

MICHAEL ARMSTRONG

# PERFORMANCE MANAGEMENT

**Key Strategies and Practical Guidelines**

SECOND EDITION

# Performance Management



# Performance Management

Key strategies and  
practical guidelines

Second edition

Michael Armstrong



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# 1

# The Basis of Performance Management

## Background

The concept of performance management has been one of the most important and positive developments in the sphere of human resource management in recent years. The phrase was first coined by Beer and Ruh in 1976. But it did not become recognized as a distinctive approach until the mid-1980s, growing out of the realization that a more continuous and integrated approach was needed to manage and reward performance. For crudely developed and hastily implemented performance-related pay and appraisal systems were all too often failing to deliver the results that, somewhat naively, people were expecting from them. Performance management rose like a phoenix from the old-established but somewhat discredited systems of merit rating and management by objectives.

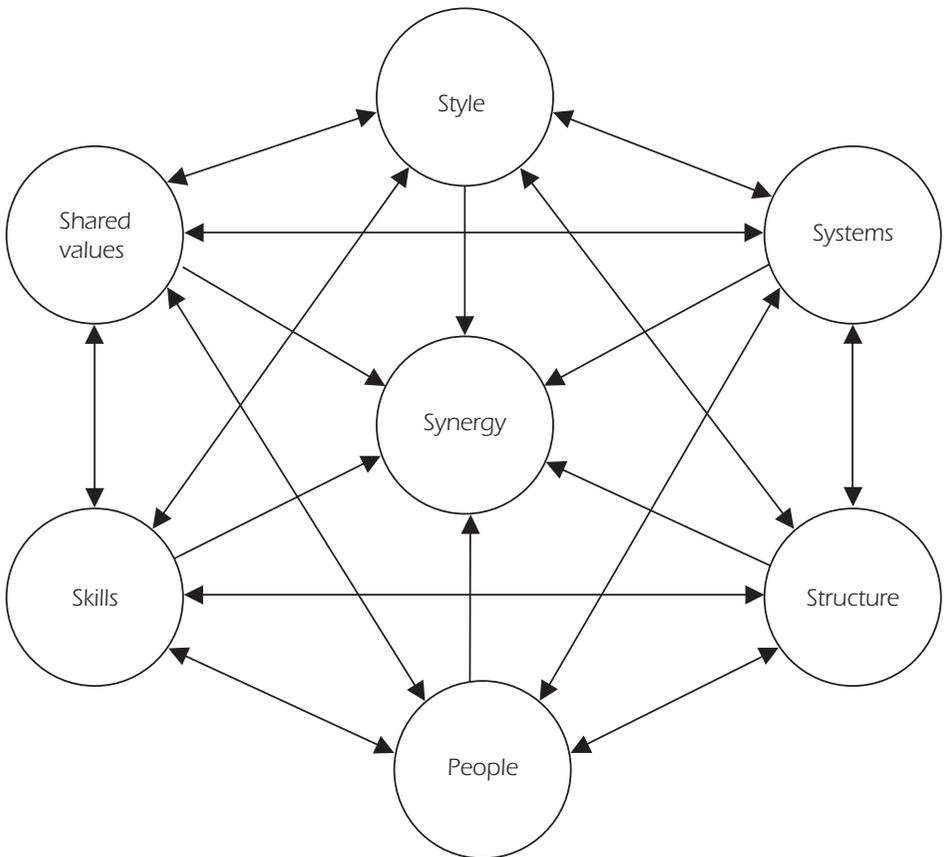
## Performance management defined

Performance management is a strategic and integrated process that delivers sustained success to organizations by improving the performance of the people who work in them and by developing the capabilities of individual contributors and teams.

Performance management is strategic in the sense that it is concerned with the broader issues facing a business if that business is to function effectively in its environment, and with the general direction

in which the business intends to go to achieve its longer-term goals. Performance management is integrated in two senses: (1) *vertical integration*, linking or aligning business, team and individual objectives with core competences; and (2) *horizontal integration*, linking different aspects of human resource management, especially organizational development, human resource development, and reward, so as to achieve a coherent approach to the management and development of people.

In United Distillers, as described by Chris Bones (1996), performance management initiatives were driven by the business vision and strategic imperatives. The company's initiatives and the ways in which they interconnected are illustrated in Figure 1.1.



**Figure 1.1** Integration at United Distillers

Source: adapted from Chris Bones (1996)

## The meaning of performance

Performance management is, of course, about performance. But what is meant by that word? It is important to clarify what it means, because if performance cannot be defined, it can't be measured or managed. Bates and Holton (1995) have pointed out that performance is a multi-dimensional construct, the measurement of which varies depending on a variety of factors. They also state that it is important to determine whether the measurement objective is to assess performance outcomes or behaviour.

There are different views on what performance is. It can be regarded as simply the record of outcomes achieved. On an individual basis, it is a record of a person's accomplishments. Kane (1996) argues that performance is something that the person leaves behind and that exists apart from the purpose. Bernadin *et al* (1995) are concerned that performance should be defined as the outcomes of work because they provide the strongest linkage to the strategic goals of the organization, customer satisfaction, and economic contributions.

The Oxford English Dictionary defines performance as the accomplishment, execution, carrying out, working out of anything ordered or undertaken. This refers to outputs/outcomes (accomplishment) but also states that performance is about doing the work as well as being about the results achieved. Performance could therefore be regarded as behaviour – the way in which organizations, teams and individuals get work done. Campbell (1990) believes that performance is behaviour and should be distinguished from the outcomes because they can be contaminated by systems factors.

A more comprehensive view of performance is achieved if it is defined as embracing both behaviour and outcomes. This is well put by Brumbrach (1988):

Performance means both behaviours and results. Behaviours emanate from the performer and transform performance from abstraction to action. Not just the instruments for results, behaviours are also outcomes in their own right – the product of mental and physical effort applied to tasks – and can be judged apart from results.

This definition of performance leads to the conclusion that, when managing the performance of teams and individuals, both inputs (behaviour) and outputs (results) need to be considered. This is the so-called mixed model (Hartle, 1995) of performance management,

which covers competence or capability levels and achievements as well as objective-setting and review.

## The essence of performance management

In essence, performance management is a shared process between managers and the individuals and teams they manage. It is based on the principle of management by contract rather than command, although this does not exclude the need to incorporate high performance expectations in such contracts.

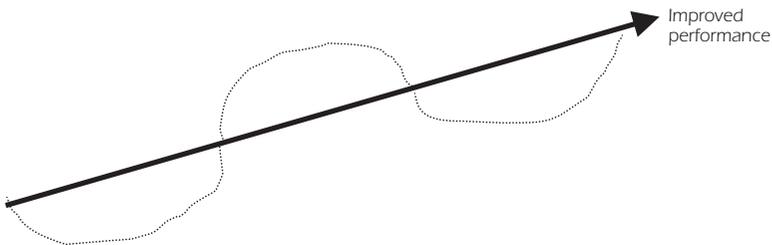
Performance management is based on the agreement of objectives, knowledge, skill and capability (competence) requirements, performance improvement, and personal development plans. It involves the joint and continuing review of performance against these objectives, requirements and plans and the agreement and implementation of improvement and further development plans. The basis upon which performance management works is illustrated in Figure 1.2.

## The scope of performance management

Performance management is about managing an organization. It is a natural process of management, not a system or a technique (Fowler, 1990). It is also about managing within the context of the business, namely its internal and external environment. This will affect how it is

### High performance

- Reinforce through recognition (financial and non financial, praise, additional responsibility)



Actual performance

### Low performance

- Coaching, counselling

Start year	During year	End year
Performance agreement	Monitoring and review against performance agreement	Main performance review

Figure 1.2 Stages of performance management

developed, what it sets out to do and how it operates. The context is very important, and Jones (1995) goes as far as to say manage context, not performance .

Performance management concerns everyone in the business not just managers. It rejects the cultural assumption that only managers are accountable for the performance of their teams and replaces it with the belief that responsibility is *shared* between managers and team members. In a sense, managers should regard the people who report to them as customers for the managerial contribution and services they can provide. Managers and their teams are jointly accountable for results and are jointly involved in agreeing what they need to do and how they need to do it, in monitoring performance and in taking action.

Performance management processes are part of a holistic approach to managing for performance, which is the concern of everyone in the organization.

## A holistic approach to performance management

Holistic means being all-embracing, covering every aspect of a subject. In the case of performance management, this concerns the whole organization. It takes a comprehensive view of the constituents of performance, how these contribute to desired outcomes at the organizational, departmental, team and individual levels, and what needs to be done to improve these outcomes.

Performance management in its fullest sense is based on the belief that everything that people do at work at *any* level contributes to achieving the overall purpose of the organization. It is therefore concerned with what people do (their work), how they do it (their behaviour) and what they achieve (their results). It embraces all formal and informal measures adopted by an organization to increase corporate, team and individual effectiveness and continuously to develop knowledge, skill and competence. It is certainly not an isolated system, run by the HR department, that functions once a year (via the annual appraisal) and is then forgotten.

The combined impact of a number of related aspects of performance management may be expected to achieve more to improve organizational effectiveness than the various parts if they function separately. When designing and operating performance management, it is necessary to consider the interrelationships of each process.

## The purpose of performance management

Performance management is a means of getting better results from a whole organization, or teams and individuals within it, by understanding and managing performance within an agreed framework of planned goals, standards and competence requirements. It is a process for establishing shared understanding about what *is* to be achieved, and an approach to managing and developing people in a way that increases the probability that it *will* be achieved in the short and longer term. It is owned and driven by line management. As defined by Philpott and Sheppard (1992): The fundamental goal of performance management is to establish a culture in which individuals and groups take responsibility for the continuous improvement of business processes and for their own skills and contributions.

## Principles of performance management

The principles of performance management have been well summarized by IRS (1996) as follows:

- it translates corporate goals into individual, team, department and divisional goals;
- it helps to clarify corporate goals;
- it is a continuous and evolutionary process, in which performance improves over time;
- it relies on consensus and co-operation rather than control or coercion;
- it creates a shared understanding of what is required to improve performance and how this will be achieved;
- it encourages self-management of individual performance;
- it requires a management style that is open and honest and encourages two-way communication between superiors and subordinates;
- it requires continuous feedback;
- feedback loops enable the experiences and knowledge gained on the job by individuals to modify corporate objectives;

- it measures and assesses all performance against jointly agreed goals;
- it should apply to all staff; and it is not primarily concerned with linking performance to financial reward.

Performance management is primarily concerned with *performance improvement* in order to achieve organizational, team and individual effectiveness. Organizations, as stated by Lawson (1995) have to get the right things done successfully .

Secondly, performance management is concerned with *employee development*. Performance improvement is not achievable unless there are effective processes of continuous development. This addresses the core capabilities of the organization and the specific capabilities of individuals and teams. Performance management should really be called performance *and development* management .

Thirdly, performance management is concerned with satisfying the needs and expectations of all of an organization's *stakeholders* owners, management, employees, customers, suppliers and the general public. In particular, employees are treated as partners in the enterprise whose interests are respected, who have a voice on matters that concern them, and whose opinions are sought and listened to. Performance management should respect the needs of individuals and teams as well as those of the organization, recognizing that they will not always coincide.

Finally, performance management is concerned with *communication* and *involvement*. It creates a climate in which a continuing dialogue between managers and the members of their teams takes place in order to define expectations and share information on the organization's mission, values and objectives. This establishes mutual understanding of what *is* to be achieved and a framework for managing and developing people to ensure that it *will* be achieved. Performance management can contribute to the development of a high-involvement organization by getting teams and individuals to participate in defining their objectives and the means to achieve them.

## Ethical considerations

Performance management should operate in accordance with the following ethical principles defined by Winstanley and Stuart-Smith (1996):

- *respect for the individual* people should be treated as ends in themselves and not merely as means to other ends ;
- *mutual respect* the parties involved in performance management processes should respect each other's needs and preoccupations;
- *procedural fairness* the procedures incorporated in performance management should be operated fairly so as to limit the adverse effect on individuals;
- *transparency* people affected by decisions emerging from the performance management process should have the opportunity to scrutinize the basis upon which decisions were made.

## Performance management as an integrative process

Performance management is a force for both vertical and horizontal integration. As stated by Hartle (1995), performance management should be integrated into the way the performance of the business is managed and it should link with other key processes such as business strategy, employee development, and total quality management .

### Vertical integration

Integration is achieved vertically in two ways. First, it facilitates the integration or alignment of business strategic plans and goals with individual and team objectives. The agreed objectives are those that support the achievement of corporate goals. They take the form of interlocking objectives from the corporate level to the functional or business-unit level and down to teams and the individual level. Steps need to be taken to ensure that these goals are in alignment. This can be a cascading process so that objectives flow down from the top and, at each level, team or individual objectives are defined in the light of higher-level goals. But it should also be a bottom-up process, individuals and teams being given the opportunity to formulate their own goals within the framework provided by the overall purpose and values of the organization. Objectives should be *agreed*, not set, and this agreement should be reached through the open dialogues that should take place between managers and individuals continually. In other words, this

needs to be seen as a partnership in which responsibility is shared and mutual expectations are defined.

Secondly, vertical integration takes place between the core values and capabilities of the organization and the values adopted and level of capability achieved by individuals. Chris Bones, Human Resource Director of United Distillers, explains (1996) his company's approach to integration thus:

Setting up appraisal systems in a vacuum adds no value. They are merely a record of a convention that must take place in the context of the business strategy and annual plans. Creating the right context for the conversation is an essential part of successful performance management. In HR we have to develop and implement a range of strategies across the organization which enable excellent performance from all our employees.

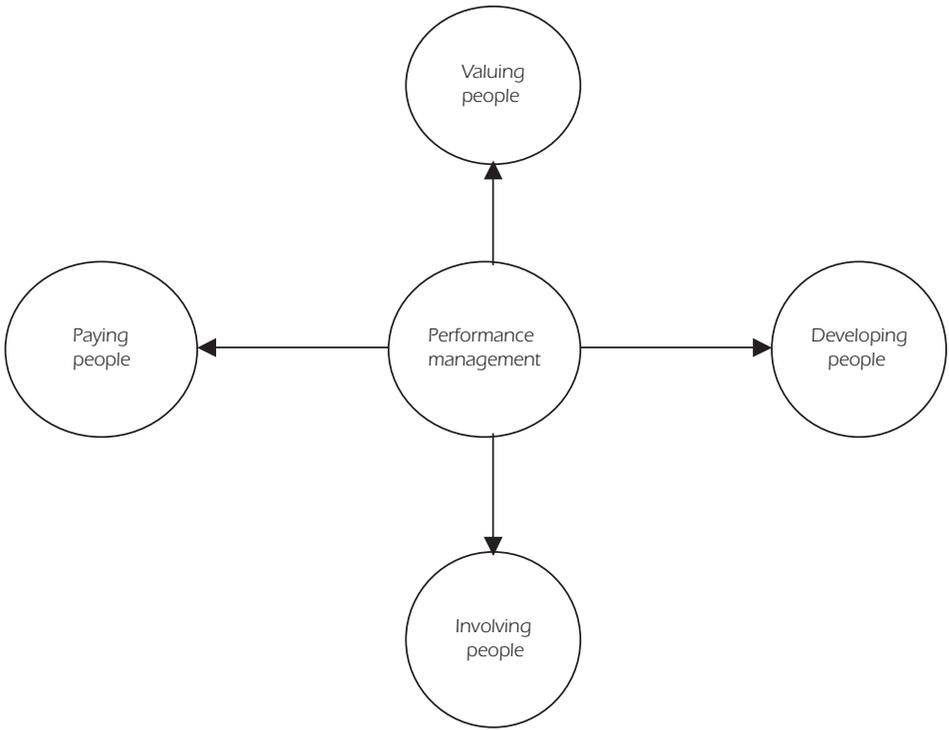
## Horizontal integration

Horizontal integration means aligning performance management strategies with other HR strategies concerned with valuing, paying, involving and developing people, as modelled in Figure 1.3. It can act as a powerful force in integrating these activities. The impact of performance management on organizational effectiveness is enhanced because, along with the development of competence frameworks, it is the most important means of helping to integrate the various approaches that organizations can adopt to improving effectiveness through their processes for managing, motivating and developing people.

