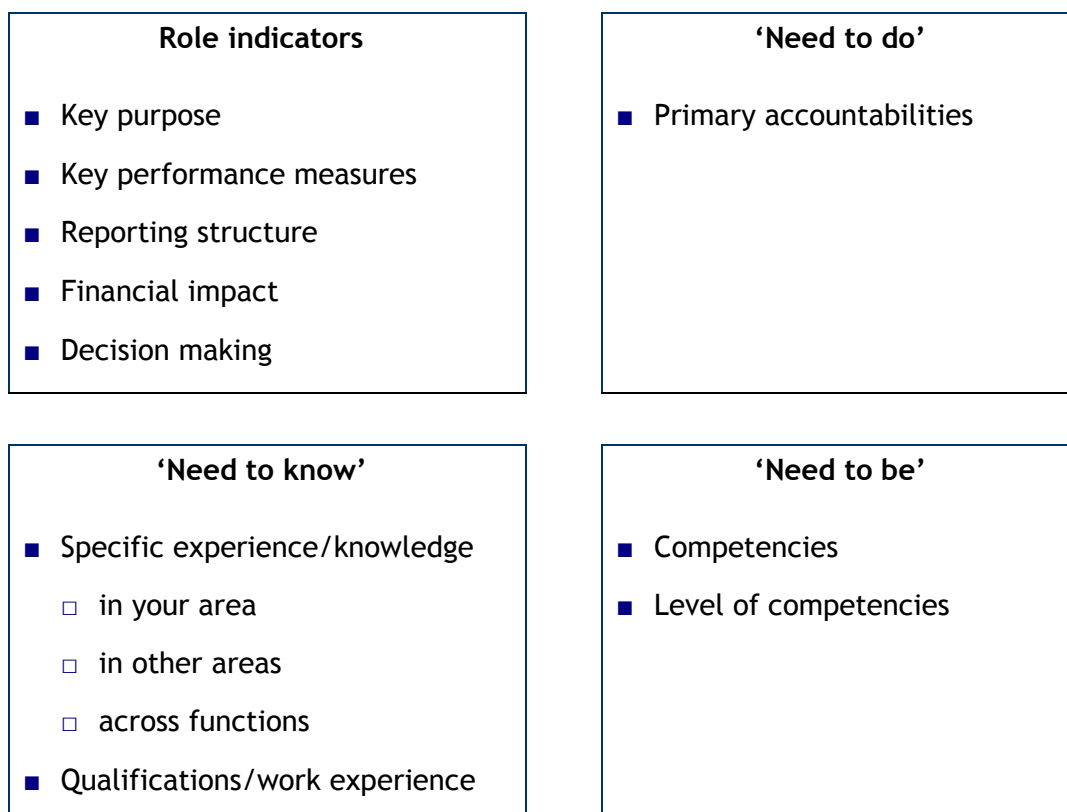
Competencies are described by Whiddett and Hollyforde (1999) as the descriptors of skills, knowledge and behaviours that employees are expected to have to perform their roles effectively in an employer. A survey of 100 of the UK's largest employers showed that appraisal systems are widely used, with seven in ten

organisations appraising employees once a year, and competencies were a common component (IRS, 2003). Performance and development needs were found to be measured against competencies in 56 per cent of these organisations and in the vast majority of organisations surveyed a job description was provided for the jobs being appraised.

Plachy (1993) defines a job as a common definition of tasks that are the same whoever carries them out, while a role is a broader definition of requirements covering the contribution people make in achieving objectives, reflecting the different contribution individuals make, as well as the purpose of what they are doing. This move has supported the inclusion of competencies in appraisal and development processes. It has also encouraged some employers to link job tasks and competency development in a single role profile document.

A simplified example of this integrated role profile format from a multinational PLC is shown in Figure 5.1 below. The single document is used for job description and job evaluation purposes, as well as to identify competency requirements and skills development planning. An appraisal form is bolted onto it focusing on annual objectives and performance against them. The spread of more effective HR information systems has meant that these different systems – of appraisal, development, pay, recruitment *etc.* - are easier to link up and often can enable managers and employees to administer them more effectively.

Figure 5.1: Example role profile format from large UK PLC



A study by Incomes Data Services comments that competency frameworks should not become *'unwieldy and consequently fall out of use. Competency frameworks need to be flexible so they can be adapted easily in line with organisational changes and remain fit for purpose'* (IDS, 2008, p.1) and *'whatever form competencies take, their overriding purpose is to add business benefit'* (IDS, 2008, p.2). Competencies and behaviours have become key to performance management to establish how goals should be achieved and to contribute to development planning (IDS, 2008).

The IDS study recommends that when an organisation is revisiting or replacing a competency framework, a first step should be to identify the strengths and weaknesses of the current system. It looks to the large retailer B&Q as an example of this, where consultations with key stakeholders have helped identify what are the elements of the existing competency framework that are working and what should be included in the new model. IDS recommends that employers review and adapt their competency frameworks on a regular basis.

The IDS study found there are six to ten core competencies in a typical framework, with an equal number that are optional. Each core competency is usually supported by a brief definition, which *'provides clarity for employees and line managers'* (IDS, 2008, p.3). The study also found that the most useful competency frameworks were not completely comprehensive *'which risks over-complication, but are short, simple in structure and, above all, understandable'* (ibid., p. 4). The behavioural indicators at different levels also contribute to personal development planning through benchmarking and assessing the gaps in an employee's abilities.

