

Performance Management: can the practice ever deliver the policy?

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'Performance review interviews as a rule are seriously deflating to employee's sense of importance and self worth. Not only is the conventional review failing to contribute, in many executives' opinion it can do irreparable harm.'

Rensis Likert (1959)

Ineffective?

Fifty one years later, I chaired the very full CIPD Annual Performance Management conference in October 2010. The excellent speakers and lively delegates provided a great view of the state-of-the-nation on this subject.

And it wasn't positive or pretty I am afraid. The admittedly unscientific audience response to my polling questions as to the practice and the quality of performance management in their organisations was overwhelmingly negative. Performance management, it appears, isn't working.

Many academics with a more solid research base would concur with the assessment of these HR practitioners, perhaps most memorably Keith Grint at Lancaster who delivers the damning verdict that *'rarely in the history of management can a system have promised so much and delivered so little'*.

A comprehensive study by E-reward (2005) found that 74 per cent of the organisations surveyed had made changes to their process in the last three years, most commonly involving the inclusion of competencies,

attempting to link performance management to strategic business goals, improving the ratings process and enhancing the link to pay. Yet the majority of them remained dissatisfied and had further changes planned, most often involving encouraging more regular feedback and discussion and streamlining the process.

Ambitious

When HR departments all started a decade ago to rechristen their often control-oriented performance appraisal systems as performance management, they were setting out a much more positive, employee engagement-oriented and organisational performance-related agenda. Michael Armstrong and Angela Baron clearly expounded the desired shift in approach in *Managing Performance*:

'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 their performance and thereby the performance of the whole organisation.'

Sounds great, who could possibly object?

But HR departments were also, de facto, setting themselves an expanded and formidable agenda of goals to achieve. Now a more ambitious approach was proposed, which purported to marry organisational purpose and goals with individual actions and performance, business direction with employee communications and engagement, sophisticated assessment techniques and multiple information sources, and linking the disparate

strands of HR practice: talent management, development, reward and diversity – in harmony behind sustained organisational performance.

Competency frameworks, assessments of potential, career management, personal development plans, 360 degree feedback and the direct linkage to pay have all commonly been added onto the traditional humble appraisal system. Alongside the hope that all this could be achieved, the long-standing practical problems first noted by Likert in his famous *Harvard Business Review* article apparently remain – about the skills and attitudes of reviewing managers, the consistency and quality of approach across large organisations, the complexity of the paperwork and value of outputs. These were the areas the CIPD conference delegates overwhelmingly wanted to discuss and the case studies presenting there considered, rather than the design frippery of paperwork and rating scales that is so often the focus of the HR literature.

Perhaps not surprising then that one HR director told me while I was scoping out a new IES research project on the subject that:

'It's expected to be part business planning, part employee and career development, part performance pay, part communications process. No wonder that it is often seen to fail.'

Important but impossible?

So why bother with the process at all if it's so difficult? Coens and Jenkins based on their experience in North America recommend 'abolishing performance appraisals' altogether, focusing on broader customer service requirements and decoupling the complex mix of processes often tied up in performance management. Yet amidst the wealth of studies now available showing powerful links between people management practices and performance – Combs, Liu and Hall's (2006) meta analysis includes 92 studies showing a link between high-performance HR practices and organisation performance, with three sets of influential HR practices identified: those that increase skills, empower employees and improve motivation – appraisal practice invariably comes out as potentially being one of the most important positive influences on employee and organisation performance.

It may be very difficult to get the process right, but improve it and their often seems to be a strong association with performance improvement. One of the most famous of these studies is the work by Professor Michael West and colleagues, looking at the influence of HR practices on mortality rates in NHS hospitals. Their work found that, 'a hospital which appraises around 20 per

cent more staff and trains about 20 per cent more appraisers is likely to have 1,090 fewer deaths per 100,000 admissions'.