The approach is related to the concept of bundling, which is the development and implementation of several HR practices together so that they are interrelated and therefore complement and reinforce each other. This approach is accepted by many commentators, such as David Guest (1998), who commented that One thing is clear from all the research: there is no point in investing in specific practices. Performance-related pay, psychometric tests in selection or extensive training will not in themselves bring bottom-line results. The key lies in finding the right bundle of practices.

The process of bundling is sometimes referred to as the use of complementarities (MacDuffie, 1995) or as the adoption of a configurational mode (Delery and Doty, 1996). The concept of bundling was explained by MacDuffie (1995) as follows:

Implicit in the notion of a bundle is the idea that practices within bundles are



**Figure 1.3** Performance management as a focal point for integrated HR activities

interrelated and internally consistent, and that more is better with respect to the impact on performance, because of the overlapping and mutually reinforcing effect of multiple practices.

And, as Dyer and Reeves (1995) note, The logic in favour of bundling is straightforward. Since employee performance is a function of both ability and motivation, it makes sense to have practices aimed at enhancing both. Performance management can and should be a holistic process that is concerned with motivation, development and, in its broadest sense, reward.

## Performance management, not performance appraisal

Performance appraisal can be defined as the formal assessment and rating of individuals by their managers at usually an annual review meeting. It should be distinguished from performance management,

which is a much wider, more comprehensive and more natural process of management that aims to clarify mutual expectations and emphasizes the support role of managers, who are expected to act as coaches rather than judges and focuses on the future.

Performance appraisal has been discredited because too often it has been operated as a top-down and largely bureaucratic system owned by the personnel department rather than by line managers. It was often backward-looking, concentrating on what had gone wrong, rather than looking forward to future development needs. Performance appraisal schemes existed in isolation; there was little or no link between them and the needs of the business. Line managers have frequently rejected performance appraisal schemes as being time-consuming and irrelevant. Employees have resented the superficial nature with which appraisals have been conducted by managers who lack the skills required or are simply going through the motions. As Armstrong and Murlis (1998) assert, performance appraisal too often degenerates into a dishonest annual ritual .

Many research studies by academics have criticized traditional approaches to performance appraisal. The following are some typical comments:

- Appraisal is a system of bureaucratic or management control (Barlow, 1989; Townley, 1993; Newton and Findlay, 1996).
- Appraisal enlists compliance (Barlow, 1989).
- Appraisal reinforces authority relations and defines dependency (Barlow, 1989).
- Appraisal implies that rewards and progress are in the hands of a single superordinate (Grint, 1993).
- Appraisal aims at voluntary compliance (Newton and Findlay, 1996).
- Appraisal is a form of control used to police performance (Winstanley and Stuart-Smith, 1996).
- The tendency of managements is to adopt a unitary frame of reference ( we re all in this together , our interests coincide ) when, in reality, organizations are more likely to be pluralistic in the sense that there are divergent interests that should be acknowledged (Townley, 1993; Newton and Findlay, 1996; Winstanley and Stuart-Smith, 1996).

- Appraisal is an inconsistent and fundamentally subjective process (Grint, 1993).
- Managements indulge in rhetoric about development but often do not put their espoused views into practice (Stiles *et al*, 1997).
- Rarely in the history of business can such a system have promised so much and delivered so little (Grint, 1993).

In contrast, the concept of performance management is based on approaches that aim to overcome these negatives by emphasizing that performance management is a continuous and forward-looking process in which managers and individuals work together in partnership. It is a joint process in which top-down appraisals no longer have a part. In many cases, performance is not rated and the principal outcome of any formal reviews is a personal development plan that aims to provide opportunities for learning and experience that will not only improve performance but will also enhance potential and employability.

## The process of performance management

Performance management is a continuous and flexible process that involves managers and those whom they manage acting as partners within a framework that sets out how they can best work together to achieve the required results. It focuses on future performance planning and improvement rather than on retrospective performance appraisal. It provides the basis for regular and frequent dialogues between managers and individuals about performance and development needs. Performance management is mainly concerned with individual performance and development, but it can also be applied to teams.

Performance management reviews provide the inputs required to create personal or team development plans and, to many people, performance management is essentially a developmental process. In organizations with performance-related pay, performance ratings are produced to inform pay decisions. There are, however, strong arguments against linking performance management with performance-related pay, and these are set out in Chapter 17. There are also arguments against having any form of rating on the grounds that this turns the performance review meeting into an appraisal session, which can inhibit the constructive discussion that should be what such meetings are about.

Performance management is a process for measuring outputs in the shape of delivered performance compared with expectations expressed as objectives. In this respect, it focuses on targets, standards and performance measures or indicators. But it is also concerned with inputs – the knowledge, skills and capabilities (competences) required to produce the expected results. It is by defining these input requirements and assessing the extent to which the expected levels of performance have been achieved by using skills and capabilities effectively that developmental needs are identified.

## Conclusion

In conclusion, it must be re-emphasized that performance management is not a top-down, backward-looking form of appraising people. Neither is it just a method of generating information for pay decisions. Performance management is forward-looking and developmental. It provides a framework in which managers can *support* their team members rather than dictate to them, and its impact on results will be much more significant if it is regarded as a transformational rather than as an appraisal process.

# 2

## The Performance Management Process

### A conceptual model

A textbook performance management system (PMS), as conceived by Bevan and Thompson (1991), exhibits the following features:

- it has a shared vision of its objectives, or a mission statement, which it communicates to all its employees;
- it sets individual performance management targets, which are related both to operating-unit and wider organizational objectives;
- it conducts regular, formal reviews of progress towards these targets;
- it uses the review process to identify training, development and reward outcomes;
- it evaluates the effectiveness of the whole process and its contribution to overall performance to allow changes and improvements to be made.

But Bevan and Thompson suggested that this textbook definition placed too much emphasis on a top-down approach (particularly in objective setting), which can underplay the extent to which training, development and reward systems are driven from the bottom up: This in turn, raises questions about how easily corporate objectives can be integrated with individual goals, and the extent to which reward systems which are introduced to support a PMS can frustrate the

training and development objectives of the process. They also criticized the belief that a PMS model can fit all situations and suggested that many process issues involved in making performance management work were underemphasized.

## **A basic, practical model**

Research conducted by Fletcher and Williams (1992) indicated that the majority of organizations that they looked at were a long way from operating a sophisticated PMS. For most of them, PMS was synonymous with performance appraisal, or with performance-related pay (PRP) or both. But, as Fletcher commented: There is, of course, much more to it than that. The real concept of performance management is associated with an approach to creating a shared vision of the purpose and aims of the organization, helping each individual employee understand and recognize their part in contributing to them, and in so doing manage and enhance the performance of both individuals and the organization.

Fletcher and Williams's research suggested four underlying principles of effective performance management, namely that:

- 1 it is owned and driven by line management and not by the HR department;
- 2 there is an emphasis on shared corporate goals and values;
- 3 performance management is not a packaged solution but something that has to be developed specifically and individually for each particular organization;
- 4 it should apply to all staff, not just part of the managerial group.

To this can be added a fifth principle, namely that some businesses have found it beneficial to apply different processes to different parts of their organization. This can work, provided that the processes operate within the same overall framework and are linked by explicit and shared corporate goals and values.

## **Performance management as a process**

Probably the main criticism that has rightly been made about the application of performance management is that it has been introduced

as a top-down, imposed and rigid system that seeks easy solutions to complex problems, which it will inevitably fail to deliver. It is much better to regard performance management as a flexible *process*, not as a system. The use of the term system implies a rigid, standardized and possibly bureaucratic approach that is inconsistent with the concept of performance management as a flexible and evolutionary process applied by managers working with their staff in accordance with the circumstances in which they are working. As such, it involves managers and those whom they manage operating as partners, but within a framework that sets out how they can best work together. This framework has to reduce the degree to which performance management is a top-down affair, and it has to be congruent with the way in which any particular organization functions. Performance management has to fit process-based and flexible organizations. In these circumstances which are increasingly the norm it has to replace the type of appraisal system that only fits a hierarchical and bureaucratic organization.

Overall, performance management needs to encourage a balanced approach with the following features, as described by Vicky Wright and Liz Brading (1992):

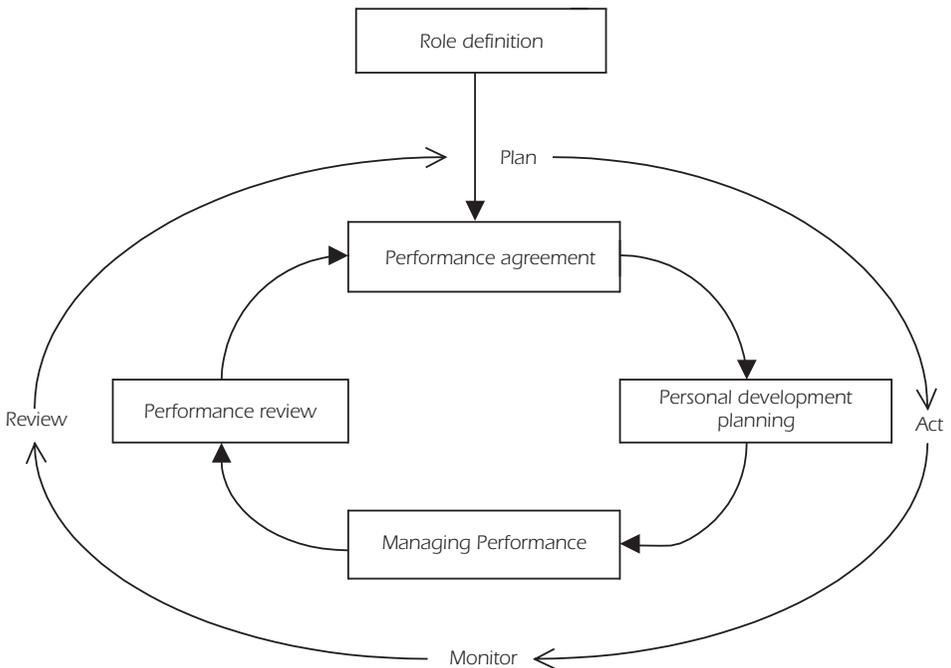
- less focus on retrospective performance assessment and more concentration on future performance planning and improvement;
- identification and recognition of the skills and capabilities associated with higher levels of performance;
- identification and recognition of outputs that are defined in qualitative and not just quantitative terms;
- a freer, upwardly managed process;
- a more coaching and counselling style of appraisal, with less emphasis on criticism;
- more focus on an individual's contribution to the success of the team as a whole, with some objectives defined in these terms;
- concern for improving an individual's performance as much as assessing it;
- no forced distribution of performance ratings (and so no win lose scenarios);

- possibly no formal ratings given.

Although every organization wanting to introduce performance management should develop its own version to suit its needs, it is useful to have a conceptual framework within which appropriate processes can be developed and operated. This framework will help in deciding the approach to be adapted and, when the decision has been made, it will provide guidance to managers, as well as the individuals and the teams they manage, on what performance management activities they will be expected to carry out.

Performance management can be described as a continuous self-renewing cycle, as illustrated in Figure 2.1. The main activities are:

- *Role definition* in which the key result areas and capability requirements are agreed.
- *The performance agreement (or contract)* which defines expectations: what an individual has to achieve in the form of objectives, how performance will be measured and the capabilities needed to deliver the required results. This could be described as the performance planning stage.



**Figure 2.1** The performance management cycle

- *The personal development plan* which sets out the actions people intend to take to develop themselves in order to extend their knowledge and skills, increase their levels of capability, and improve their performance in specified areas. This is the performance development stage.
- *Managing performance throughout the year* which is the stage in which action is taken to implement the performance agreement and personal development plan as individuals carry on with their day-to-day work and their planned learning activities. It includes a continuous process of providing feedback on performance, conducting informal progress reviews, updating objectives and, where necessary, dealing with performance problems.
- *Performance review* which is the formal evaluation stage when a review of performance over a period takes place, covering achievements, progress and problems, as the basis for a revised performance agreement and personal development plan. It can also lead to performance ratings.

Role definition, the performance agreement, managing performance and performance review activities are described in more detail in the next four sections of this chapter. Personal development planning is described in Chapter 16.

## Role definition

The role definition provides the framework for performance management. It sets out three things. The first is the *purpose* of the role, which summarizes the overall aim – namely what the role holder is expected to do – and provides a foundation for the performance agreement. The second is the *key result areas* or principal accountabilities, which define the main output areas of the role and provide the headings against which objectives and performance standards are agreed.

The third aspect is *key capabilities*, which indicate what the role holder has to be able to do and the behaviour required to perform the role effectively. These provide the basis for drawing up personal development plans and for assessing the input aspect of performance – what the individual brings to the role. This in turn constitutes the capability profile for the role, which may refer to organizational core capabilities as well as generic capability, or capability profiles

developed for similar roles. It may also incorporate capabilities that are specific to the role.

## Performance agreements

Performance agreements, also known as performance contracts, define expectations the results to be achieved and the capabilities required to attain these results. Agreements cover the following points:

- *objectives and standards of performance* the results to be achieved, defined in terms of targets and standards;
- *capability profile* the capabilities required to carry out the role effectively;
- *performance measures and indicators* to assess the extent to which objectives and standards of performance have been achieved;
- *capability assessment* how levels of capability will be assessed, including discussions to clarify expectations by reference to the capability profile in the role definition and agreements on the sort of evidence that will be useful in assessing capability.
- *core values or operational requirements* the performance agreement may also refer to the core values of the organization for quality, customer service, teamworking, employee development, etc that individuals are expected to uphold in carrying out their work. Certain general operational requirements may also be specified in such areas as health and safety, budgetary control, cost reduction and security.

## Managing performance

Perhaps one of the most important concepts of performance management is that it is a continuous process that reflects normal good management practices of setting direction, monitoring and measuring performance, and taking action accordingly. Performance management should not be imposed on managers as something special they have to do; it should be treated as a natural process that all good managers follow.

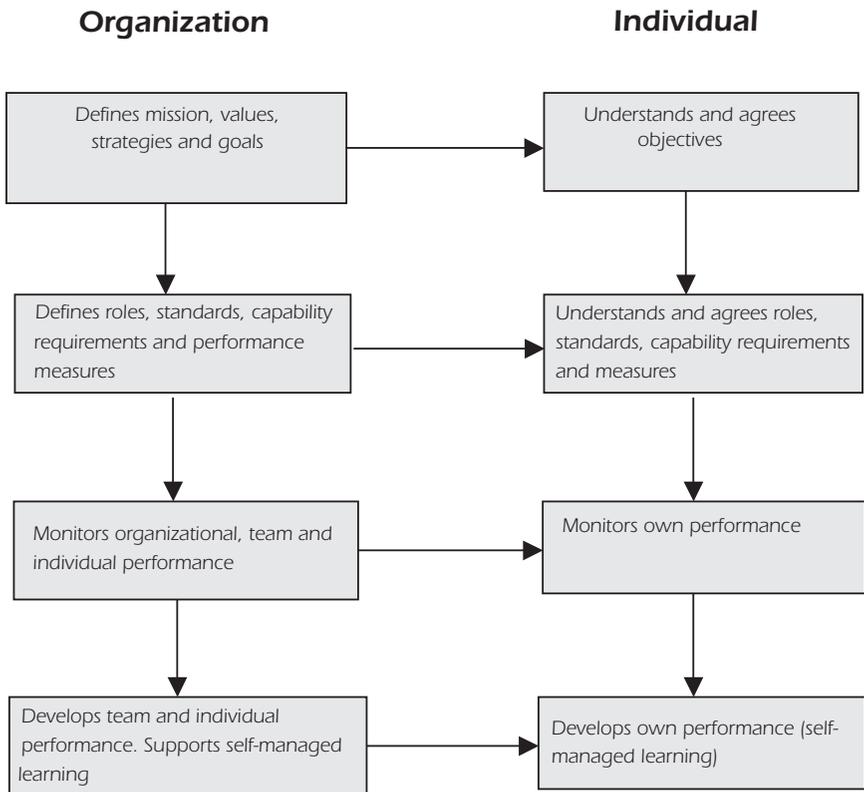
The sequence of performance management activities as described in this chapter does no more than provide a framework within which

managers, individuals and teams work together in whatever ways best suit them in order to gain better understanding of what is to be done, how it is to be done and what has been achieved. This framework and the philosophy that supports it can form the basis for training newly appointed or would-be managers in this key area of their responsibilities. It can also help in improving the performance of managers who are not up to standard in this respect.