The number of competencies contained within frameworks have reduced in recent years. Whiddett and Hollyforde (1999) comments that whereas it was once common to find frameworks that contained 30 or more competencies, it is now more usual for frameworks to contain no more than ten. Many users find between six and 12 competencies to be the most useful range for a framework. Larger frameworks were often developed because organisations attempted to include all the information required for all applications and all roles, including information on job tasks, outputs and behaviours.

But experience has shown that it is often more effective to produce generic frameworks, with guidelines on how to apply it to a range of applications. The more competencies that a framework contains, the more difficult it can be to implement (Whiddett and Hollyforde, 1999, p.11). Among the most common competencies included in these six to 12 core competencies are communications and other interpersonal skills, problem analysis and challenge, innovation and creativity, and management, leadership and supervision.

And a simplification in the levels and descriptions of each competency or dimension also seems to have also been occurring. So for example, rather than

multiple levels described on each competency from the highest to the lowest degree of application, now it is relatively common to simply have lists of indicators and contra-indicators for each competency, and to leave managers and employees more flexibility and discretion in applying these to specific jobs.

The guidance needed to advise on the application of larger frameworks also becomes very lengthy and 'off-putting to users'. Whiddett and Hollyforde (ibid) state that the *'thickness of a document is usually inversely related to the number of people who read it'*. They provide the example of a government agency that had a framework with over 60 competencies, each with five levels of complexity. Users found it impossible to apply, and the 200 page reference document 'undermined any confidence they might have that they could make the framework work'. The agency addressed this problem by identifying the behaviours common to all roles in the organisation and produced a second framework with 12 competencies, accompanied by a 12 page guidance document. This was found to meet users' needs adequately (Whiddett and Hollyforde, 1999).

Splitting competency frameworks into a core set of common, often behavioural competencies such as communications and management skills, alongside of an additional set of technical or professional competencies, which are generally now tailored by the occupational group, rather than attempted to fit within a common corporate framework, is also now very common in large organisations. It seems to be a means of getting some consistency in definitions without restricting occupations to specify some of their specific requirements.

5.1.2 Effectiveness of competencies

Ensuring the success of competency frameworks requires them to: be sufficiently flexible to adapt to organisational change; have support from the top of the organisation and from the stakeholders who will influence it the most; have a high profile champion who promotes the use of the framework; keep it simple, rather than overly comprehensive; descriptors that are understood by employees; the use of relevant behaviours; the setting of clear boundaries between the different competency levels and a framework that has a clear purpose that is understood and welcomed by employees and managers (IDS, 2008).

5.2 Regular and quality discussions

Following the simplification theme, simpler process and paperwork may be supported by more regular meetings, although each meeting is often more focused and shorter than using the one meeting per annum model. At a major charity there are now a minimum of four meetings a year, with each having a distinct focus.

The first is for objective setting, the second for development planning, the third for ongoing coaching and the fourth to review performance and pay.

Sillup *et al.* (2010) discuss that traditionally appraisals are completed once a year and usually include a mid-year discussion, but they argue research has indicated that this is too infrequent because raters face problems with remembering what employees did over the previous months (Campbell *et al.*, 1970, cited in Sillup *et al.*, 2010). Juran (2004, cited in Sillup *et al.*, 2010) found that organisations with monthly or quarterly performance appraisals '*outperformed competitors on every financial and productivity measure and got positive feedback from employees about the fairness of the PA system*' (p.42).

At Standard Chartered Bank the appraisal process is called 'Conversations that Count'. The aims are to increase staff engagement, develop staff and deliver better results. Managers have four conversations with their staff during the year: perform (the appraisal against personal objectives; learn and develop (planning learning required to perform their job); careers (building the potential to take on larger roles); and engagement (where managers ask staff how well the organisation knows them, cares about them, helps them to focus and develops their strengths).

A later study by the Institute for Employment Studies (Hirsh *et al.*, 2004) interviewed employees who said they had experienced a manager who had 'developed' them. Again conversations lay at the heart of this process, as did managers being close to employees and their work and giving them focused coaching and access to work experiences. This kind of attention improved performance via its impact on confidence and motivation. These psychological effects were as important as skill acquisition in the impact of developmental management styles. Effective developers also created a climate of openness within their teams and encouraged informal discussions about work issues.

A survey by the Career Innovation Group (Winter and Jackson, 2004) asked over 700 high performers in a small sample of large, mostly global, organisations to comment on the conversations they had at work which had high impact on them. Not surprisingly, these high performing employees are the kinds of people who receive a lot of attention, and they had regular conversations about their work, especially with their managers. However, they were not always getting the types of conversations they most needed.

- About half of the conversations having the greatest impact were performance related, and about half of these took place in appraisals.
- By contrast, only about a quarter of high impact conversations were development related, and less than a quarter of these took place in appraisals.

- The lack of development conversations was a major source of dissatisfaction which also correlated with intention to leave. The big conversation gap in relation to development was about career development rather than skills and training for the current job.
- Issues related to work-life balance were not being well addressed.
- Forty per cent of respondents had an issue about work which they wanted to discuss but were not doing so. These respondents were nearly three times more likely than other respondents to be planning to leave the organisation in the next twelve months.

The study concluded that good dialogue rests on trust and can in turn lead to engagement and so improve performance. Conversations about performance which do not also address development for the future do not engage high performing employees. In other words *'the best leaders are those who address performance and development together.'* (ibid.)

These studies suggest that semi-formal discussions may be helpful *ie* the conversation itself is planned, but its structure and agenda are not over-prescribed.