But whatever the amount of this research showing that effective performance management is indeed associated with effective management and high performance, few employers seem to be trumpeting their successes in this field. Many are still looking for help and inspiration as the big gaps remain between aspirational policy and process on the one hand and the reality of practice on the other.

The advances in technology and HR information systems may have put many HR approaches on line, but the fundamental challenges seem to remain. IES's work over the past 12 months looking at appraisal and the Knowledge and Skills Framework (KSF) in the NHS found that only around two-thirds of non-medical staff had actually had an appraisal meeting in the prior 12 months. Overly complex paperwork and competency dimensions topped the list of management and staff complaints in our review – see Figure 1.

Fig. 1: Top 10 suggested changes to the Knowledge and Skills Framework by IES research participants

1. Improve/simplify paperwork (66% of respondents rated this as potentially having a major positive impact)
2. Simplify the KSF dimensions (61%)
3. Ensure discussion of personal objectives is undertaken alongside discussion of KSF/development needs (57%)
4. Ensure that pay progression genuinely relates to attainment of the KSF requirements (57%)
5. Link KSF more strongly to CPD and revalidation processes (56%)
6. Provide training for appraisees as well as appraisers (55%)
7. Provide more/better management training in appraisal and development planning skills (54%)
8. Drop or improve and simplify the KSF post outlines (53%)
9. Join up the KSF more effectively with other HR and management processes (50%)
10. Tailor the paperwork and process more to suit specific parts of the organisation and employee types. (48%)

Researched and evidence-based

So how can the promise of performance management be realised in practice and can these processes be implemented and operated successfully? How and how successfully are organisations aligning collective and business priorities with individual goals and performance? Has the performance management process and quality of performance conversations improved at all underneath the surface of scheme redesigns? And in the aftermath of recession and budget cutbacks, are we seeing a move back to simpler, less ambitious and more line manager and employee-oriented approaches?

As another HR director told us when scoping out our new IES research study:

'We've gone back to basics, cut back on everything else and said, first and foremost it's about communications and having good one-on-one conversations'.

In our last major review of the area in 2001, we similarly concluded that *'the increasing complexity of systems is proving to be a barrier ... user-friendliness is key: to have any prospect of success it needs to be owned and managed by line managers'*. Belatedly it seems, more and more organisations are at last recognising this.

IES will be addressing these questions through its new research study involving case study work in a range of leading employers, designed to produce practical tools and guidance in this vital area. In advance of the detailed findings though, contemporary examples provide plenty of clues, ideas and illustrations as to how organisations are breaking out of this performance management impasse and producing truly meaningful and highly valued performance management processes in practice.

So what at this early stage appear to be some of the keys to success? I would highlight three areas to attend to.

Get strategic

As Coens and Jenkins argue, providing a clear link for all employees to the organisation's purpose and performance, amidst all of the proliferation of paperwork and online information requirements, seems to be a critical component of effective performance management, so that employees can see how their goals and actions impact on these organisational priorities and really believe that they can have a genuine impact.

Caroline Edwards, HR Director at Carphone Warehouse explained how it has driven a major culture change towards becoming a genuinely service-oriented organisation and significantly improved financial

performance in the process through the use of its Compass scorecard. This framework encompasses five sets of performance criteria (people, quality, customer, finance and vision) and they form a part of every manager and employee's performance management goals and rewards, acting as a framework to discuss performance and how to improve it at every level, from the individual appraisal of the most junior employee up to board level. The roll out of the approach was backed by an impressive array of tools and guidance for managers and staff.

I heard at their recent Personnel conference in November how Tesco's own Steering Wheel of common performance criteria and measures similarly underpins how their stores operate and has been at the foundation of their many years now of growth and financial success.

As well as giving employees clear priorities and goal, my recent work in the NHS brought home to me as well, how successfully-operated performance management can also bring home to people the practical impact and meaning of the organisation's values.