## Performance reviews

Performance review discussions enable a perspective to be obtained on past performance as a basis for making plans for the future. An overall view is taken of progress made. Examples are used to illustrate that overview, and the analysis of performance concentrates not only on what has happened but also on *why* it has happened, so that data are obtained for planning purposes. Obtaining a historical perspective through analysis is a necessary part of a performance review, but reaching agreement about what should be done in the future is what really matters.

Performance and development reviews provide those involved with the opportunity to reflect on past performance as a basis for making development and improvement plans. The purpose of performance and development reviews is to enable those concerned to get together so that they can engage in a dialogue about the individual's performance and development and the support provided by the manager – and such support is an essential part of performance management. They are not occasions for top-down appraisals, although some feedback will be provided. Neither are they interviews in which one person asks the questions and the other provides the answers. They should be more like free-flowing, open meetings where views are exchanged so that agreed conclusions can be reached. A performance and development review should be regarded as a conversation with a purpose, which is to reach firm and agreed conclusions about the individual's development, and, if applicable, any areas for improvement and how such improvements will be achieved.



**Figure 2.2** Contribution of organization and individual to performance management

## Organizational and individual contributions

Performance management operates as a partnership between the organization and each individual working in it, as shown in Figure 2.2 in which both parties contribute to the definition of objectives, tasks, standards, and performance measures, monitoring progress and developing performance.

The next six chapters of this book describe in more detail the following fundamental processes of performance management:

- performance agreements and plans;
- defining objectives;

- **defining capability requirements;**
- **measuring performance;**
- **managing performance throughout the year;**
- **conducting performance reviews.**

# 3

## Performance Planning

Performance management helps people to get into action so that they achieve planned and agreed results. It is a work- and people-related activity that focuses on what has to be done, how it is done and what is achieved. But it is equally concerned with developing people helping them to learn and providing them with the support they need to do well, both at the current time and in the future. The framework for performance management is provided by the performance and development plan (or agreement), which is the outcome of performance planning.

Performance planning is therefore the starting point of the performance management cycle. The performance agreement that emerges from the planning process is based on the joint discussion and agreement of roles, objectives, performance standards and capability requirements. Performance agreements set the direction and form the basis for measurement, feedback, assessment and development in the performance management process. They define expectations the results to be achieved and the skills, knowledge, expertise and capabilities required to attain these results. They also identify the measures used to monitor, review and assess performance.

### The planning process

The performance planning part of the performance management sequence is primarily a joint exploration of what individuals are

expected to do and know, and how they are expected to behave to meet the requirements of their role and develop their skills and capabilities. The plan also deals with how their managers will provide the support and guidance they need. It is forward-looking, although an analysis of performance in the immediate past may provide guidance on areas for improvement or development

The performance aspect of the plan obtains agreement on what has to be done to achieve objectives, raise standards and improve performance. It also establishes priorities – the key aspects of the job to which attention has to be given. This could be described as a work plan. Agreement is also reached at this stage on the basis upon which performance will be measured and the evidence that will be used to establish levels of competence. It is important that these measures and evidence requirements should be identified and fully agreed early on, because they will be used jointly by managers and individuals, and also collectively by teams, to monitor progress and demonstrate achievements.

For individuals, this stage includes the preparation and agreement of a *personal development plan*. This provides a learning action plan, for which they are responsible with the support of their managers and the organization as a whole. It may include formal training but, more importantly, it will incorporate a wider set of development activities such as self-managed learning, coaching, mentoring, project work, job enlargement and job enrichment. If multisource assessment (also known as 360-degree feedback – see Chapter 11 for a fuller description) is practised in the organization, this will be used to discuss development needs.

The development plan records the actions agreed to improve performance and to develop knowledge, skills and capabilities. It is likely to focus on development in the current job – to improve the ability to perform it well and also, importantly, to enable individuals to take on wider responsibilities, extending their capacity to undertake a broader role. This plan therefore contributes to the achievement of a policy of continuous development that is predicated on the belief that everyone is capable of learning more and doing better in their jobs. But the plan will also contribute to enhancing the potential of individuals to carry out higher-level jobs.

## Performance agreements: content

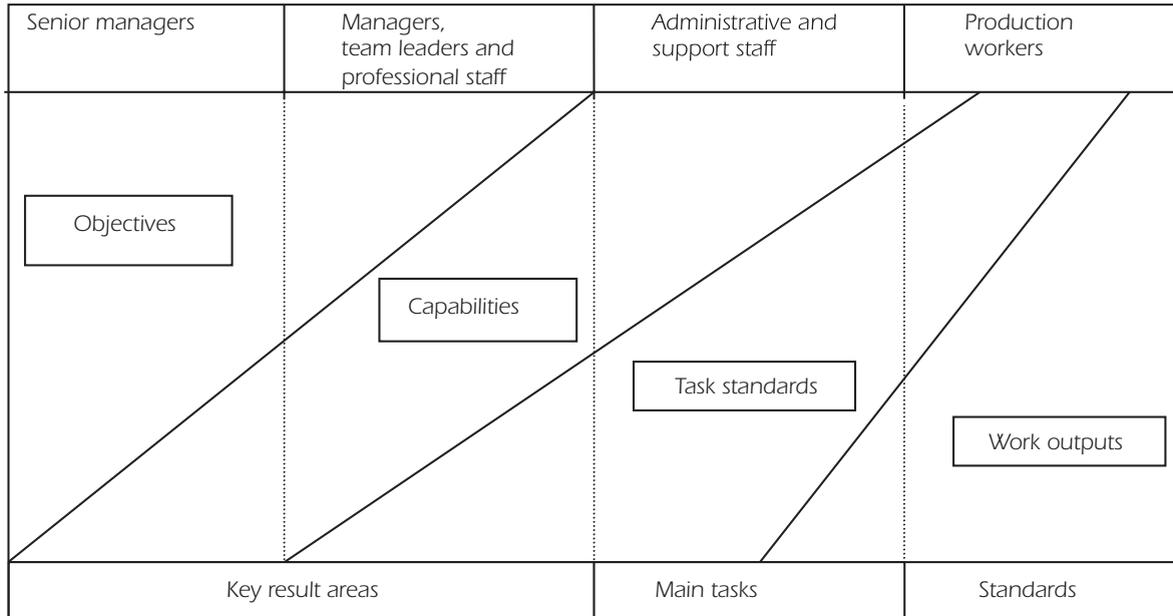
Performance agreements define the following aspects of performance expectations:

- *Role requirements* defined in the form of the key result areas of the role, setting out details of what the role holder is expected to achieve (outputs and outcomes).
- *Objectives and standards of performance* as described in Chapter 4.
- *Knowledge, skills and capabilities* definitions of what role holders have to know and be able to do to perform well (hard competences) and of how they are expected to behave in particular aspects of their role (soft competences), as described in Chapter 5. These definitions may be generic, having been prepared for occupations or families of jobs on an organization- or function-wide basis. Role-specific profiles should, however, be agreed that express what individual role holders are expected to know and do.
- *Performance measures and indicators* to assess the extent to which objectives and standards of performance have been achieved, as described in Chapter 6.
- *Corporate core values or requirements* the performance agreement may also refer to the core values of the organization for quality, customer service, teamworking, employee development, etc that individuals are expected to uphold in carrying out their work. Certain general operational requirements may also be specified in such areas as health and safety, budgetary control, cost reduction and security.

## Variations from the norm

The focus and content of performance agreements and measures will, of course, vary considerably between different occupations and levels of management, as shown in Figure 3.1.

The focus for senior managers is likely to be based on definitions of key result areas that spell out for those managers their personal responsibility for growth, added value and results. The emphasis will largely be on objectives in the form of quantified targets, with less prominence



**Figure 3.1** Focus for performance measures

given to capabilities. Their performance will be measured by *what* they do to get results; *how* they do it will be less important, so long as they avoid upsetting shareholders, the organization's institutional sources of finance or fellow directors too much.

The performance of managers, team leaders and professional staff generally will also be measured by reference to definitions of their key result areas. The achievement of quantitative targets is still important, but more emphasis will be placed on competence requirements. In some jobs, continuing performance standards for certain aspects of the work, which may not be quantified, will be used.

In administrative, clerical and support jobs, performance measures will be related to definitions of main tasks or key activities to which continuing standards of performance (standing objectives) will be attached as the main means of measuring performance. Output targets may, however, be set where they are appropriate—for example, number of cases to be dealt with per day. Skill and competence requirements in line with the level of the job will still be important.

The performance of production workers may be measured by reference to work-measured standards for output or time taken.

Sales staff are a special case. Their performance is usually measured against sales targets, but competences in matters such as relating to customers and providing good service will also be important.

## Defining the work to be done

### Overall purpose of the role

The first step towards setting out the content of the performance agreement is to ensure that there is an accord on the overall purpose of the role. The agreement should state in general terms what the role exists for—how it contributes to the achievement of the objectives of the team or department and, ultimately, the mission and objectives of the organization. This definition of purpose should place the role in its setting within the organization and provide a basis for making an overall assessment of the role holder's contribution.

### Key result areas

The key result areas describe what role holders are expected to achieve—their accountabilities. These will be quantified as targets or expressed in the form of projects to be accomplished. Some key result

areas may not be quantifiable, in which case they will be the basis for defining performance standards that indicate the circumstances in which a particular aspect of the role could be described as having been well done. But these should be measurable in terms of levels of performance or observable outcomes.

The list of key result areas should cover all the main aspects of the job that together contribute to achieving its overall purpose. They therefore define the headings under which performance will be measured and assessed. The number of key result areas should normally be limited to seven or eight; there are very few roles where more than that number is required, and the whole accountability statement should be contained on the proverbial one side of one sheet of paper.

The definition of a key result area starts with an active verb and expresses specifically and succinctly (in one sentence) what has to be achieved. It does not try to explain how the work is carried out. Good examples are:

- Prepare marketing plans that support the achievement of corporate targets for profit and sales revenue.
- Control manufacturing operations to achieve output targets, quality specifications and delivery to time requirements within cost budgets.
- Maintain a stock control system that optimizes inventory levels.
- Plan and provide training programmes that meet defined needs.

Each of these definitions points clearly to performance measures or indicators such as profit, sales, output, inventory ratios, or the delivery of effective and relevant training.

### Main tasks

The term main tasks (or key activities, or main duties) is sometimes used synonymously with that of key result areas, and many organizations adopt one or other term without distinguishing between them. In some circumstances it can be invidious to separate higher-level jobs, which are dignified by having key result areas, from lower-level jobs that have only main tasks specified. In contrast, however, some organizations find it useful to differentiate between those jobs in which the incumbents are very much accountable for achieving objectives in

demanding and changing conditions and those where there is more continuity in carrying out work activities to a certain standard.

Be that as it may, the way in which main tasks or activities are defined does not differ significantly from the method used to express key result areas. Main tasks are also defined in one sentence, starting with an active verb and explaining the what and the why of a task and not the how. And there should not be more than seven or eight of them for any one job.

The following are some examples of main task definitions:

- Prepare variance statements to keep production department managers informed of their expenditures in relation to budget.
- Reply promptly to customer account enquiries.
- Maintain stock records for bought-in parts.
- Input changes to employee terms and conditions onto the computer database.

In each of these cases, the definition suggests a performance measure or indicator in the shape of a standard. For instance:

- Variance statements are produced accurately (ie with no errors) and on time (ie within three days of the end of the accounting period).
- Enquiries are processed with 24 hours.
- Stock records are maintained 100 per cent accurately.
- Input changes are made promptly (within 24 hours) and 100 per cent accurately.

## **Defining key result areas and main tasks in more detail**

The approach to defining key result areas and main tasks is basically the same in each case. When introducing performance management, it is probably best to abandon any existing job descriptions. These probably go into far too much detail on what is done and may well have been prepared solely for job evaluation purposes, in which case they often exaggerate levels of responsibility. It is preferable to start from scratch to produce a role definition that sets out the outputs required and also indicates what capability levels the role holder is expected to

achieve. And this role definition should be re-examined regularly to bring it up to date and to ensure that at the start of the performance management cycle both parties (the individual and the manager) fully understand role expectations. This will facilitate the agreement of appropriate targets, standards, competence requirements and performance measures.

The individual should be asked by his or her manager to answer questions such as:

- What do you think are the most important things you have to do?
- What do you believe you are expected to achieve in each of these areas?
- How will you or anyone else know whether or not you have achieved expectations?

The answers to questions such as these will need to be sorted out, for they can often result in a mass of jumbled information that has to be analysed so that separate accountabilities and tasks can be distinguished and refined to seven or eight key areas. This process of job analysis and writing the key result area or task definition requires some skill, which needs to be developed by training followed by practice. This is an area in which HR specialists can usefully coach and follow up on a one-to-one basis after an initial training session.

## Drawing up the plans

### Performance and development plans

Each performance and development plan should provide answers to the following questions, which can be discussed with job holders:

- What areas of your performance do you feel are in need of development?
- What do you think you need to do to develop your performance in any particular areas?
- Do you think you need further training in any aspect of your work?
- What help or support can I (a manager) give to improve your performance?

- What development and training actions should we agree (on the basis of the answers to the earlier questions)?

## Work plans

Work plans set out how objectives are to be attained. They define programmes of work for achieving targets, improving performance or completing projects. They also establish priorities – the key aspects of the job to which attention has to be given, or the order of importance of the various projects or programmes of work that the individual is expected to undertake. The aim is to ensure that the meaning of the objectives and performance standards as they apply to everyday work is understood. They are the basis for converting aims into action.

## Preparing and recording the plans

Performance agreements and plans should be prepared on the basis of the outcome of periodical review meetings. These should compare actual performance with the agreed objectives and standards and the outcome and effectiveness of previously agreed development and work plans. New agreements and plans can then be made in the light of these reviews – which may be held, often informally, at any time of the year, especially when new situations or requirements arise that result in previously agreed plans needing to be changed or priorities having to be revised.

When launching performance management within an organization, the initial meeting may concentrate on the agreement of role definitions, objectives and standards. Some discussion may take place on a performance development plan but this should be undertaken with care. Such plans should be rooted in an analysis of performance in relation to previously agreed expectations rather than being plucked out of the air.

It is helpful to record agreements and plans for reference during the year (which should be working documents) and as a basis for progress reviews and revision in the light of changing circumstances. The performance agreement should not be recorded, as it were, on tablets of stone. It will almost inevitably have to be updated during a year if it is to retain its value as a basis for setting direction, measuring progress and establishing priorities. Documentation and forms for this purpose are described in Chapter 13.

## Evaluating the performance planning process

Performance management is essentially a planned process, and it is necessary to pay particular attention to what is or is not being done currently and what improvements are required in the future. The checklist below summarizes the points that should be considered when evaluating the effectiveness of performance planning.

### **Checklist: performance planning arrangements**

To what extent are the following requirements being met?

- Plans are based on an analysis of past performance *and* an assessment of future demands (representing new skills to be acquired, new tasks for the role holder, and changes in the role or scope of the function).
- Managers encourage an individual to formulate for himself or herself performance improvement and personal development plans.
- Plans are finalized and agreed jointly by the manager and the individual.
- Plans set out clear objectives to be achieved by the individual with whatever support is required from the manager. The plans do not spell out in too much detail how these objectives are to be achieved (so that as much scope as possible is allowed to the individual to manage his or her own performance and learning).
- The plans indicate the success criteria – how the individual and the manager will know that the desired results have been achieved.
- Individuals are empowered to the maximum degree possible to implement the agreed plan.
- Provision is made for monitoring and reviewing progress without supervision being oppressive.
- Managers are prepared to provide whatever support is required by an individual through coaching and counselling.