5.2.1 Wider input into the discussion

There is also a trend towards more people inputting into the end-of-year review to try to improve the quality of assessments. Surveys suggest that between a quarter and a third of employers are using some aspect of 360 degree appraisal, collecting input from colleagues and reports, and sometimes from customers. Some of this is formal moderated/managed 'multi-rater' feedback; in other cases it is informal comment. Finn (2007, cited in Wikina, 2008) states that a strong emphasis should be placed on regular and consistent feedback, especially informal feedback and research about 360 performance appraisal systems suggest that it is an effective way to increase the flow of information within an organisation (Garavan and Morley, 1997, cited in Sullip, 2010). The CIPD found that fewer than half of employees state that their line manager usually or always provides feedback on their performance, but those that could claim they always received feedback were more satisfied with their job (CIPD, 2009).

Within 360 feedback there is always a possible friendship bias but this can be reduced by training what colleagues need to evaluate (Reilly, Smither & Vasibopoulos, 1996, cited in Sillup, 2010). Evaluation of managers from their direct reports is seen as empowering for employees and to protect against retribution, ratings can be combined into overall ratings (Sillup, 2010) and employees given an opportunity to perform self appraisal are also found to be motivated and have

fewer concerns about 'unethical treatment' (ibid.). Research shows that collecting feedback from multiple sources is desirable because they give a complete perspective about employees' performance and reduce the chance of ethical concerns (Longenecker *et al.*, 1987, cited in Sillup, 2010).

Sillup *et al* (2010) found through research with five US-based organisations that all were using annual 360-degree feedback. Within each organisation, the majority of performance evaluators and employees (87 per cent) had received training about their performance appraisal system and 85 per cent of evaluators helped their employees set objectives. However, only 20 per cent of the evaluators with greater responsibility within the organisation were seeking feedback about an employee's performance from peers, which was inconsistent with the 360 appraisal system.

5.3 Committed and capable managers

In order for regular and quality discussions to take place, the commitment and capability of managers needs to be developed and this should be an important consideration in the design and implementation of a performance management system. Purcell's research at the University of Bath identified this as key in 'bringing HR policies to life'. Purcell *et al.* (2003) included appraisal as one of eleven HR practices investigated for their potential links to performance. This report found that employees were more likely to 'go the extra mile if managers stimulate and encourage positive attitudes'. Purcell concluded that appraisal is an HR practice worth paying attention to because it offers line managers the opportunity to bring about 'commitment, job satisfaction, and motivation... which in turn lead to discretionary behaviour.'

Research by Baron also supports the widely held view that performance management needs to be 'owned' by line managers (Baron, 2004). Rees and Porter (2004) state that for a scheme to '*have any prospect of success it needs to be owned and driven by line management*' (Rees & Porter, 2004, p.31) and senior management commitment has to be maintained (Wolff, 2005). Sillup *et al.* (2010) state that '*many performance appraisal systems fail because organisations do not direct enough effort into gaining support for the process from those managers who will implement the system and Lewy and Du Mee (1998, cited in De Waal, 2003) argue that successful implementation and use of a performance management system will be achieved when managers have an 'intensified awareness of the importance of the performance management system' (p.694).* De Waal (2003) also states that '*managers' understanding of the nature of performance management is a key behavioural factor for the successful implementation of performance management and that a positive attitude of managers towards performance management is vital*'. A good alignment between managers' responsibilities and the performance management system is also considered necessary. Martinez (2005) also found through research at an electricity company that at a tactical level, the performance

review process can become 'monotonous', which means that managers have to 'continuously refresh the way in which performance is reviewed to keep it interesting and attractive'. This meant that the leadership of managers played an important part in the success of the system.

A study by IRS (2005) on the use of appraisals found a common concern was that if managers are not adequately trained and committed to the appraisal system, the performance review becomes 'just a paperwork exercise'. While this illustrates the need for managers to be committed, it is equally as important for managers to possess the skills needed to conduct effective appraisals. While it is acknowledged that individual managers must have the skills required to conduct appraisals effectively, only just over half (57 per cent) of respondents to the CIPD's survey of performance management reported that they train appraisers. Some 34 per cent train all staff, however, a greater proportion of all staff in the public sector (49 per cent) are likely to receive training (CIPD, 2005).

In the IRS study (Wolff, 2005) Virgin Mobile reported good training of appraisers and appraisees was key to making its appraisal system succeed, along with positive communication to 'pitch it as a benefit'. The Student Loans Company also commented that '*training of managers in carrying out appraisals is essential to the success of appraisal systems*'. Thornton and Zorich, 1980 (cited in Silip, 2010) also note that to increase employees' awareness about how a performance appraisal system is intended to operate, employees should also receive training.

Colville and Millner (2011) state that HR need to do a '*robust training needs analysis prior to implementing performance management*' and capability needs to be analysed in two areas:

1. The skills to manage the process; objective setting, gathering evidence and objective rating.
2. The behavioural skills required to have regular conversations about performance, personal development and career progression.

Building the capability of managers seems to be even more important where competencies are used. The most comprehensive competency framework, 'no matter how well designed and appropriate, will not make a bad process good, nor will it compensate for poor training, poor techniques or unskilled users' (Whiddett and Hollyforde, 1999, p.18). Sillup *et al.* (2010) argue that those who evaluate performance must accept the importance of performance appraisal as an 'organisational objective and integral part of their job, rather than a 'make-work' hassle'(p.41).