Manage the managers

HR departments need to focus much more on their front-line managers who enact their policy intentions, and this is especially true in the field of performance management. The literature review for our research highlights how, as physical HR support has often been removed from locations, line managers have often been left with neither the required skills nor the support to implement performance management processes effectively. HR functions have responded with control-oriented attempts at solutions, imposing rating curve norms (based on 'the distribution curse' as one line manager recently referred to the Gaussian tool) and refusing to delegate pay decisions to try and ensure consistency, yet often inducing a 'not-invented here' and 'blame-HR' response from the line.

The leading organisations and HR functions seem to be leading the way in training their line managers in the process and supporting them in implementing it effectively. Ingrid Waterfield, head of performance and rewards in the UK for professional services firm KPMG, told me how they had designated and extensively trained more than 300 Performance Management Leaders throughout their business, to act as a vanguard of a movement to build continuous, high quality performance feedback and review throughout the organisation, in a sector in which client pressures and fast response times have often been used as an excuse to avoid it or do it badly.

This has resulted in major improvements in performance and reward management across the organisation,

evidenced by major gains in the proportion of staff who feel they have clear goals related to the organisation's strategy and who believe their reward is genuinely linked to their performance, supporting the firm becoming the *Sunday Times* Best Large employer to work for in two on the last three years.

As well as training, Baron (2004) demonstrates how employers are improving line management practice through ensuring there is strong leadership and a 'practice what you preach' example set at the top of the organisation, by heavily involving line managers in the development of new performance management processes and including performance management as a criterion in assessing line managers' own performance.

In the NHS, a change of senior management was a very influential factor explaining the performance of those trusts that had moved rapidly from a situation of low appraisal coverage to almost complete staff participation. And in BT Operate, Chris Jullings told me how they have an extensive network of manager and employee user groups which they have been calling on regularly to help develop and introduce improvements in their performance management process, focused on better linking organisational and individual goals and improving personal goal setting.

Converse

Finally, if you are looking to improve the performance management in your own organisation, as the HR director I quoted earlier expressed it, focus on the conversation. Debbie Meech the HR Director at Cable and Wireless international extols and illustrates the benefits of a strengths-based approach to performance conversations and reviews, building on identifying and exploiting employee's strengths and energy levels, rather than diminishing and demotivating them in the way that Likert described.

Grattan and Ghoshal (2002) argue that 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'. At Standard Chartered Bank the process is called 'Conversations that count'. The aim is to increase staff engagement, develop staff and deliver better results. Managers have four conversations with staff during the year: perform (the appraisal against personal objectives); learn and develop (planning the learning required to perform the job); careers (building the potential to take larger roles); and engagement (managers ask staff how well the organisation knows them, cares about them, helps them to focus, and develops their strengths).

Genuinely moving to true performance management

This is perhaps ultimately the way in which the switch to a true performance management philosophy, rather than a top-down-imposed appraisal approach, can be realised successfully in practice: through simplification of the processes and designs and engaging managers and employees much more with the framework of what becomes a day-to-day process that is about engaging them in performing towards the delivery of the key strategic goals of the organisation.

One of the NHS trusts that has made strides with appraisal and the KSF, the Western Health Trust, describes its approach as '*delivering high quality care through effectively widening participation*' (Beesely), compared to the process of '*death by paper*' that we heard one London trust describe to us. The new simplified NHS approach was launched at the NHS Employers' annual conference in November, with local involvement and tailoring now encouraged and supported, and the changes being the result of a partnership approach between employers, trade unions and the Department of Health.

It's more than 50 years since Likert summarised the dreaded and dispiriting process of performance appraisal in many organisations. It's about time then that by using the findings from research and what Chris Jullings at BT calls a more evidence-based approach, rather than simply new labels and technology, we move at last towards actually realising the potential benefits of effective performance management.

Points To Ponder

- How effective is the implementation and operation of performance management in your organisation?
- Are the issues to do with design, or over-ambitious goals and poor communications and management?
- How can you best support line managers to manage the performance of their staff effectively?

If you are interested in finding out more about or taking part in the IES research then please contact Duncan Brown.

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