# 4

## Defining Objectives and Performance Standards

Performance management is largely about managing expectations. These are defined and agreed in the form of objectives, standards of performance, and behavioural requirements usually expressed as capabilities or competences.

A distinction should be made between objectives and standards. The former are finite, time-related and concern a specified person or team. Standards tend to be ongoing; and although they may be defined for an individual or team, they can be generic, ie they can apply to all people in similar roles. For example, there will be generic standards for a customer service role that relate to everyone who deals with customers regardless of the sector they work in.

The rest of this chapter deals with objectives and performance standards. Behavioural requirements are considered in Chapter 5.

### Objectives

Objectives describe something that has to be accomplished a point to be aimed at. Objectives, or goals (the terms are interchangeable), define what organizations, functions, departments and individuals are expected to achieve over a period of time.

Objectives are expressed in two ways: targets, and tasks or projects. *Targets* are quantifiable results to be attained, which can be measured in such terms as a return on capital employed, output, throughput, sales, levels of service delivery, a cost reduction, or a reduction of reject

rates. *Tasks or projects* are units of work to be completed by specified dates to achieve defined results.

Objectives can be work-related, referring to the results to be attained or the contribution to be made to the achievement of organizational, functional or team goals. They can also be personal, taking the form of developmental or learning objectives that are concerned with what individuals should do to enhance their knowledge, skills and potential and to improve their performance in specified areas.

Objectives can be short-term, especially when they are expressed as targets to be achieved by a specified date. There can also be longer-term or continuing objectives, which could be described as accountabilities for achieving results that are built into the role definition as key result areas and that may be expressed in unquantified terms. For example, a long-term objective or accountability could be to maintain high levels of customer service, but a short-term target could be to reduce to within a specified length of time the period between a customer enquiry and the response to it.

Longer-term or continuing objectives can be expressed as standards of performance, as discussed in the last section of this chapter.

## Integration of objectives

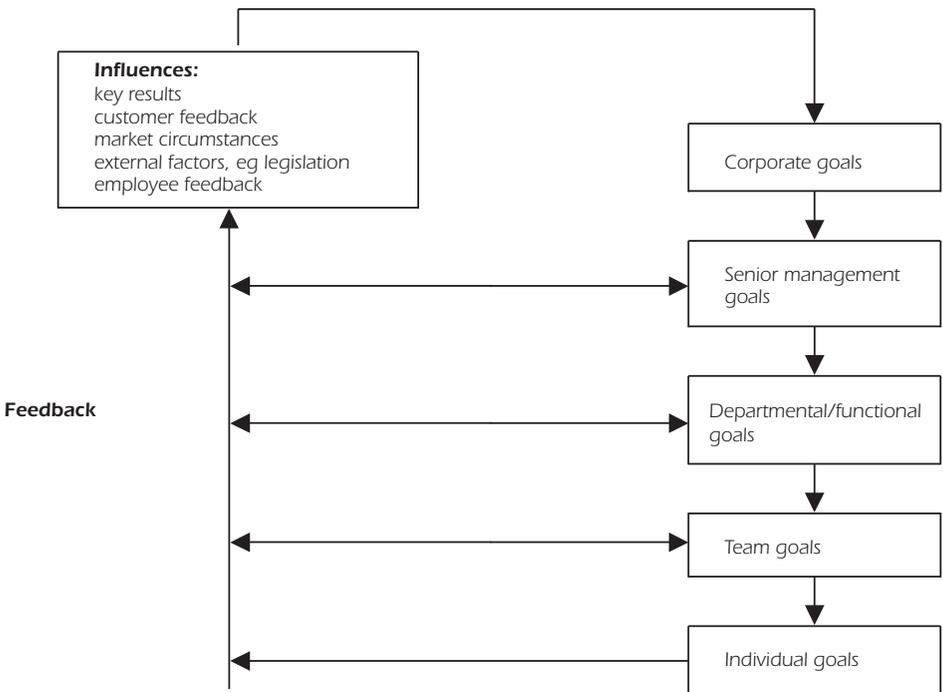
The integration or alignment of objectives is important in order to achieve a shared understanding of performance requirements throughout the organization, thus providing for everyone to make an appropriate contribution to the attainment of team, departmental and corporate goals and to upholding core values. The aim of integration is to ensure as far as possible that everything that people do at all levels in the organization will support the achievement of corporate goals. If, for example, a strategic objective of a business is to achieve competitive advantage by raising standards of customer service above those of its rivals, then individual and team objectives will be agreed that specifically encourage higher levels of service, such as increasing the speed of response to customer enquiries.

The integration of organizational, individual and team objectives is often referred to as a process of cascading objectives. However, cascading should not be regarded as just a top-down process. There will be overarching corporate goals, but people at each level should be given the opportunity to indicate how they believe they can contribute to the attainment of team and departmental objectives. This is a bottom-

up process, and the views of employees about what they believe they can achieve should be noted and, as appropriate, higher-level objectives amended to take account of them.

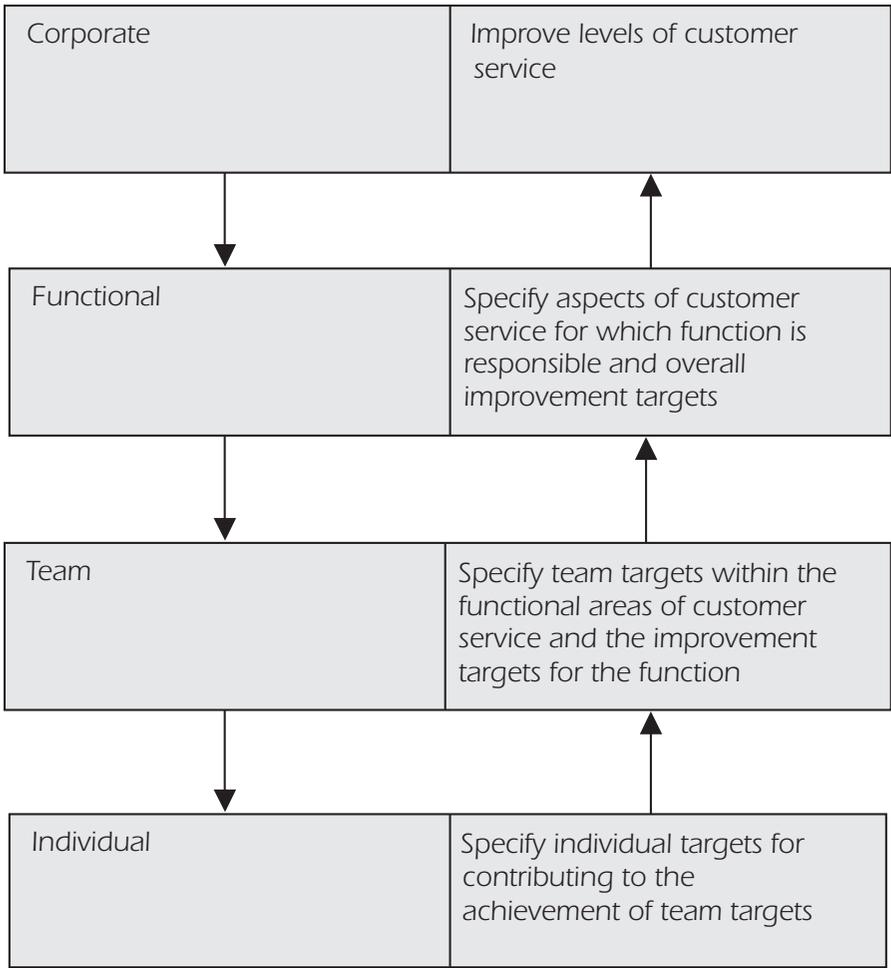
An approach along these lines increases ownership of the objectives as well as providing a channel for upward communication on key issues affecting the achievement of business goals. Of course, there will be times when the overriding challenge has to be accepted, but there will also be many occasions when the opinions of those who have to do the work will be well worth listening to.

Integration is achieved by ensuring that everyone is aware of corporate and functional goals and that the objectives they agree for themselves are consistent with those goals and will contribute in specified ways to their achievement. This process is illustrated in Figure 4.1, and an example of how objectives can be integrated in a specific area is given in Figure 4.2.



**Figure 4.1** Integration of objectives

(Source: Michael Armstrong and Angela Baron, *Performance Management: The New Realities*, IPD, 1998)



**Figure 4.2** Two-way process of agreeing objectives

(Source: Michael Armstrong and Angela Baron, *Performance Management: The New Realities*, IPD, 1998)

## The characteristics of good objectives

Objectives are intended to bring about change. They should cover all the important aspects of a job (ie its key result areas) and not focus on one area at the expense of the others.

Good work or operational objectives are:

- *consistent* with the values of the organization and departmental and organizational objectives;
- *precise*: clear and well-defined, using positive words;

- *challenging*: to stimulate high standards of performance and to encourage progress;
- *measurable*: they can be related to quantified or qualitative performance measures;
- *achievable* within the capabilities of the individual and here account should be taken of any constraints that might affect an individual's capacity to achieve the objectives, which could include lack of resources (money, time, equipment or support from other people), lack of experience or training, external factors beyond the individual's control etc;
- *agreed* by the manager and the individual concerned, the aim being to provide for the ownership, not the imposition, of objectives although there may be situations where individuals have to be persuaded to accept a higher standard than they believe themselves to be capable of attaining;
- *time-related* achievable within a defined timescale (although this would not be applicable to a standing or continuing objective);
- *focused on teamwork* with an emphasis on the need to work as an effective member of a team as well as making individual achievement.

Many organizations use the SMART mnemonic to summarize the characteristics of good objectives.

#### **The SMART mnemonic**

S = *Specific/stretching*: clear, unambiguous, straightforward, understandable and challenging.

M = *Measurable*: quantity, quality, time, money.

A = *Achievable*: challenging, but within the reach of a competent and committed person.

R = *Relevant*: relevant to the objectives of the organization so that the goal of the individual is aligned to corporate goals.

T = *Time-framed*: to be completed within an agreed timescale.

## Defining individual objectives

Individual objectives should be defined for each of the key result areas or main tasks. The definition of a key result area should indicate what sort of objectives can be set. If, for example, a key result area for a production manager is to maximize productivity, then a target could be agreed to increase units produced per employee by 3 per cent over the next six months. If a key result for a regional sales manager is to open new accounts in the region to achieve sales development targets, then this leads directly to specific targets for the number of new accounts to be opened over the next period.

An attempt should always be made to relate individual or team objectives to corporate or functional objectives. If, for example, the business strategy is to achieve cost leadership, this could lead to the definition of a specific corporate target to reduce the overhead ratio by  $x$  per cent. This could be cascaded down by a series of functional and departmental cost-reduction targets, and agreements could be reached with individuals and teams on what they can do to cut costs.

The aim should be to achieve commitment to individual or team objectives by discussion and agreement rather than telling people the targets they must attain. The discussion will always have to be within the context of the overarching corporate and departmental targets, but there is usually scope for discussing what can realistically be achieved, bearing in mind that targets can and should be stretching. The discussion can focus on *how* the targets will be attained by the individual or team and what support they will need in order to reach attainment. The aim will be to convince them that the targets are realistic and that the resources required – guidance and advice as well as material resources – will be made available.

The questions that individuals can be asked when defining objectives are:

- What are your key result areas?
- What do you think you need to achieve in each of these areas?
- How will this help to achieve the corporate/departmental/team target in this area?
- (If the suggested target is inadequate) What can you do to improve your results in order to reach the target necessary to achieve the departmental/team target?

- How will you or anyone else know whether or not you have achieved your targets?
- What resources will you need to achieve these objectives?
- Is there anything you need to learn (knowledge and skills) in order to be able to get the required results?
- How do you think you can develop that knowledge and skill?

## Performance standards

A performance standard can be defined as a statement of the conditions that exist when a job is being performed effectively. Performance standards are used when it is not possible to set time-based targets or specific longer-term quantifiable objectives. The essential nature of performance standards may not change significantly from one review period to the next if the key result area or task remains unaltered, although they may be modified if new circumstances arise.

A performance standard definition should take the form of a statement that performance will be up to standard if a desirable, specified and observable result happens. It should preferably be quantified in terms, for example, of level of service or speed of response. Where this is not possible, a more qualitative approach may have to be adopted, in which case the standard-of-performance definition would in effect state: This job or task will have been well done if [ . . . ] happens .

Junior or more routine jobs are likely to have a higher proportion of standing objectives to which performance standards are attached than senior and more flexible or output-orientated jobs. For example, one of the main tasks of a retail marketing executive might be to provide forecasts of retail sales . The performance standard for this task could be defined as: Performance will be up to standard if sales forecasts are based on given assumptions, correctly reflect the data available, are accurate, and are delivered on time . One of the main tasks of an administrative assistant could be to assist generally with administrative duties in the office, including filing, photocopying, sending faxes and answering the telephone . The standard for this task could read: Performance is up to standard when an accurate, speedy and helpful service is provided to fellow team members .

Examples of definitions of objectives and performance standards are given in Appendix A.

# 5

## Defining Capability Requirements

### What is capability?

Performance is a function of inputs (capabilities) as well as outputs (the achievement of objectives). To manage performance in the sense of defining expectations, assessing the degree to which those expectations have been met, and agreeing what needs to be done to develop and improve, it is necessary to define what capabilities are required to perform well.

Capable people at work are those who meet their performance expectations. They can use their knowledge, skills and personal attributes to achieve the objectives and standards specified for their roles. The word capability is being increasingly used by organizations such as ICL as a substitute for competence (or competency). Capability can be defined as what people must know and be able to do, and how they should behave if they are going to perform their roles well. It therefore embraces the two concepts of competence and competency. This e/y distinction confuses most people except those academics who invented it. Before discussing how capabilities can be defined, it is necessary to examine the received view about what competence, as distinct from competency, means.

## Competence and competency

### The concept of competency

The concept of competency was first popularized by Boyatzis (1982). He developed it through research, which established that there was no single factor but rather a *range* of factors that differentiated successful from less successful managers. This range of factors included personal qualities, motives, experience and behavioural characteristics under various headings. Boyatzis defined competency as a capacity that exists in a person that leads to behaviour that meets the job demands within the parameters of the organizational environment and that, in turn, brings about desired results. He suggested the following clusters of competencies:

- goal and action management;
- directing subordinates;
- human resource management;
- leadership.

Since the contribution of Boyatzis to the subject, however, there have been many alternative uses of the term competency and a number of different views have been expressed about just what the concept means and how it can be applied. Woodruffe (1990) defines competency as the behavioural dimensions that affect job performance. This behavioural view of competency is the most generally accepted one and is the usual basis of competency frameworks (ie definitions of core or generic competencies). A distinction is sometimes made between soft behavioural competencies and hard competences as defined below.

### The concept of competence

The concept of competence was conceived in the United Kingdom as a fundamental part of the process of developing standards for National and Scottish Vocational Qualifications (NVQs/SVQs) and for the Management Charter Institute (MCI) standards. These specify minimum standards for the achievement of set tasks and activities, expressed in ways that can be observed and assessed with a view to certification. An

element of competence in NVQ language is a description of something that people in given work areas should be able to do. They are assessed on being competent or not yet competent. No attempt is made to assess the degree of competence, and the accent is more on what people should be capable of doing rather than on how they should behave in doing it.

Competences can be defined by means of functional analysis, which establishes what people in particular roles have to be able to do and the standards they are expected to achieve. They can be described as work-based or occupational competences, which refer to expectations of workplace performance and to the standards and outputs that people carrying out specified roles are expected to attain.

## **The concepts of competency and competence distinguished**

Competency (and its related plural form) has become the term generally used to embrace the concepts of both competency and competence. But Woodruffe (1991) believes that the word competency is being used both to refer to the ability to perform a job or part of a job competently and to the sets of behaviour that a person must display in order to perform the tasks and functions of a job with competence. He therefore thinks that to avoid a potential minefield of misunderstanding and complications, the two senses of the word should be kept quite separate. He believes that competency is a person-related concept that refers to the dimensions of behaviour lying behind competent performance, whereas competence is a work-related concept that refers to areas of work at which the person is competent.