5.4 Strong leadership

Baron (2004) commented that organisations are winning support from line managers through ensuring there is strong leadership from the top of the organisation; involving line managers in the development of performance management processes and including performance management as a criterion in assessing line managers' own performance. It is important for leaders to be fully involved in the performance management process (Karuhanga, 2010) and as Buchner, 2007 states in regard to successful implementation of performance appraisal systems '*success begins with top-down support but requires bottom-up support for it to work*' (cited in Silip *et al.*, 2010, p.40) and Finn (2007, cited in Wikina, 2008) states that gaining stakeholder commitment is the first step in the foundations for successful performance management. Equally, Franco & Bourne (2003, 2005, cited in Elzinga *et al.*, 2009) found that top management agreement and commitment was a crucial factor related to the effective implementation of performance management. Alongside this, they also identify the 'three E's as crucial to implementation, being Empowering, Enabling and Encouraging behaviours from senior management.

Wikina (2008) adds that senior management needs to show leadership and set the tone for performance management, 'building the right culture based on efficient delivery of service, organised and multidisciplinary teamwork, and effective communication at all levels'. Wikina also states that the leadership needs to provide and allocate tools for performance management and improvement.

5.5 Align with organisational goals

Senior leaders should also play a role in ensuring performance management aligns corporate strategy and objectives to individuals, so that employees know how what they do fits with the organisation's overall strategy. This is known as the 'golden thread' of performance management (IDeA, 2004).

Stiffler (2006, cited in Wikina, 2008) recommends that a 'unified approach to performance management' is achieved through aligning the objectives, resources and activities of the organisation to the goals and opportunities of individuals within the organisation (Karuhanga, 2010). Lawson *et al.* (2003, cited in Elzinga *et al.*, 2009) found through research in 150 organisations, that two-thirds agreed that implementing performance management systems increased employees' awareness of company strategy and business plan goals, and helped to align operational improvements with overall strategy. Wikina (2008) found that the need to align performance and goals with organisational strategy is causing organisations to examine the performance management structures they have in place and devise ways to make them more effective and outcome-based.

Cascio (1991, cited in Sillup *et al*, 2010) states that a performance appraisal system should *'help managers groom their employees to accomplish objectives that will help the corporation gain competitive advantage'* (p.41) and Borman (1991, cited in Sillup, 2010) equally argues that an effective performance appraisal requires relevance; through which there are clear links between the tasks for a job and organisational objectives.

Murphy (2004) criticises that organisational goals for performance appraisal systems are not considered carefully enough and this results in systems attempting to achieve too much. Moreover, Murphy and Cleveland (1995) make the point that the organisational goals for the appraisal system need to be compatible with what the appraiser and appraisee want to get out of it. If not, they will not use it effectively. The implication here is that many of the organisational purposes of appraisal are not of great value to the manager or the employee, so their compliance will at best be half-hearted and they may well consciously distort the process to achieve their own desired ends.

Locke and Latham (1990) in a series of studies have shown strong evidence for the effectiveness of individual goal setting, although the majority of such work has not been done in the context of appraisal. They advocate the use of goals that are specific, moderately difficult, and accepted by the individual for whom they are set. The recurring theme here is about goals which the employee really agrees with, not goals which are imposed.

Alongside the importance of aligning employee's efforts with company objectives is the need to clearly communicate the organisation's expectation of its employees. The Corporate Leadership Council (2002) concluded that employee understanding of performance standards and objectives is more influential than specific features of the performance management system itself in driving performance.

The Acas Model Workplace also indicates that employees require clarity around expectations of them in terms of standards of performance and behaviour and they need consistency in the application of processes. Acas state that at an individual level appraisal systems are the *'ideal way of clarifying objectives'* and that appraisals provide the opportunity for managers to check that employees understand what is expected of them (Acas, 2005, p.8). Finn (2007, cited in Wikina, 2008) also states that in designing a performance management system, expectations for employees need to be stated with clear, measurable performance goals.

5.6 Integration with the culture

A further key to the success of embedding effective performance appraisal appears to be its integration into the culture of the organisation; building a culture

of continuous performance appraisal, not as Martin and Bartol (1998) state '*a periodic ritual that proves unpleasant for employees and supervisors*'. Organisations may choose to accept the dominant culture or alternatively change it through performance management. In the 1980s a number of organisations moved towards a more reward based performance assessment to shift the culture to one with more of a performance orientation. Generating a more performance oriented culture was a key feature of the interest in early individual performance-related pay schemes (Kessler, 2000). Other organisations aim for a greater customer focus and signal their approbation of customer-friendly behaviours through competence or contribution-based pay (Brown and Armstrong, 1999).

De Waal (2003) found that an organisational culture focused on using the performance management process to improve the business is a key behavioural factor in the effective implementation of PM processes. De Waal found that open communication and trust in performance information is critical. Research by Martinez (2005) also found through a case study of a European Electricity Supplier that a benefit of implementing a performance management system was the change in employees behaviour; it encouraged a 'tolerance to failure', improved transparency of information and improved vertical and horizontal cooperation. As a result, the culture at the company was perceived to 'move from a reactive and command-and-control culture to an open and proactive one'. Holloway *et al.* (1995, cited in De Waal, 2005) provide a useful summary statement that 'the successful implementation of a performance management system depends on understanding and accommodating the behavioural factors of performance management' (p.61).

5.7 Tailored to employees

Alongside the need to integrate performance management into the culture of the organisation is the recognition that systems should be adapted to accommodate the different requirements of the varied employees within an organisation (Rees and Porter, 2003). Rees and Porter suggest that systems should take into account differing organisational needs and priorities, levels of managerial expertise, styles of management and the sophistication of employees. Cederblom (1982) equally proposes that different employees in different circumstances need essentially different appraisal dialogues, which he describes as the 'contingency model'. In this model he distinguishes between:

- High performers in non-routine jobs: needing a development focus to appraisal, at flexible time intervals.