Woodruffe states that areas of competence are quite specific because they are based on functional analysis, which proceeds by breaking down jobs into such areas. On the other hand, analysis of person-related competencies proceeds in the other direction. It starts from specific types of behaviour and groups these types under the competencies. He points out that some of the competency lists produced by organizations mix up the two variables of aspects of the job and aspects of the person as if they were directly comparable, which he claims is not the case.

The distinction is quite clear-cut, but in practice many UK organizations adopt a hybrid approach that incorporates the use of both behavioural, people-based competencies and work-based competences.

These are referred to generally as competencies. But it is useful to remember that if this hybrid term is adopted, it contains the two aspects of competence and competency. The term capability also embraces these two aspects, and that is why it is to be preferred as a way out of the jargon that surrounds the concept of competency.

## Analysing capability requirements

The analysis of capability requirements has to cover:

- what someone in a role has to know and understand (knowledge);
- what a role holder has to be able to do (skill);
- the type of behaviour that is needed to convert the inputs of knowledge and skill into outputs and outcomes, and that is congruent with organizational behavioural norms or values, bearing in mind that it is the application of knowledge and skills, not the knowledge and skills themselves, that contribute to capable performance.

The analysis of knowledge and skill can be carried out by what can broadly be called functional analysis as described below. Behavioural requirements can be defined by various techniques, which are generally referred to as competency analysis.

## Functional analysis

Functional analysis is based on the method used to define competence-based standards for National Vocational Standards. This starts by describing the key purpose of the occupation and then identifies the key *functions* undertaken.

A distinction is made between *tasks*, which are the activities undertaken at work, and *functions*, which are the purposes of activities at work. The distinction is important because the analysis must focus on the outcomes of activities in order to establish expectations of workplace performance as the information required to define standards of competence.

When the units and elements of competence have been defined, the next question asked is what are the qualities of the outcomes in terms of the performance criteria that an NVQ assessor can use to judge whether or not an individual's performance meets the required

standards. Functional analysis produces definitions of units and elements of competence, performance criteria and range statements. The latter accompany each element and express the range of circumstances in which the competence will be applied. The term range statement is used more loosely in some organizations to express the different levels of competence that will be assessed.

The full NVQ approach is, however, not necessary when identifying the capabilities required to carry out a role effectively. Instead, the functional analysis can simply concentrate on what people in roles have to be able to do and what skills and knowledge they need to do it. Answers to the following three basic questions can form the basis for a functional analysis:

- To perform this role effectively, what has the role holder to be able to do?
- What knowledge and skills do role holders need to carry out the role effectively?
- How will anyone know when the role has been carried out well?

## Behavioural analysis

Behavioural analysis can be carried out at three levels: at the organizational level, when they can be described as core capabilities or competences; at the level of generic roles, ie the capabilities commonly required of all people carrying out a particular role; and at the level of individual roles.

### Core capabilities analysis

The analysis of core capabilities or competences should be based on the answer to three basic questions:

- 1 What are our core values in such areas as performance, capability, innovation, customer service, quality, teamwork and the development of people?
- 2 What are the unique things that this organization should do to achieve sustained competitive advantage?
- 3 In general, what has this organization to be good at doing to achieve its business goals?

### Generic and individual role capabilities

The information for defining either generic or individual role capabilities can be obtained from the answers to the following questions:

- 1 What are the sorts of behaviour the organization particularly values?
- 2 How, in relation to core behaviours, do people behave in these roles/this role when they are performing effectively?
- 3 How do people behave in this role when they perform it ineffectively?

When asking these questions, it is helpful to have a checklist of the areas of behaviour that might be covered by the analysis. These may be analysed under such headings as:

- personal drive (achievement motivation);
- impact on results;
- strategic capability;
- commercial judgement;
- business awareness;
- analytical ability;
- creative thinking (ability to innovate);
- planning and organizing;
- problem solving;
- decisiveness;
- customer focus;
- leadership;
- teamworking;
- interpersonal relationships;
- ability to communicate;
- ability to adapt and cope with change and pressure;
- developing others.

This list should not, however, be treated as a best practice standard. It is always preferable to devise home-grown lists rather than take over someone else's package.

## Methodology

There are a number of methods of gathering information for capability analysis. The most straightforward are expert opinion, structured interviews and workshops or focus groups. The more analytical and complex methods used primarily for behavioural analysis are the so-called critical-incident technique and the repertory grid. Each method is described further below.

Both the repertory grid and the critical-incident techniques require a skilled analyst who can probe and draw out the descriptions of job characteristics. They are quite detailed and time-consuming; but even if the full process is not followed, much of the methodology is of use in a less elaborate approach to capability analysis.

### Expert opinion

The easiest but not necessarily the most satisfactory method is for a group of experts (line managers who know the organization and the roles well) to be assembled to answer the sorts of questions mentioned above. The HR function usually facilitates the meeting. This may produce quite a good analysis, but the fact that people who actually carry out the roles are not involved is a disadvantage. Capability definitions will be more acceptable and therefore more useful if they have been developed by the role holders and their managers and are expressed in their own words.

### Structured interview

The structured interview method achieves involvement by beginning with a list of capabilities drawn up by experts and proceeds by putting a number of job holders through a structured interview. This starts by identifying the key result areas of the role and goes on to analyse the behavioural characteristics that distinguish performers at different levels of capability in behavioural terms.

The basic question is: What are the positive or negative indicators of behaviour that are conducive or non-conducive to achieving high

levels of performance? These may be analysed under headings such as those listed above. In each area, instances will be sought that illustrate effective or less effective behaviour.

One of the problems with this approach is that it relies too much on the ability of the expert to draw out information from interviewees. It is also undesirable to use a deductive approach that pre-empts the analysis with a prepared list of competence headings. It is far better to do this by means of an *inductive* approach, which starts from specific types of behaviour and then groups them under competence headings. This can be done in a workshop or focus group as described below.

## Workshops and focus groups

Workshops or focus groups bring a group of people together who have expert knowledge or experience of the job – managers and job holders as appropriate – with a facilitator, usually but not necessarily a member of the HR department or an outside consultant.

The workshop can begin by defining the role-related key result areas – the key functions in terms of the outputs required. Using these areas as a framework, the members of the group should develop examples of effective and less effective behaviour, which are then recorded on flipcharts.

For example, one of the key result areas for an HR director might be human resource planning, defined as: Prepares forecasts of human resource requirements and plans for the acquisition, retention and effective utilization of employees which ensure that the company's needs for human resources are met. The positive indicators for capable performance in this area could be:

- seeks involvement in business strategy formulation;
- is accepted as a business partner in the formulation process;
- contributes to business planning by taking a strategic view of longer-term human resource issues that are likely to affect business strategy;
- networks with senior management colleagues to understand and respond to any human resource planning issues they are raising;
- sees HR planning as much more than a numbers game – takes a holistic view of the ways in which business objectives can be furthered by getting and keeping the right sort of people;

- suggests practical ways to improve the use of human resources for example, the introduction of annual hours.

Negative indicators could include:

- takes a narrow view of HR planning, regarding it just as a numbers game does not seem to be interested in or understand the wider business context;
- lacks the determination to overcome problems and deliver forecasts;
- fails to anticipate skills shortages;
- does not seem to talk the same language as line management colleagues fails to understand their requirements;
- is slow in responding to requests for help.

Some of the capability dimensions that could be inferred from these lists are:

- strategic capability;
- the capacity to act and be accepted as a business partner;
- business understanding;
- achievement motivation;
- interpersonal skills;
- communication skills;
- consultancy skills.

Capabilities defined by this process can be illustrated by examples of actual behaviour in the workplace.

The facilitator's job is to prompt, help the group to analyse its findings, and assist generally in the production of a set of capabilities that can be illustrated by behaviour-based examples. The facilitator may have some ideas about the sort of headings that may emerge from this process but should not try to influence the group to come to a conclusion that it has not worked out for itself, albeit with some assistance from the facilitator.

## Critical incident technique

The critical incident technique is a means of eliciting data about effective or less effective behaviour that is related to examples of actual events – critical incidents. The technique is used with groups of job holders and/or their managers or other experts (sometimes, less effectively, with individuals not in a group). It operates as follows:

- 1 Explain what the technique is and what it is used for, ie to assess what constitutes good or poor performance by analysing events that have been observed to have a noticeably successful or unsuccessful outcome, thus providing more factual and real information than by simply listing tasks and guessing performance requirements .
- 2 Agree and list the key areas of responsibility – the principal accountabilities – in the job to be analysed. To save time, the analyst can establish these prior to the meeting, but it is nevertheless necessary to ensure that they are agreed provisionally by the group, which can be told that the list may well be amended in the light of the forthcoming analysis.
- 3 Take each area of the job in turn and ask the group for examples of critical incidents. If, for instance, one of the job responsibilities is dealing with customers, the following request could be made: I want you to tell me about a particular occasion at work that involved you – or that you observed – dealing with a customer. Think about what the circumstances were, who took part, what the customer asked for, what you (or another member of staff) did and what the outcome was. Collect information about the critical incident under the foregoing headings.
- 4 Continue this process for each area of responsibility.
- 5 Refer to the flipchart and analyse each incident by obtaining ratings of the recorded behaviour on a scale such as 1 for least effective to 5 for most effective.
- 6 Discuss these ratings to get initial definitions of effective and ineffective performance for each of the key aspects of the job.
- 7 Refine these definitions as necessary after the meeting – it can be difficult to get a group to produce finished definitions.

- 8 Produce the final analysis, which can list the competences required and include performance indicators or standards of performance for each principal accountability or main task.

## Repertory grid

Like the critical incident technique, the repertory grid can be used to identify the dimensions that distinguish good from poor standards of performance. The technique is based on Kelly's (1955) personal-construct theory. Personal constructs are the ways in which we view the world. They are personal because they are highly individual and they influence the way we behave or view other people's behaviour. The aspects of the job to which these constructs or judgements apply are called elements.

To elicit judgements, a group of people are asked to concentrate on certain elements, which are the tasks carried out by job holders, and develop constructs about these elements. This enables them to define the qualities that indicate the essential requirements for successful performance.

The procedure followed by the analyst is known as the triadic method of elicitation (a sort of three-card trick) and involves the following steps:

- 1 Identify the tasks or elements of the job to be subjected to repertory grid analysis. This is done by one of the other forms of job analysis, eg interviewing.
- 2 List the tasks on cards.
- 3 Draw three cards at random from the pack and ask the members of the group to nominate which of these tasks is the odd one out from the point of view of the qualities and characteristics needed to perform it.
- 4 Probe to obtain more specific definitions of these qualities or characteristics in the form of expected behaviour. If, for example, a characteristic has been described as the ability to plan and organize, ask questions such as: What sort of behaviour or actions indicate that someone is planning effectively?, or How can we tell if someone is not organizing his or her work particularly well?
- 5 Draw three more cards from the pack and repeat steps 3 and 4.

- 6 Repeat this process until all the cards have been analysed and there do not appear to be any more constructs to be identified.
- 7 List the constructs and ask the group members to rate each task on every quality, using a six- or seven-point scale.
- 8 Collect and analyse the scores in order to assess their relative importance. This can be done statistically.

Like the critical incident technique, repertory grid analysis helps people to articulate their views by reference to specific examples. An additional advantage is that the repertory grid makes it easier for them to identify the behavioural characteristics required in a role by limiting the area of comparison through the triadic technique.

Although a full statistical analysis of the outcome of a repertory grid exercise is helpful, the most important results that can be obtained are the descriptions of what constitute good or poor performance in each element of the job.

### **Which approach?**

The critical incident technique and repertory grid analysis may well produce the best-researched set of capabilities, but they are time-consuming and need experience to apply them effectively.

For those who have not got the time or the money to use either of these methodologies, the workshop/focus group approach is probably the best.

# 6

## Measuring Performance

It is often said that if you can't measure it, you can't manage it and what gets measured gets done. Certainly, you cannot improve performance until you know what present performance is.

The process of managing performance begins by defining expectations in terms of targets, standards and capability requirements. But improvements to performance and personal development programmes have to start from an understanding of what the level of current performance is in terms of both results and capabilities or incapacities. This is the basis for identifying improvement and development needs if there is a shortfall. More positively, it provides the information required for career planning and continuous development by identifying strengths to be enhanced as well as weaknesses to be overcome. But this can only be achieved if there are agreed and reliable performance measures. Performance management involves encouraging people to take charge of their own performance. This cannot be done unless they can measure and therefore monitor progress towards their goals.

As Armstrong and Baron (1998) point out:

Measurement is an important concept in performance management. It is the basis for providing and generating feedback, it identifies where things are going well to provide the foundations for building further success, and it indicates where things are not going so well, so that corrective action can be taken. In general, it provides the basis for answering two fundamental questions: Is what is being done worth doing? and Has it been done well?

## Measurement issues

It can be argued that what gets measured is often what is *easy* to measure. And in some jobs what is meaningful is not measurable and what is measurable is not meaningful. It was asserted by Levinson (1970) that: The greater the emphasis on measurement and quantification, the more likely the subtle, non-measurable elements of the task will be sacrificed. Quality of performance frequently, therefore, loses out to quantification. Indeed, there are components in all jobs that are difficult to measure. But all jobs produce results and these results *can* be measured.

### What should be measured

The statement that measurement is only concerned with measuring what is important and relevant is not as obvious as it sounds. It is necessary to be clear about what *is* important and relevant before defining what measures should be used.

As Hope (1998) points out, businesses should be value-driven, not cost-driven: Value-based management is a philosophy of improvement while cost-based management is a philosophy of control. According to Hope, it is important to understand what creates value in an organization and then to develop measures that are aligned to the business strategy. He stresses that Every business has a unique value proposition that defines what value it uniquely delivers to its customers and that People cannot focus on value-added work if value-added has not been defined.

He also lists the following measurement problems:

- there are sometimes too many measures;
- measures do not relate to strategy;
- measures are results-biased and do not tell managers how the results were achieved how they got there;
- reward systems are not aligned to performance measure
- measures do not support a team-based management structure

## Output and input measures

Measures can be based on outputs in the general sense of the delivery of service and quality to internal and external customers, and in the particular senses of volume, throughput, sales etc. Measures can also be based on inputs – what people bring to their roles in the shape of knowledge, skills and capabilities. A mixed performance-management model that is concerned with both inputs and outputs will need to be supported by both input and output measures.

Input measures identify levels of contribution by reference to observable behaviour. The headings for the measures are provided by capability frameworks that define organizational core capabilities, generic role capabilities and role-specific capabilities.

## Criteria for performance measures

As set out by Armstrong and Baron (1998), performance measures should:

- be related to the strategic goals and measures that are organizationally significant and drive business performance;
- be relevant to the objectives and accountabilities of the teams and individuals concerned – they are only effective if they are derived from statements of accountabilities and/or are based on well-researched capability frameworks;
- focus on measurable outputs, accomplishments and behaviours that can be clearly defined and for which evidence can be made available;
- indicate the data or evidence that will be available as the basis for measurement;
- be verifiable – provide information that will confirm the extent to which expectations have been met;
- be as precise as possible in accordance with the purpose of the measurement and the availability of data;
- provide a sound basis for feedback and action;
- be comprehensive, covering all the key aspects of performance, so

that a *family* of measures is available, bearing in mind, as stated by Walters (1995), that Effective performance is measured not merely by the delivery of results (however outstanding) in one area, but by delivering satisfactory performance across all the measures .

## Classification of metrics

Measures or metrics can be classified under the following headings:

- *Finance* income, shareholder value, added value, rates of return, costs.
- *Output* units produced or processed, throughput, new accounts.
- *Impact* attainment of a standard (quality, level of service, etc.), changes in behaviour (toward both internal and external customers), completion of work/project, level of take-up of a service, innovation.
- *Reaction* judgement by others, colleagues, internal and external customers.
- *Time* speed of response or turnaround, achievements compared with timetables, amount of backlog, time to market, delivery times.

## Types of measures organizational

Jack Welch, former CEO of the General Electric Company, believes that the three most important things you need to measure in a business are customer satisfaction, employee satisfaction and cash flow.

More specifically, the different approaches to measuring organizational performance are generally recognized as:

- balanced scorecard;
- the European Foundation for Quality Management (EFQM) model;
- economic value added (EVA) and other economic measures of value;
- traditional financial ratios.

Each of these approaches is described in further detail below.

## The balanced scorecard

The concept of the balanced scorecard was originally developed by Kaplan and Norton (1992). They take the view that what you measure is what you get, and they emphasize that no single measure can provide a clear performance target or focus attention on the critical areas of the business. Managers want a balanced presentation of both financial and operational measures.

Kaplan and Norton therefore devised what they call the balanced scorecard – a set of measures that gives top managers a fast but comprehensive view of their business. The scorecard requires managers to answer four basic questions, which means looking at the business from four related perspectives:

- How do customers see us? (customer perspective);
- What must we excel at? (internal perspective);
- Can we continue to improve and create value? (innovation and learning perspective);
- How do we look to shareholders? (financial perspective).

Kaplan and Norton emphasize that the balanced scorecard approach puts strategy and vision, not control, at the centre. They suggest that while it defines goals, it assumes that people will adopt whatever behaviours and take whatever actions are required to achieve those goals:

Senior managers may know what the end result should be, but they cannot tell employees exactly how to achieve that result, if only because the conditions in which employees operate are constantly changing.

They claim that this approach to performance management is consistent with new initiatives under way in many companies in such areas as cross-functional integration, continuous improvement, and team (rather than individual) accountability.

Exponents of the balanced scorecard approach see it as a way of implementing strategy, linking strategy to action, and making strategy understandable to those on the front line as well as to senior managers. David Norton believes that while the balanced scorecard is a measuring system, like any such system it cannot live in isolation. Inevitably, it

becomes tied into budgets, goal-setting programmes, incentives and compensation.

Norton uses the example of Kenyon Stores, a fashion retailer, whose financial objectives were profitable growth, increased penetration and improved productivity, to be measured by operating-income growth, sales per store, and expenses as a percentage of sales. Customer objectives of right product, image and ideal shopping experience were measured by average annual purchase growth, premium on branded items, and customer surveys. The internal processes included brand dominance, sourcing and distribution, and shopping experience, measured by market share, out-of-stock incidence, and sales per square foot; and the learning objectives of developing strategic skills, providing strategic information and aligning personal goals with the scorecard, were measured accordingly.

Kaplan and Norton (1996a) emphasize that building a scorecard enables a company to link its financial budgets with its strategic goals. They emphasize that the balanced scorecard can help to align employees individual performance with the overall strategy: Scorecard users generally engage in three activities: communicating and educating, setting goals, and linking rewards to performance measures .

The authors quote the exploration group of a large oil company (Shell), which has developed a technique to enable and encourage individuals to get goals for themselves that are consistent with the organization s. These personal scorecards contain three levels of information: (1) corporate objectives, measures and targets, (2) business unit targets (translated from corporate targets), and (3) team/individual objectives and initiatives. Teams and individuals are expected to define how their objectives are consistent with business unit and corporate objectives, to indicate what initiatives they propose to take to achieve their objectives, to list up to five performance measures for each objective, and to set targets for each measure.

This personal scorecard is a method of communicating corporate and unit objectives to the people and teams performing the whole. It communicates a holistic model that links individual efforts and accomplishments to business unit objectives (Kaplan and Norton, 1996b). It can therefore be incorporated as a performance management process at individual, team, unit and corporate levels. To summarize, Kaplan and Norton (1996a) comment that:

Many people think of measurement as a tool to control behaviour and to evaluate past

performance. The measures on a Balanced Scorecard, however, should be used as the cornerstone of a management system that communicates strategy, aligns individuals and teams to the strategy, establishes long-term strategic targets, aligns initiatives, allocates long- and short-term resources and, finally, provides feedback and learning about the strategy.

A major clearing bank was one of the first large organizations in the United Kingdom to adopt the balanced scorecard using the four headings of business success, customer service, quality and people, and business efficiency. Wheatley (1996) quotes the head of performance management in the retail banking services arm of the bank as saying: It made us ask ourselves: What are the 12 or 15 things that really drive our business? The range of 12 to 15 is critical. Not enough measures and you lose perspective; too many measures and you drown in data.

### The European Foundation for Quality Management (EFQM)

The EFQM model is shown in Figure 6.1 and indicates that customer satisfaction, people (employee) satisfaction and impact in society are achieved through leadership. This drives the policy and strategy, people management, resources and processes, leading to excellence in business results.

The nine elements in the model are defined as follows:

- 1 *Leadership* how the behaviour and actions of the executive team and all other leaders inspire, support and promote a culture of total quality management.

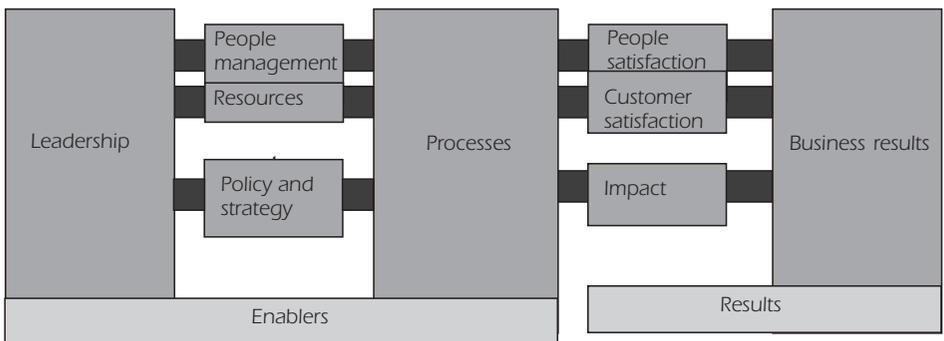


Figure 6.1 The EFQM model

- 2 *Policy and strategy* how the organization formulates, deploys and reviews its policy and strategy and turns it into plans and actions.
- 3 *People management* how the organization realizes the full potential of its people.
- 4 *Resources* how the organization manages resources effectively and efficiently.
- 5 *Processes* how the organization identifies, manages, reviews and improves its processes.
- 6 *Customer satisfaction* what the organization is achieving in relation to the satisfaction of its external customers.
- 7 *People satisfaction* what the organization is achieving in relation to the satisfaction of its people.
- 8 *Impact on society* What the organization is achieving in satisfying the needs and the expectations of the local, national and international community at large.
- 9 *Business results* what the organization is achieving in relation to its planned business objectives and in satisfying the needs and expectations of everyone with a financial interest or stake in the organization.

As Thomas (1995) comments:

Organizations who adopt the EFQM model, such as ICL, The Post Office and KLM Dutch Royal Airlines, accept the importance of performance measurement and work all the time to improve the usefulness of their measures, but they also recognize that simply measuring a problem does not improve it. Managers can often devolve their best energies to the analysis, leaving little left for the remedy. The key, they say, is to focus on the enablers and the processes.

Thomas suggests that the EFQM model can help performance management by:

- developing a fuller understanding of how business results are achieved and processes continually improved;
- offering mechanisms for tackling systems problems in the workplace;
- promoting performance management as a two-way dialogue;

- providing a positive and universal framework for the description of jobs and roles;
- helping to align individual and business objectives;
- pointing the way to identifying, defining and building the capabilities that the organization needs its people to demonstrate.

## Economic value added

The economic value added (EVA) measure represents the difference between a company's post-tax operating profit and the cost of the capital invested in the business. The cost of capital includes the cost of equity – what shareholders expect to receive through capital gains. The theory of EVA is that it is not good enough for a company simply to make a profit. It has to justify the cost of its capital, equity included. If it is not covering that, it will not make good returns for investors. Most conventional measures of company performance, such as earnings per share, ignore the cost of capital in a business.

## Other economic measures of value

As suggested in the preceding section, there is much discussion about how best to measure company performance in terms of the value created for its shareholders. This is not simply a debate about metrics theory; how companies measure value will strongly influence how they are run and will therefore affect all their performance management processes.

EVA is the current favourite, but other measures include:

- *Added value* – the difference between the market value of a company's output and the costs of its inputs.
- *Market value added* – the difference between a company's market capitalization and the total capital investment; if the result of the subtraction is positive, it will indicate the stock market wealth created.
- *Cash-flow return on investment (CFROI)* – a comparison between inflation-adjusted cash flows to inflation-adjusted gross revenues to find cash-flow return on investment.
- *Total shareholder return* – what the shareholder actually gets, ie changes in capital value plus dividends.

These measures all focus on the creation of shareholder value. They are not concerned with other aspects of corporate performance and take no account of other stakeholders.

## Traditional financial ratios

The traditional financial measures include: return on equity, return on capital employed, earnings per share, price/earnings ratio, return on sales, asset turnover, overall overheads/sales ratio, profit or sales or added value per employer, and output per employee (productivity).

## Types of measures individual

Team and individual measures will be related to key result areas and be set out under the main criteria headings of quantity, quality, productivity, timeliness and cost effectiveness. For example, the performance measures for a regional sales and distribution manager could be:

- *quantity* unit sales, contribution, new accounts;
- *quality* the level of service provided to customers in terms of response to requests for after-sales service;
- *productivity* sales and contribution per sales representative;
- *timeliness* achievement of delivery deadlines, order processing times;
- *cost control* ratio of selling costs to sales/contribution.

## Defining performance measures for individuals

Performance measures for individual members of staff should be agreed at the same time as objectives are defined. The following are guidelines for defining them:

- Measures should relate to results and observable behaviours.
- The results should be within the control of the team or individual and be based on agreed targets.
- Behavioural requirements should be defined and agreed.
- Data must be available for measurement.
- Measures should be objective.

# 7

## Managing Performance Throughout a Year

Perhaps one of the most important concepts of performance management is that it is a continuous process that reflects normal good management practices of setting direction, monitoring and measuring performance and taking action accordingly. Performance management should not be imposed on managers as something special they have to do. It should be treated as a natural function which all good managers carry out.

The sequence of performance management activities as described in this book does no more than provide a framework within which managers, individuals and teams work together in whatever ways best suit them to gain better understanding of what is to be done, how it is to be done, and what has been achieved. This framework and the philosophy that supports it can form the basis for training newly appointed or would-be managers in this key area of their responsibilities. It can also help by improving the performance of managers who are not up to standard in this respect.

Conventional performance-appraisal systems are usually built around an annual event, the formal review, that tends to dwell on the past. This is carried out at the behest of the personnel department, often perfunctorily, and then forgotten. Managers proceeded to manage without any further reference to the outcome of the review, and the appraisal form was buried in the personnel records system.

A formal, often annual, review is still an important part of a performance management framework but it is not the most important part. Of equal, if not greater, prominence is the performance agreement and the continuous process of performance management.

## The continuous process of performance management

Performance management should be regarded as an integral part of the continuing process of management. This is based on a philosophy that emphasizes:

- the achievement of sustained improvements in performance;
- the continuous development of skills and capabilities;
- that the organization is a learning organization in the sense that it is constantly developing and applying the learning gained from experience and the analysis of the factors that have produced high levels of performance.

Managers and individuals should therefore be ready, willing and able to define and meet development and improvement needs as they arise. As far as practicable, learning and working should be integrated. This means that encouragement should be given to all managers and members of staff to learn from the successes, challenges and problems inherent in their day-to-day work.

The process of continuous assessment should be carried out by reference to agreed objectives and to work, development and improvement plans. Progress reviews can take place informally or through an existing system of team meetings. But there should be more formal interim reviews at predetermined points in the year – for example quarterly. For some teams or individual jobs, these points could be related to milestones contained in project and work plans. Deciding when such meetings should take place would be up to individual managers in consultation with their staff and would not be a laid-down part of any system.

Managers would be encouraged to consider how to accommodate the need for regular dialogue within the established pattern of briefings, team or group meetings or project review meetings. In addition to collective meetings, managers may have regular one-to-one meetings with their staff. If performance management is to be effective, there needs to be a continuing agenda through these regular meetings to ensure that good progress is being made towards achieving the objectives agreed for each key result area.

During these interim meetings, progress in achieving agreed

operational and personal objectives and associated work, development and improvement plans can be reviewed. As necessary, objectives and plans are revised. The interim review meetings should be conducted along the lines of the main review meetings as described in Chapter 8. Any specific outcomes of a meeting should be recorded as amendments to the original agreement and objectives and plans.

Two of the main issues that may arise in the course of managing performance throughout the year are updating objectives and continuous learning, as discussed below. The other major issue is dealing with underperformers, and that topic is dealt with in Chapter 9.

## Updating objectives and work plans

Performance agreements and plans are working documents. New demands and new situations arise, and provision therefore needs to be made for updating or amending objectives and work plans. This involves:

- discussing what the job holder has done and achieved;
- identifying any shortfalls in achieving objectives or meeting standards
- establishing the reasons for any shortfalls, in particular examining changes in the circumstances in which the job is carried out, identifying new demands and pressures, and considering aspects of the behaviour of the individual *or the manager* that have contributed to the problem;
- agreeing any changes required to objectives and work plans in response to changed circumstances;
- agreeing any actions required by the individual or the manager to improve performance.

## Managing continuous learning

Performance management aims to enhance what Alan Mumford (1994) calls deliberate learning from experience. This means learning from the problems, challenges and successes inherent in people's day-to-day activities.

The premise is that every task that individuals undertake presents them with a learning opportunity, as long as they reflect on what they have done and how they have done it and draw conclusions as to their future behaviour if they have to carry out a similar task. This principle can be extended to any situation when managers give instructions to people or agree with them what needs to be achieved, followed by a review of how well the task was accomplished. Such day-to-day contacts provide training as well as learning opportunities, and performance management emphasizes that these should be deliberate acts. In other words, the requirement is that managers, with their teams and the individual members of their team, should consciously agree on the lessons learnt from experience and how this experience could be put to good use in the future.

For example, a team with the manager as a project leader has the task of developing and implementing a new computerized system for responding to customer account queries. The team would start by jointly assessing with their leader their terms of reference, the project schedule, the budget and the results they are expected to deliver. The team would then analyse progress and at periodical milestone meetings would review what has or has not been achieved, agree the lessons learnt, and decide on any actions to be taken in the shape of modifications to the way in which they conduct the project for the future.

Learning is an implicit part of reviews such as these because the team will be deciding on any changes it should make to its method of operation for learning can be defined as the modification of behaviour through experience. The team would continue to adapt its behaviour as required and at the end of the project the team members would agree, with their leader, what lessons had been learned and affirm how they would need to behave in the future on the basis of this review.

The same approach would apply to individuals. For example, the regional director of a large charity holds a monthly meeting with each of her field officers. At the meeting, progress is reviewed and problems discussed. Successes would be analysed to increase the field officer's understanding of what needs to be done to repeat the successful performance in the future. If something has gone wrong, the field officer could be asked to assess why that had happened and what needs to be done to avoid a recurrence of the problem.

These are examples of project or periodical work reviews. But continuous learning can take place even less formally, as when a team

leader in an accounts department instructs an accounts assistant on her role in analysing the management information from the final assembly department as part of a newly introduced activity-based costing system. The instructions will cover what has to be done and how, and the team leader will later check that things are going according to plan. This will provide an opportunity for further learning on the part of the accounts assistant, prompted by the team leader, in any aspect of the task where problems have occurred in getting it done properly.

# 8

## Conducting Performance Reviews

### The performance review meeting

The performance review meeting is the basis for assessing the three key elements of performance (the three Cs), namely contribution, capability and continuous development. Such meetings are also the means through which the five primary performance management elements – measurement, feedback, positive reinforcement, exchange of views, and agreement – can be put to good use.