- Longer tenure, satisfactory performers in routine jobs: needing discussions of deviations from prior acceptable performance, held at infrequent intervals or when exceptions occur.
- Newer or lower performing employees: needing frequent developmental and evaluative reviews of performance.

Dychtwald *et al.* (2006, cited in Colville and Milner, 2011) also notes that organisations are increasingly seeing differences in the way that different generations respond to performance management. An example is provided of 'baby boomers' expecting recognition of their contribution to longer-term success, with younger generations seeking recognition for shorter-term achievements. This presents opportunities for dissatisfaction if a performance management system is biased towards either short-term or long-term benefits.

Sillup (2010) state that organisations need to consider which performance appraisal system will meet its objectives and motivate employees, with a 'fundamental issue' for organisations being whether the system rewards employees for generating short-term results (*eg* sales during business quarter) or for completing long-term results (Beatty, 1989 cited in Sillup, 2010). Sillup *et al.* (2010) also presents another perspective using the example of drug development within the pharmaceutical industry, in which efforts will not always result in a new drug being achieved during the one-year performance appraisal period. They state 'to be successful, it is pertinent to customise performance appraisal for each environment' (p.41). Fletcher (2001) similarly argues that the range of factors which might influence the appraisal needs of different employees are:

- job types
- tenure in organisation or job
- career stage
- personality and motivation
- performance level.

Igvarson and Chadbourne (1997) argue, based on the ineffectual experiences of implementing appraisal for teachers in Australia that the active support of staff, and adapting systems to meet local needs, are both essential requirements for success. Chandra (2004) reinforces the importance of employee involvement, while O'Conner and Lee (2007) document how when home care workers are involved in tailoring an appraisal system to suit their own needs, it became a success. Research by De Waal (2003) emphasises the importance of behavioural factors in implementing a successful performance management system, which relates to the involvement of staff in the development, implementation and use of performance

management processes. Karuhanga (2010) also recognises that a committed and supportive workforce is necessary for effective implementation of performance management systems.

The natural conclusion here is that a 'one size fits all' appraisal governed by the need to document a complex agenda is not appropriate.

5.8 Use of technology

Technology is also being used to help to try to engage employees more to trust and even enjoy the process. McGregor, (2009) reports that '*employers are trying out social networking-style systems that aim to improve – and take the dread – out of annual reviews*'. Accenture has developed a Facebook-style program called Performance Multiplier that lets employees post status updates and personal weekly goals. Rypple lets people post Twitter length questions about their performance in return for anonymous feedback, and has software to replace the standard annual review with quick monthly surveys and discussions. By prompting people to document and adjust their goals and learning constantly Accenture hopes that the formal process discussions will also improve.

This is a step beyond earlier automation of the performance appraisal process. E-performance management often simply made electronic what was previously a paper process. Whilst generating better management information (on say performance by grade, gender, division, *etc.*), there was little additional functionality offered (*eg* to segment the process by say work area). Indeed, it permitted the easier management of remote workers, yet risked a de-humanisation of the process.

Bourne *et al.* (2000) state that implementation of performance management concerns the systems established for collecting and processing data that enable regular measurement. They suggest this can involve computer programming to capture data already within a system or implementing new procedures, so that information currently not recorded is captured or it can involve new initiatives such as the introduction of an employee survey. Bourne *et al.* however also identify computer system issues as an obstacle to the full implementation of performance management within organisations.

5.9 Monitored systems

The literature shows that performance management and appraisal schemes need to be adequately co-ordinated and monitored. '*In addition to evaluating employees on a regular basis, organisations should assess the effectiveness of the appraisal system periodically*' (Schraeder, 2007, p.23). Rees and Porter (2004) argue that the role of

HR needs to be emphasised in co-ordinating and facilitating the process. The Civil Aviation Authority recommends that the appraisal process should be regularly reviewed and adjusted if necessary, but warns against continually changing the scheme (Wolff, 2005). Cocca *et al.* (2010) also state that for effective performance management, the system needs to be dynamic and fluid to respond to changing business circumstances so that performance measures always remain relevant. They note, however, that few organisations often have the processes in place for monitoring their systems. Performance management systems consist of a collection of five elements: people, procedures, data, software, and hardware (Wettstein and Kueng 2002, cited in Cocca, 2010) and all of these elements need to be monitored to assess the effectiveness of a system (Cocca, 2010, p.188).

IES has conducted numerous evaluations of performance management systems as managers are often still quite poor at evaluating performance-with-evidence, so they often fall back on the tried and tested methods of which individuals they consider to be the most reliable, the most visible or, perhaps subconsciously, whom they feel most comfortable dealing with.

IES has found that the outcome of this is that:

- People who work in non-standard patterns in the organisation can get poorer performance outcomes (*eg* part-times workers, the majority of whom are women).
- People from black and minority ethnic groups tend to get poorer performance outcomes.
- Women in more senior positions tend to get poorer performance outcomes.
- People with disabilities tend to get poorer performance outcomes.
- Senior staff tend to get better performance outcomes (IES, 2011).

Organisations need to think carefully about how they manage and measure performance as the implications can be serious for the real performance of an organisation as well as for the people employed within it.

6 Performance Management and Reward

The CIPD survey (2005) of performance management found that one in three respondents, 31 per cent, reported that they operated a link between the appraisal process and pay progression. There are three main ways this link is made: assessing performance inputs (usually competencies, but sometimes skills); assessing performance against objectives (*ie* outputs); or a combination of the two. While competencies have become a foundation for many HR processes in virtually all large employers, their use for pay determination has been limited and more controversial. O'Neal (1993/1994) describes competency-related pay as '*the way tomorrow's organisations will pay*', supporting a shift from paying for the 'what' to rewarding the 'how'. But Sparrow (1996) feels that '*pay determination requires a precision that could stretch the theory of competencies to breaking point*' and damage the development objectives in their use.

Several researchers have also investigated whether the pay link will always reduce the quality of debate and agree that this will not necessarily happen. Prince and Lawler (1986) found that salary discussion does not affect the employee's satisfaction with the appraisal process one way or the other but the Strebler *et al* (2001) study on the appraisal dialogue found an increasing disillusionment with the link to pay.

Ducharme *et al.* (2005) in a large-scale Canadian workforce survey showed that performance feedback (not linked to pay) was a more important influence on pay satisfaction than performance related pay unaccompanied by feedback.

6.1 Competency-related pay

The CIPD's reward management survey (CIPD, 2008) finds that fewer than one in five employers link pay progression directly to competencies, although half of those which link performance and pay include considerations of skills and competence, as well as other factors such as affordability and results achieved. Brown's (1998) review of links between competencies and pay found that two

main methods were being employed. First, competency criteria were being used to help to evaluate and grade jobs in banding structures, often through descriptions of the common characteristics of the jobs in each band. Second, competencies and skills were being linked directly to pay progression within a band or pay range. His review of research on the links found that:

- Linking skills and competencies to pay is often popular with staff.
- It generally 'works' in terms of supporting and promoting the up-skilling of employees.
- However, this can create problems in that staff may progress more quickly than was planned and so budgets to fund this may be stretched, while issues of how higher skills can be fully utilised may also emerge.
- There also appears to be a 'peaking out' effect after a few years once employees have developed the required skills and have reached their pay ceiling.

Brown's advice on making links between competencies and pay effective includes the following points:

- Develop, test and use competencies for purposes such as recruitment and training and development before the link to pay is made, as the definitions and measures need to be robust once pay is being influenced.
- *'Do it properly or don't do it at all'*, that is, if there is a fear that development may be compromised or pay progression limited then the pay link should not be attempted; correspondingly if the links are made, there should be robust assessment in place that genuinely tests whether or not individuals have obtained and are using the defined skills in their workplace.
- Generally, competency frameworks are simplified further for pay purposes, so that often only a limited set or selection of the full competency framework or menu is used.

6.2 Results driven performance related pay

Performance-related pay (PRP) rewards employees with a financial payment, either consolidated or non-consolidated, following an assessment of their performance and, typically, the achievement of objectives. It was first introduced in the UK on a wide scale in the 1980s and many organisations had high hopes that PRP would bring about cultural change and encourage higher levels of individual and organisational performance.

But since its early introduction, reward specialists, organisational psychologists and academics have disputed whether or not PRP is an effective motivational tool.

Some of the potential advantages of PRP are that it can provide a direct incentive, is a tangible means of recognising individuals' achievements, and provides the flexibility to retain key staff. On the downside, critics of paying for performance in this way say that it can be discriminatory, demotivate the majority of employees at the expense of a few high performers, and undermine 'felt fair' perceptions of equity.

PRP is built on the premise that reward can foster the right behaviour and money is a potentially powerful incentive to influence the amount of effort that employees will exert on behalf of the organisation. Some theorists believe that money can act as a goal in itself and can be valued by employees as a symbol of external status and internal recognition. But others contend that early proponents of PRP failed to appreciate the complexity of the wider employment relationship and the extent to which financial reward can act as a long-term satisfier. 'Needs' theories such as those developed by Maslow and Herzberg place a great deal of emphasis on the intrinsic aspects of the job, and argue that people can gain the greatest satisfaction from work factors such as responsibility, achievement and recognition. Other critics of PRP caution that such pay schemes are coercive and can encourage the wrong type of behaviour, for example, by focusing on individual effort at the expense of teamworking.

Initially hailed as **the** solution to motivating staff and encouraging higher levels of productivity, PRP subsequently suffered a reaction a decade later when it became apparent that it may not live up to expectations. A number of research studies failed to demonstrate any causal link between merit pay and performance and productivity.' But, say Brown and Armstrong (1999), performance-related pay is neither dead nor dying; the spread in incidence has undoubtedly slowed, but it is continuing to be applied and grow. Furthermore, the practical problems in implementation and operation are increasingly well recognised and documented.

Indeed, more up-to-date survey evidence shows that the premise on which IPRP is based – that is, rewarding people according to their level of performance – remains a fundamental principle of many organisations' reward strategies. The CIPD (2010) annual reward survey indicates that, when it comes to pay progression, though the majority of employers use multiple factors in determining reward, individual performance (68 per cent) is the most important and senior managers are more likely to be assessed solely on their performance than other employees.

Gratton (2000) finds that performance-related pay only works if individual or team-based pay is high enough to reward effort, and if the basis of allocation is clear, fair and accepted. She goes on to say that in practice the money is not enough to achieve this and the system is usually not clear enough.

6.3 Contribution based pay

The 2010 CIPD survey found that three-quarters of those which link performance and pay use a combination of factors to determine pay progression, including considerations of skills and competence, as well as other factors such as the market and individual performance results achieved. This is what Brown and Armstrong (1999) called 'contribution-related pay', *ie* the term they used to describe approaches that combine recognition for both inputs and outputs — how results are achieved as well as the results themselves. This approach is a formal combination of competency and performance-related pay. Brown and Armstrong believe that contribution-based pay is a desirable approach precisely because it covers both inputs and outputs in a way that is reflective of most jobs. Using the term contribution-based pay is also a recognition that a number of organisations, though describing their pay system as either competency-based or performance-related, are actually a combination of both.