A performance review should be rooted in the reality of the employee's performance. The latter is concrete, not abstract, and it allows managers and individuals to take a positive look together at how performance can become even better in the future and how any problems in meeting performance standards and achieving objectives can be resolved. Individuals should be encouraged to assess their own performance and become active agents for change in improving their results. Managers should be encouraged to adopt their proper enabling role.

There should be no surprises in a formal review if performance issues have been dealt with as they should have been, namely as they arise during the year. In one sense the review is a stocktaking exercise, but this is no more than an analysis of where those involved are now, and where they have come from. This static and historical process is not what performance management is about. The true role of performance management is to look forward to what needs to be done by people to achieve the overall purpose of the job, to meet new

challenges, to make even better use of their knowledge, skills and abilities, and to help them to develop their capabilities and improve their performance. This process also helps managers to improve their ability to lead, guide and develop both individuals and teams for whom they are responsible.

Typically, there is one annual performance review, which leads directly into the conclusion of a performance agreement (at the same meeting or later). Some organizations require formal reviews to be held more frequently, but it is probably best not to overemphasize the formality of the continuing review process. It should be treated as part of normal good-management practice, to be carried out as and when required. But there is much to be said for an annual or half-yearly review that sums up the conclusions reached at earlier reviews and provides a firm foundation for a new performance agreement.

## A shift from the past

In traditional merit-rating or performance appraisal schemes, the annual appraisal meeting was the key event – in fact, in most cases, the only event – in the system. Line managers were often highly sceptical about the process, which they felt was imposed on them by the personnel department. A typical reaction was: Not another new appraisal scheme! The last three didn't work. Managers felt that the schemes had nothing to do with their own needs and existed simply to maintain the personnel database. Too often the personnel department contributed to this belief by adopting a policing approach to the system, concerning themselves more with collecting completed forms and checking that each box has been ticked properly than with helping managers to use the process to improve individual and organizational performance.

When Douglas McGregor (1957) took an uneasy look at performance appraisal more than 40 years ago, he commented that managers shied away from it because they did not like sitting in judgement on their subordinates. Norman Maier (1958) suggested around the same time that for managers to attempt to give negative feedback and help subordinates develop their performance in the same interview led to inconsistent roles.

Michael Beer (1981) has identified three main sources of difficulty in conducting performance reviews:

- the quality of the relationship between the manager and the individual – unless there is mutual trust and understanding, both parties

will see the performance review as a daunting experience in which hostility and resistance are likely to emerge;

- the manner and the skill with which the interview is conducted;
- the review process itself – its purpose, methodology and documentation.

This chapter explores the issues that need to be resolved in handling these difficulties and the approaches that can be used to conduct effective reviews. It ends with a discussion of self-assessment as part of the review process.

## Performance review issues

The main issues concerning performance reviews are as follows:

- Why have them at all?
- If they are necessary, what are the objectives of reviewing performance?
- What are the organizational issues?
- On *whom* should performance reviews focus?
- On *what* should they focus?
- What criteria should be used to review performance?
- What impact does management style make on performance reviews?
- What skills are required to conduct reviews and how can they be developed?
- How can both negative and positive elements be handled?
- How can reviews be used to promote good communications?
- How should the outputs of review meetings be handled?
- To what extent is past performance a guide to future potential?
- When should reviews take place?
- What are the main problems in conducting reviews and how can they be overcome?

- How can the effectiveness of performance reviews be evaluated?

## Why have performance reviews?

The answer to this first question is, of course, that managers have no choice. Reviewing performance is an inherent part of their role. The question should be rephrased as: Are formal reviews necessary in order to supplement the continuous informal process of monitoring performance?

The argument for a formal review is that it provides a focal point for the consideration of key motivational, performance and development issues. It is a means for considering the future in the light of an understanding of the past and present. It answers the two fundamental questions of *Where have we got to?* and *Where are we going?* It gives managers with their teams and the individual members of their staff the opportunity to pause from the hurly-burly of everyday life and reflect on the key issues of personal development and performance improvement. It is a means of ensuring that two-way communication on issues concerning work can take place, and it provides the basis for future work and development plans. Formal reviews do not supplement informal or interim progress reviews, but they can complement and enhance them and they therefore have an important part to play in performance management. A formal review is also necessary if performance has to be rated for performance-related pay purposes.

## Objectives of performance reviews

The objectives of reviewing performance are as follows:

- *Motivation* to provide positive feedback, recognition, praise and opportunities for growth; to clarify expectations; to empower people by encouraging them to take control over their own performance and development.
- *Development* to provide a basis for developing and broadening capabilities relevant both to the current role and any future role that the employee may have the potential to carry out. Note that development can be focused on the current role, enabling people to enlarge and enrich the range of their responsibilities and the skills they require, and to be rewarded accordingly. This aspect of role development is even more important in flatter organizations, where

career ladders have shortened and where lateral progression is likely to be the best route forward.

- *Communication* to serve as a two-way channel for communication about roles, expectations (objectives and capability requirements), relationships, work problems and aspirations.

Reviews can also provide the basis for rating performance if ratings are required for performance-related pay. (Rating procedures are discussed in Chapter 10.)

## Some practical problems

The main problems that arise in conducting performance reviews are fourfold:

- 1 Identifying performance measures and criteria for evaluating performance.
- 2 Collecting factual evidence about performance.
- 3 Resolving conflict between reviewers and the people they review.
- 4 Defensive behaviour exhibited by individuals in response to criticism.

There are no easy answers to these problems. It is wise never to underestimate how hard it is for even experienced and effective managers to conduct productive performance review meetings. It is the facile assumption that this is a natural and not too difficult process that has bedevilled many performance appraisal schemes over the years. This assumption has certainly resulted in neglecting to provide adequate guidance and training for reviewing managers *and*, importantly, those whom they review.

The approaches described in this chapter for preparing for and conducting performance reviews can alleviate the difficulties even if they cannot guarantee to eliminate them. In summary, these approaches are as follows:

- 1 Ensure that the criteria for evaluating performance cover agreed objectives (quantified wherever possible), capabilities based upon proper role analysis, and measures of day-to-day effectiveness preferably stated as standards of performance.

2. Monitor performance throughout the year in relation to performance plans and agreed objectives, behavioural requirements (capabilities) and performance standards. Ensure that there is feedback at the time and record any critical incidents as they occur in order to assist in an overall assessment of performance.
3. Ensure that both managers and their staff understand the positive nature of the process. Train managers in the virtues of building on positives as well as how to make constructive criticisms (not more than two or three at a time) criticisms that are based on fact and not opinions about the employee's personality traits.
4. Encourage a positive approach by managers so that, by using constructive criticism rather than attaching blame, they can reduce defensive behaviour. Briefing for all those involved on the benefits of the process to both parties should also help. Getting individuals to assess their own performance (self-assessment, as discussed later in this chapter) is another way of reducing defensive behaviour.

## Organizational issues

### Getting senior management approval

To have any chance of success, the objectives and methodology of performance reviews should either be in harmony with the organization's culture or be introduced deliberately as a lever for change, moving from a culture of management by command to one of management by consent. Performance management and review processes can help to achieve cultural change, but only if the change is managed vigorously from the top and if every effort is made to bring managers and staff generally on board through involvement in developing the process, through communication and through training.

If, however, an autocratic style of management is practised at the top and pervades the organization, a more circumspect approach might be necessary. Arguments have to be prepared to handle chief executives who say, firmly, *I set the direction, I decide on the corporate objectives, only I am accountable for results to the shareholders. My word therefore goes. I am not in the business of managing by consent.* Remarks along these lines are not untypical, especially when the finance institutions are demanding a significant increase in the price/earnings ratio,

or a hostile takeover bid is imminent. The best thing you can do is to argue as persuasively as possible that the achievement of corporate objectives is far more likely if people are fully committed to them, and that such commitment is more probable if they are given the opportunity of participating in setting their own objectives and even of influencing higher-level objectives if they can contribute to their formulation.

But if this argument fails, you may have to accept that objectives will be cascaded down the organization. Even so, performance management can still operate effectively at the level of defining individual objectives and capability levels and reviewing performance in relation to them, and at least it should give individuals some scope to comment on the objectives that have cascaded down as they apply to them. Some managers may continue to take an autocratic line, but others may accept the benefits of a joint approach, which is fundamental to the philosophy of a complete process of performance management.

This is where the HR function can foster cultural change, by encouraging those who are moving in the right direction, pointing out the benefits to the laggards by reference to successful experiences elsewhere in the organization or outside and, finally and importantly, convincing the head of the organization, if she/he needs to be convinced, that the whole process will add value and contribute significantly to bottom-line organizational performance.

In short, when introducing performance management you cannot work against the culture of the organization. You have to work within it, but you can still aspire to achieve cultural change, and performance management provides you with a means of doing so.

## **On whom should a performance review focus?**

Many performance management and review systems seem to focus almost exclusively on the upper and lower extremes of the performance distribution, neglecting the core of middle-of-the-road performers on whom the organization relies to function effectively in its day-to-day operations and to sustain itself in the future.

This is illogical, because exceptional performance is unlikely to go unrecognized and very poor performance should be equally obvious. From the point of view of both motivation and retention, the focus should be on the majority of employees who are in the middle of the performance distribution.

## **On what should the performance review meeting focus?**

There are two focus issues in performance review meetings: first, on the emphasis that should be placed on performance improvement as distinct from broader developmental needs; second, on the degree to which a review meeting should be forward- rather than backward-looking.

A single-minded focus on performance improvement at the expense of broader issues is unlikely to produce much motivation. The focus should also be on the individual's development, bearing in mind that no one is simply being prepared for vertical movement up the hierarchy. This means helping people to widen their range of abilities (multiskilling) so as to enable them to meet the demands of future change and the additional activities they may be required to carry out. In this way, employability both within and outside the organization can be enhanced. This particularly applies to the core of middle-of-the-road performers.

Performance review meetings that are used or are perceived as being used simply to generate ratings for performance-related pay purposes will almost inevitably fail to achieve what should be regarded as their most important objectives: to motivate and develop people.

The slogan that should be imprinted on the minds of all reviewers is that Yesterday is only useful if it teaches us about today and tomorrow. The analysis of past performance is a necessary precursor to the preparation of performance and development plans for the future. But the tendency to dwell on the past rather than looking to the future must be avoided if the review is going to make any positive motivational impact.

## **When should reviews be held?**

The usual practice is to have an annual formal review that provides a basis for a new performance agreement and performance rating that is required. Some organizations hold all reviews at the same time, especially if they need a performance rating for pay purposes. The timing of the review can be linked to the corporate business or operational planning programme so as to ensure that teams and individuals can contribute to the formulation of departmental and, ultimately, corporate objectives and to provide for these team/individual objectives to flow

from those finally determined at corporate, functional and departmental levels.

There may be some scope allowed for separate business units or functions to align performance reviews to their own business planning cycle or to carry them out at the time most convenient to them. There is much to be said for allowing the maximum degree of flexibility in order to meet the needs of line management rather than to conform to the bureaucratic requirements of the HR department.

Some organizations have required performance reviews to be conducted on the individual's birthday (or thereabouts) or on the anniversary of their joining the organization. This spreads the load for managers but it makes it impossible to fit the review into the annual planning cycle, and the latter is highly desirable if the integration of individual/team objectives and corporate objectives is to be achieved.

If the formal performance review is spread over the year, but the company still conducts pay reviews at the same time annually, a separate rating for such reviews would have to be carried out.

Corporate guidelines to managers on performance management often suggest that they should hold interim formal progress reviews during the year – say once a quarter or halfway through the review year. Such reviews could be incorporated into the normal work or project review process (eg the supervisory meetings held by social service departments) or they could be held at focal points as decided when preparing the performance plan.

Managers should be allowed to choose their own times for conducting such interim or informal reviews, although the importance of carrying them out and not waiting until the end of the year could be emphasized in guidance notes and training. To underline the voluntary and informal nature of such progress reviews, it is best not to ask managers to complete standard review forms. They should be left to document the results of the reviews as they feel fit.

Some organizations require a formal performance review for new starters at the end of, say, six months, or the probationary period if that has been stipulated.

## Criteria for assessing performance

The criteria for assessing performance should be balanced across:

- achievements in relation to objectives;

- behaviour in the job as it affects performance (capabilities);
- day-to-day effectiveness.

The criteria should not be limited to a few quantified objectives. In many jobs, the most important consideration will be the job holder's day-to-day effectiveness in meeting the continuing performance standards associated with the key tasks of the job. It may not be possible to agree meaningfully new quantified targets for some jobs every year. Equal attention needs to be given to the behaviour that has produced the results as well as the results themselves.

## The impact of management style

Most managers have their own management style and are reasonably well aware of what it is. If it has worked well for them in the past they will not want to change it in a hurry. But how do managers with a highly directive style adjust their behaviour when they are expected to conduct review meetings on a participative, two-way basis? With difficulty, if at all, in some cases. Guidance, training and counselling will be required if managers are to handle successfully the potential dilemma of inconsistency between their normal behaviour and how they are expected to behave when conducting performance reviews.

## Performance review skills

To conduct an effective performance review, especially one in which problems of underperformance have to be discussed, demands considerable skill on the part of the reviewer.

One advantage of introducing an element of formality into the review process is that it highlights the skills required to conduct both formal and informal reviews and emphasizes the role of the manager as a coach. These skills come naturally to some managers. Others – probably the majority – will benefit from guidance and training in these key aspects of their managerial roles.

## Outcome issues

If individual employees who have taken part in performance review meetings are to be motivated and retained, the outcomes of the

meetings have to be relevant and put into action. All too often, review meetings have been seen to be ends in themselves. It is necessary to be clear about the range of outcomes that are wanted and can be handled. Besides performance improvement plans, these can include personal development plans, lateral job moves, job restructuring, and project secondments.

Almost worse than no outcomes is the situation when outcomes are agreed and written up, but are not then followed through. Raising expectations that are not subsequently met is a prescription for demotivation and disenchantment. Reviewers need to be certain that they do not overcommit themselves or the organization. They also need to be sure about their own commitment, as well as that of the individual, to agreed outputs.

Enacting agreed outcomes is a powerful demonstration of the organization's commitment to the individual.

## Dealing with positive and negative elements

This aspect of review skills is probably the area of greatest concern to line managers, many of whom do not like handing out criticisms. Performance reviews should not be regarded as an opportunity for attaching blame for things that have gone wrong in the past. If individuals have to be shown that they are accountable for failures to perform to standard or to reach targets, that should have been done at the time when the failure occurred, not saved up for a review meeting.

And the positive elements should not be neglected. Too often they are overlooked or mentioned briefly, and then put on one side. The following sequence is not untypical: Objective number one fantastic! Objective number two that was great too. Objective number three it couldn't have been done better. Now, objective number four this is what we really need to talk about. What went wrong? If this sort of approach is adopted, the discussion will focus on the failure and the negatives, and the individual under review will become defensive. This can be destructive and explains why some people feel that the annual review meeting is going to be a beat me over the head session.

To underemphasize the positive aspects reduces the scope for action and motivation. More can be achieved by building on positives than by concentrating on the negatives. People are most receptive to the need for further learning when they are talking about success. Empowering people is a matter of building on success.

But this does not mean that underperformance should go unnoticed. Specific problems may have been dealt with at the time but it may still be necessary to discuss where there has been a *pattern* of underperformance. The first step, and often the most difficult one, is to get people to agree that there is room for improvement. This will best be achieved if the discussion focuses on factual evidence of performance problems. Some people will never admit to being wrong, and in those cases you may have to say in effect that Here is the evidence; I have no doubt that this is correct; I am afraid you have to accept from me, on the basis of this evidence, that your performance in this respect has been unsatisfactory. If at all possible, the aim is not to blame people but to take a positive view based on obtaining answers to questions such as these:

- Why do you think this has been happening?
- What do you think you can do about it?
- How can I help?

## Using reviews as a communications channel

A well-conducted review meeting provides quality time in which individuals and their managers can discuss matters affecting work and future developments. They also provide an extra channel of communication.

Properly planned review meetings allow much more time and space for productive conversation and communication than is generally available to busy managers and this is perhaps one of their most important purposes. There should be ample scope for communication about the organization's or department's objectives, how individuals fit into the picture, and the contribution they are expected to make. Information can be given on significant events and changes in the organization that will have an impact on the role of the department and its members.