Overall, given the massive effort which goes into managing performance-related pay systems, the evidence that they improve performance is very weak indeed. As Armstrong and Baron (2005) write *'the problem with contingent pay is not that the principle is faulty, but that the practice is flawed'*.

7 Personal Development Planning

The CIPD survey of performance management (2005) found that about two-thirds of respondents (62 per cent) reported that they used personal development planning in their formal performance management processes. Performance appraisal is considered to be a key tool for the identifying training and development needs of an individual (Wilson *et al.*, 2000). All of the organisations in the IDS study (2008) were using competencies to assess and plan the development needs of employees, with development planning generally following directly on from the appraisal process. The CIPD found that some 71 per cent of respondents to its performance management survey agreed that the focus of performance management is developmental (CIPD, 2005). The assessments of competency gaps inform the learning requirements for the employee's development plan. For ambitious employees or those wishing to make lateral moves across the organisation, being aware of the competencies and levels of performance required to perform another role facilitates the creation of development plans to gain those competencies required (IDS, 2008).

As development goals are typically informed by the gaps in competencies or behaviours there must be a fundamental link between development planning and the performance management process. IDS reported that some organisations separate the performance assessment and development planning processes to place greater emphasis on each. However, IDS states that this can *'create a more complicated or unwieldy structure and blur the link between development activities and the achievement of performance goals'* (IDS, 2009, p.6).

Personal development plans are a well established feature of performance management. Fletcher (1995) said that *'appraisal has a valuable function in developing people and that this is where its motivational value lies.'* The research of Tamkin *et al.* (1995, p.5) shows that personal development plans are most commonly focused on job or career development or a mix of both. They state that *'personal development plans which focus solely on skill development for the current job will not be welcome by*

many employees. Those which take a broader view of the individual and their future may be more effective for encouraging flexibility and have a higher impact on employees'.

The CIPD survey of performance management found that over two-thirds (67 per cent) of respondents agreed that the most important aspect of performance management is that of setting challenging and stretching developmental goals.

The use of personal development planning and the need to revisit performance management systems was highlighted by comments made by First Direct, which stated that personal development planning *'details the skills required for different roles based on core competencies. It's an in-house system so it needs constant refreshing, and we need to make sure that that is up to date and reflecting skills required in the business now and in the next five years'* (Armstrong & Baron, 2005, p.97).

Armstrong and Baron (2005) also found that most organisations indicate that they expect employees covered by the development planning process to prepare and implement plans. However, in some organisations PDP is encouraged but it is not obligatory *'on the grounds that to insist too strongly on the completion of forms seems to be inconsistent with the principle of self-managed learning'* (ibid., p.99). Not all employees are interested in career progression, but steps are often taken to encourage these employees to look at what development is available to them, whatever their level. And a number of research studies have shown links between career and skills development and flexible working and levels of customer service delivery.

As with appraisal, some organisations have different approaches to PDP as well as to appraisal for different types and levels of staff. It is relatively common for example to have distinct development arrangements and competency frameworks for senior managers and leaders, although management and supervisory skills would still be a very common component in generic competency frameworks. Approaches will often be simpler too, at lower levels in an organisation. But although surveys do show that levels of PDP coverage decline for lower paid and skilled jobs, generally employers with these types of process endeavour to apply them to all of their employees.

Wilson *et al.* (2000) recognises that the individual is the 'most knowledgeable person about the work performance and should be the most important source of information about their achievements and areas for development (Murphy and Cleveland, 1995). They suggested by increasing responsibility for appraisal, greater commitment to the process and motivation could be fostered. Wilson *et al.* (2000) research provides recommendations for conducting appraisals including:

- Training and development discussions should be held separately from assessment, promotion or pay discussions.

- Advance warning of an appraisal should be given to staff to allow sufficient time for preparation by both appraiser and appraisee.
- The appraisal report should be completed as soon as possible following the discussion.
- Development plans should be flexible to allow for changing roles.
- Organisation and department business plans should be consulted when identifying training and development needs and plans should be reviewed regularly.
- Appraisal checklists should be provided and followed by appraiser and appraisee to ensure no areas of the appraisal are neglected.
- Training should be provided to the appraisers and appraisees in the purpose and process of the appraisal and to ensure the value of the process is adequately communicated within the organisation.

The developmental aspect of performance management is described by Boswell and Boudreau (2000) as covering feedback as well as the identification of individual training needs. They also see determining transfers and attachments as part of this aspect of PM. Their research showed that the perceived use of appraisal for development was positively related to employee satisfaction with both the appraisal and the appraiser.

8 Career and Talent Management

Research shows that effective conversations about career issues are an important part of employee development. Hirsh *et al.* (2001) examined the nature of discussions about career development which employees in large UK organisations found useful. Only a very small proportion of effective career discussions took place in appraisal (about seven per cent). At least half were informal *ie* not a part of any HR or management process. The key to an effective career discussion was a high level of trust between the people combined with challenge and information-giving. Effective discussions gave employees a better sense of direction, increased self-awareness and more confidence, which led to concrete actions.

A later study by the Institute for Employment Studies (Hirsh *et al.*, 2004) interviewed employees who said they had experienced a manager who had 'developed' them. Again conversations lay at the heart of this process, as did managers being close to employees and their work and giving them focused coaching and access to work experiences. This kind of attention improved performance via its impact on confidence and motivation. These psychological effects were as important as skill acquisition in the impact of developmental management styles. Effective developers also created a climate of openness within their teams and encouraged informal discussions about work issues.

Discussions about career development and the assessment of potential fell out of favour during the 1980s but have come back into appraisal again with increasing interest in talent management.

The CIPD study of talent management (Tansley *et al.* 2007) highlights a number of ways in which talent management is linked with performance management. The performance management process is often used to identify 'high potential', for example by rating potential as well as performance and looking for those scoring high on both in the now widely used 'nine-box grid'. Tansley raises questions about where and by whom potential should be assessed. The appraisal process is also identified as especially important to the effective management and

development of high potential people – so without managers who are capable at having good discussions about performance, talent management is quite problematic.

Also Yarnall (2008) in her book on strategic career management identifies performance appraisal as the process used as a basis for dialogue about feedback, career aspirations and development. But she is not optimistic about the effectiveness of the appraisal process at meeting this purpose. In addition to the normal list of concerns (lack of time, lack of manager training *etc.*) she adds the difficulty of being honest about potential and future expectations.

9 Managing Poor Performance

Poor performance is a concern to senior managers because it is a measure of how effectively the organisation is led and is almost certainly a restriction on organisational productivity. To line managers it can be a time consuming and stressful experience. For employees it can result in extra work to cover those 'not pulling their weight'.

However, despite its importance, Strebler (2004) found no clear or common definition applied in the organisations she studied. Instead, 'interpretation seemed to be influenced by what was going on in their business at the time and this was what had prompted a review of their approach'. Managers could identify it at individual level but applied the label to a variety of behaviours and attitudes. Poor performance is legally defined as 'when an employee's behaviour or performance might fall below the required standard'. Some aspects of poor performance as organisationally defined, however, seem to be more concerned with poor management (in its broadest sense), *eg* from role overload or unclear objectives or unrealistic targets. Absence, which can again be seen as a sign of poor performance, can be due to a un-disclosed medical, personal or a domestic problem. When poor performance is associated with misconduct (and sometimes negligence) it probably is a disciplinary issue not 'poor' performance.

So the first question for organisations is to clarify when poor performance should be tackled at the employee (as opposed to work environment or job design) level. Taking the legal definition, this probably means concentrating on where the individual is failing to meet the necessary standards. This is an 'absolute' approach to assessment to be contrasted with 'relative' approaches made famous by GE where 'poor' performers are those that contribute the least, even if in an absolute sense they are reaching an acceptable performance level.

Strebler (2004) argues that employees therefore need to know what constitutes an acceptable level of performance, below which their organisation will consider their performance wanting. This is not as simple as it seems due to the 'variety of

messages that they may receive from their employers about performance requirements’.

Strebler found in her research that some organisations adopted a developmental approach, believing that employees’ performance could be improved. Their intervention therefore included a sharper focus on training and development, and also, influenced by positive psychology, fitting people to roles that would allow them to perform better. This positive psychology view generally considers that a system should reward good performance and encourage and motivate poor performers to improve, as ‘the system is not a punishment tool but an improvement tool’ Karuhanga (2010, p. 11). In contrast, other organisations may wish to adopt a more punitive method of identifying and weeding out those who are seen as not properly contributing.

10 Conclusion

This paper has had the objective of profiling the trends in performance appraisal, competency and skills development and considering how appraisal systems can be more effectively implemented.

There is powerful evidence that performance appraisal and related staff development can have a major impact on service outcomes, and large employers almost universally have some type of performance management process. A significant proportion of large UK employers have changed their process in recent years and many plan further changes. But, although some American writers may herald the death of performance appraisal, some type of process with similar objectives typically remains in place, if in a different form and guise. Change is apparently almost inevitable amidst the realities, speed and pressure of organisational life today, and is a route to improved impact, rather than an admission of failure.

Common changes and apparent keys to improvement in appraisal and development processes externally, highlighted in research, include:

- Simultaneously focusing more broadly on organisational performance and on initiatives required to support that, whilst also simplifying and speeding the core processes.
- Providing more support and training in the use of the system to line managers and ensuring senior management commitment and example-setting.
- Giving employees higher levels of understanding and involvement and allowing them to drive and shape the process to a much greater extent.
- Focusing on development and performance outcomes and measuring and demonstrating them.
- Allowing for greater adaptation and flexibility to tailor a simpler common framework to suit diverse local needs and cultures.

In respect of competency frameworks, we have profiled similar trends towards simplification and more user-friendly and user-driven approaches, with for example, only common core competencies often now being specified. Again, support from the top and through excellent training and communications are critical enablers. Personal development and a future focus on development, rather than on past performance rating and reward, are also commonly apparent.

There are also many arguments when considering the link between performance management and reward. We have seen that a pay link may connect the actions of employees to organisational goals and this link can foster the right behaviours in employees, but in order to achieve a genuine link the practice of performance, competency or contribution related pay must be transparent and the link between pay and performance must not be compromised. Reward in this context can act as a direct incentive to some employees and can offer the flexibility to recognise individual achievements or contributions, however reward must not undermine the 'felt fair' perception of equity for employees.

Good practice in performance management is summarised by Armstrong and Baron (2005) through comments made by case study organisations that they visited. These provided some interesting insights into developments in performance management. For example:

'We expect line managers to recognise it [performance management] as a useful contribution to the management of their teams rather than a chore.'

Centrica

'The principles behind performance management are career management and better performance.'

Cranfield University

'Making the management of performance an organic part of everyday life, not a series of mechanical tasks and processes.'

Halifax

And adding to the good practice picture in quantitative terms, the CIPD survey (2005) found that management buy-in alongside the communication of objectives were considered to be the most critical factors in the introduction, maintenance and improvement of a performance management system (CIPD, 2005).

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