One of the objections that can be made to this free flow of information is that some of it will be confidential. But the need for confidentiality is often overstated. If the feeling is conveyed to people that they cannot be trusted with confidential information, it will not do much for their motivation.

The review meeting often presents a good opportunity for upward

communication. This is the time to find out about how people feel about their jobs, their aspirations, and their relationships with their peers and managers. The opportunity that a review meeting gives to people to stand back from everyday pressures and consider with a sense of perspective the matters that concern them is an important benefit.

## **Balancing past performance against future potential**

Traditionally, line managers have been asked to predict the potential for promotion of their subordinates. But that has put them in a difficult position unless they have a good understanding of the requirements (key dimensions and capabilities) of the roles for which their staff may have potential. This is unlikely in many cases, although the development of career maps setting out the capabilities required in different roles and at different levels can provide invaluable information.

In general terms, past performance is not necessarily a good predictor of future potential unless it contains performance related to dimensions that are also present in the anticipated role.

Because of these problems, assessments of potential are now less frequently included as part of a performance review meeting. They are more often carried out as a separate exercise and sometimes by means of assessment centres.

## **Preparing for review meetings**

Review meetings are likely to be much more effective if both parties – the manager and the individual – have prepared for them carefully. The extent to which detailed preparation is needed will vary according to the type of review. More care would need to be taken for a formal annual review and the approach suggested below is aimed at such occasions. But the same principles would apply, albeit less formally, to interim reviews.

Preparation should be concerned with: the purpose and points to be covered at the meeting; what evidence on performance the manager should get ready for the meeting; and what the individual should do to be ready to explain any performance strengths or weaknesses. Each of these aspects is discussed further below.

## Purpose and points to be covered

The purpose of a review meeting can be defined as being to:

- provide an opportunity for a frank, open, but non-threatening discussion about the individual's performance and development needs;
- give the individual a chance to discuss her/his aspirations and any work problems;
- focus the attention of both the individual and the manager on objectives and plans for the future (ie provide the basis for the next performance agreement or plan).

The things to do at a review meeting (it is probably best not to over-formalize this list by calling it an agenda) are to:

- discuss achievements in relation to objectives and performance/development plans;
- discuss the extent to which the individual's behaviour is in accord with the organization's core values;
- assess the level of capability achieved against the headings and descriptors in the individual's role definition;
- identify any problems in achieving agreed objectives or standards of performance;
- establish the reasons for such problems, including any factors beyond the individual's control as well as those which can be attributed to the individual's behaviour;
- discuss any other problems relating to work and the individual's relationships with his/her manager, colleagues and, if appropriate, subordinates;
- agree on any actions required to overcome these problems;
- agree on any changes to the role definition in terms of key result areas or key tasks and capability requirements that might be required;
- review and revise performance measures (standards) as necessary;
- draw up a personal development plan that incorporates self-

managed learning activities by the individual as well as coaching, mentoring or training provided by the manager or someone else in the organization;

- agree a performance plan for the next review period (the performance agreement).

## Preparation by the manager

The manager should initiate the main formal review meeting by letting the individual know some time in advance (two weeks or so) when it is going to take place. A period of about two uninterrupted hours should be allowed for the meeting.

The manager should discuss with the individual the purpose of the meeting and the points to be covered. The aim should be, as far as possible, to emphasize the positive nature of the process and to dispel any feelings of trepidation on the part of the individual. The manager should also suggest that the individual prepares for the meeting along the lines described below.

The basis for preparation by managers should be the objectives, standards, capability requirements and plans agreed at the last main review, as amended during the year. Achievements should be assessed by the application of appropriate performance measures. Any other evidence of good or not so good performance should also be assembled. Reference should be made to any notes made during or following interim review meetings about the individual's performance.

Changes in the individual's role since the last review should be noted. Consideration should be given to any changes in internal organizational, divisional or departmental circumstances that may have affected the definition and achievement of objectives. External pressure that may have affected performance and outcomes should also be noted.

The manager should then work his/her way through the following checklist of questions:

- 1 How well do you think the individual has done in achieving his/her objectives during the review period?
- 2 To what extent have the actions and behaviour of the individual been in line with capability requirements?

- 3 How well have any improvement, development or training plans as agreed at the last review meeting been put into effect?
- 4 What objectives relating to the individual's key tasks would you like to agree with him/her for the next review period?
- 5 Has the individual had any problems in carrying out his/her work? If so, what sort of problems and what can be done about them?
- 6 Are you satisfied that you have given the individual sufficient guidance or help on what he/she is expected to do? If not, what extra help or guidance could you provide?
- 7 Is the best use being made of the individual's skills and abilities? If not, what should be done?
- 8 Is the individual ready to take on additional responsibilities in his/her present job? If so, what?
- 9 Do you think the individual and the organization would benefit if he/she were provided with further experience in other areas of work?
- 10 What direction do you think the individual's career could take within the organization?
- 11 What development or training does the individual need to help in his/her work and/or to further his/her career with the organization?
- 12 Are there any special projects the individual could take part in which would help with his/her development?

## **Preparation by the individual**

The individual should be asked to work her/his way through the following checklist, which complements the one completed by the manager.

- 1 How well do you think you have done in achieving your objectives during the review period?
- 2 How well have any improvement, development or training plans as agreed at your last review meeting been put into effect?
- 3 What objectives relating to the key tasks in your present job would you like to agree with your manager for the next review period?
- 4 Have you met any problems in carrying out your work? If so, what sort of problems and what can be done about them?

- 5 Do you think your manager could provide you with more guidance or help in what he or she expects you to do? If so, what guidance or help do you need?
- 6 Do you think the best use is being made of your skills and abilities? If not, what needs to be done about it?
- 7 Do you feel you are ready to take on additional responsibilities in your present job? If so, what would you like to do?
- 8 Would you like to gain further experience in other related areas of work? If so, what?
- 9 What direction would you like your future career to take with the organization?
- 10 What development or training would you like to help you in your job and/or further your career with the organization?

## Conducting a performance review meeting

There are ten golden rules for conducting performance review meetings.

- 1 *Be prepared.* Managers should prepare by referring to a list of agreed objectives and their notes on performance throughout the year. They should form views about the reasons for success or failure and decide where to give praise, which performance problems should be mentioned, and what steps might be undertaken to overcome them. Some thought should also be given to any changes that have taken place or are contemplated in the individual's roles, and to work and personal objectives for the next period.  
Individuals should also prepare in order to identify achievements and problems, and to be ready to assess their own performance at the meeting. They should also note any points they wish to raise about their work and prospects.
- 2 *Create the right atmosphere.* A successful meeting depends on creating an informal environment in which a full, frank but friendly exchange of views can take place. It is best to start with a fairly general discussion before getting into any detail.
- 3 *Work to a clear structure.* The meeting should be planned to cover

all the points identified during preparation. But time should be allowed for the individual to express his or her views fully.

- 4 *Use praise.* If possible, managers should begin with praise for some specific achievement, but this should be sincere and deserved. Praise helps people to relax – everyone needs encouragement and appreciation.
- 5 *Let individuals do most of the talking.* This enables them to get things off their chest and helps them to feel that they are getting a fair hearing. Use open-ended questions (ie questions that invite the individual to think about what to reply rather than indicating the expected answer). This is to encourage people to expand their views on topics.
- 6 *Invite self-appraisal.* Self-appraisal aims to help individuals see how things look from their own point of view and to provide a basis for discussion. Many people underestimate themselves. Ask questions such as:
  - How well do you feel you have done?
  - What do you feel are your strengths?
  - What do you like most/least about your job?
  - Why do you think that project went well?
  - Why do you think you didn't meet that target?
- 7 *Discuss performance, not personality.* Discussions on performance should be based on factual evidence, not opinion. Always refer to actual events or behaviour and to results compared with agreed performance measures. Individuals should be given plenty of scope to explain why something did or did not happen.
- 8 *Encourage analysis of performance.* Don't just hand out praise or blame. Analyse jointly and objectively why things went well or badly and what can be done to maintain a high standard or to avoid problems in the future.
- 9 *Don't deliver unexpected criticisms.* There should be no surprises. The discussion should only be concerned with events or behaviours that have been noted at the time they took place. Feedback on performance should be immediate. It should not wait until the end of the year. The purpose of the formal review is to reflect briefly on experiences during the review period and on this basis to look ahead.

10 *Agree measurable objectives and a plan of action.* The aim should be to end the review meeting on a positive note.

These golden rules may sound straightforward and obvious enough, but they will only function properly in a culture that supports this type of approach. Hence the importance of getting and keeping top management support and the need to take special care in developing and introducing the system and in training managers *and* their staff.

Some additional guidance on the most productive approach was provided by research conducted by the Huthwaite Research Group, as quoted by Philpott and Sheppard (1992). This established that some verbal behaviours are better than others. Expert reviewers spent more time than average reviewers in testing understanding, seeking information, seeking proposals and support. Average reviewers spent twice as much time giving information and making proposals. Interestingly enough, experts spent rather more time than average reviewers in disagreeing. Performance review meetings should not avoid raising issues emerging from differences of opinion. Experts also spent a much higher proportion of their time discussing the future. They concentrated more on the average than the below-average performers on the grounds that the main focus should be on the level of performance that occurs most – that is, average performance.

## Evaluating performance reviews

There is no doubt that in spite of careful training and guidance some managers will be better at conducting performance review meetings than others. So how can their performance as performance reviewers be evaluated as a basis for further training or guidance when necessary?

Traditionally, the personnel department had a policing role, checking that performance appraisal forms are completed on time and filled in properly. However, this will convey nothing about the quality of the meeting or the feelings of individuals after it – they may have signed the form to agree with its comments but this does not reveal what they really thought about the process.

Another approach is to get the manager's manager (the so-called grandparent) to review the form. This at least provides the individual who has been reported on with the comfort of knowing that a prejudiced report may be rejected or amended by a higher authority. But it

still does not solve the problem of a negative review process that would probably not be conveyed in a written report.

Space on the review form can be given to individuals to comment on the review, but many will feel unwilling to do so. If the interview has been conducted in an intimidating manner, how ready are they likely to be to commit themselves to open criticism?

Another, potentially more productive, approach is to conduct an attitude survey following performance reviews, asking individuals *in confidence* to answer questions about their review meeting such as:

- How well did your manager conduct your performance review meeting?
- Are there any specific aspects of the way in which the review was conducted which could be improved?
- How did you feel at the end of the review meeting?
- How are you feeling at the moment about your job and the challenges ahead of you?
- How much help are you getting from your manager in developing your skills and abilities?

The results of such a survey, a form of upward assessment, can be fed back anonymously to individual managers and, possibly, their superiors. Action can then be taken to provide further guidance, coaching or formal training. A general analysis of the outcome can be used to identify any common failings that can be dealt with by more formal training workshops.

Evaluation of performance management processes is dealt with more fully in Chapter 20.

## **Analysis of the issues**

Effective performance review training and processes are not likely to happen unless the issues referred to above have been thoroughly analysed. This analysis should be used as the basis for designing performance-management training programmes (see Chapter 19) and developing guidelines on preparing for and conducting reviews as described below.

## Self-assessment

Self-assessment is a process in which individuals review their own performance, using a structured approach, as the basis for discussions with their managers in review meetings.

### Structure

The structure for self-assessment is usually provided by a self-assessment form, which is completed by individuals before the review meeting. Self-assessment can be carried out as part of the preparation process referred to earlier.

The answers to the questions posed during self-assessment provide an agenda for the review meeting, in which individuals take the lead and managers respond as appropriate. The role of managers is to comment on and, sometimes, add to an individual's self-assessment. Comments should avoid confrontation — ie total disagreement with the individual's opinions — and should preferably adopt an exploratory approach, asking such questions as:

- Why do you feel like that?
- Why do you think that happened?
- Have you taken into account such and such an event?
- The information I have is that you have not consistently achieved the performance standard for this particular task we agreed last year. How did this happen?
- Do you think there are any other causes of this problem?
- Are you sure that you have not contributed to this problem?
- Are there any other issues or problems you have not mentioned?
- How are *we* going to make sure that this problem does not occur again in the future?

This is what can be described as a constructive approach to reviewing performance, in which the manager conducts the meeting on a joint problem-solving basis, focusing on the identification and exploration of the key problems facing the employee and encouraging the employee to think through the issues involved. The manager will provide

feedback, but this is constructive feedback in that it is aimed at encouraging the employee to work out for himself or herself what needs to be done, with the help of the manager.

Research has shown that, on the whole, people are surprisingly realistic in assessing their own performance, as long as their assessment is not going to contribute directly to a performance-related pay decision. In fact, some people underestimate themselves, which makes it even easier for their manager to take a positive approach.

## Advantages of self-assessment

The advantages of using a self-assessment approach are that it:

- reduces defensiveness by allowing individuals to take the lead in reviewing their own performance rather than having their managers' judgements thrust upon them;
- helps to generate a more positive and constructive discussion during the review meeting, which can focus on joint problem-solving rather than attaching blame;
- encourages people to think about their own development needs and how they can improve their own performance;
- provides a more balanced assessment because it is based on the views of both the manager and the individual rather than that of either one alone.

## Problems with self-assessment

Self-assessment can allow employees to take the lead, but the aim of the review meeting remains that of achieving an agreed joint assessment and development plan. Managers have therefore to contribute and, as necessary, add to the views expressed by employees. There is still room for confrontation if managers bluntly disagree, and it may require considerable skill on their part to persuade employees to reconsider their self-assessment. This can be achieved by good reviewers, but it means taking care to handle the situation by asking further questions or presenting additional facts rather than simply expressing an adverse opinion that is unsupported by evidence.

As mentioned earlier, many people can be surprisingly realistic in assessing their own performance, but some will overestimate their abilities and they need to be handled carefully.

There are two other issues faced by organizations introducing self-assessment. The first is whether preparation forms completed by employees should be given to their managers before the review meeting. This gives the latter some indication of what they will be discussing during the meeting and the problems they may have to address. But employees may feel inhibited if they have to expose their views in writing, especially if these can be interpreted as being critical of their manager. It is probably best to leave to the parties concerned the decision on whether or not the form should be given to managers in advance, rather than laying down what should be done as part of the review procedure.

The second issue is whether or not the employee's self-assessment should be retained with other performance management documentation in their personal files. Many people could feel unhappy at the thought that their opinions about themselves could be kept and used in evidence when someone is making a future promotional or disciplinary decision. An argument may be constructed against including *any* performance management documents in central personnel files on the grounds that these are the property of the two parties who are most concerned – the manager and the individual. However, even when such documents are held centrally, for whatever purpose, it is probably best not to include the self-assessment because that is something essentially personal to the job holder and his or her manager.

## Requirements for success

Incorporating self-assessment as part of a performance management/review process is most likely to be successful when:

- all concerned fully understand the purpose of self-assessment;
- employees are trained in how to carry out self-assessments;
- both managers and employees understand their respective roles in the review meeting and how they should be carried out;
- both managers and employees receive training in conducting reviews, especially on joint problem-solving methods;
- self-assessment is clearly directed to the future motivation and development of the employee and is not used simply as the basis for raking over past problems – although it should be recognized that

the analysis of any such problems will provide guidance on the way ahead;

- the self-assessment is not taken directly into account when making pay, promotion or disciplinary decisions.

# 9

## Improving Performance

The improvement of performance as part of a continuous process of performance management needs to be tackled at both the organizational and the individual level. In the latter case the aim should be to be positive about minimizing underperformance. But, as described at the end of this chapter, action may have to be taken to deal with people who are not up to standard through a capability procedure.

### Taking action

Poor performance may be a result of inadequate leadership, bad management or defective systems of work. All are probably the result of a failure of whoever is at the top of the organization to establish well-defined and unequivocal expectations for superior performance.

Performance management is not just about providing support and understanding. If this is overdone, in line with the 1960s human-relations model of the good manager as a supportive father-figure, expectations and performance will be unnecessarily low.

Managers, as Schaffer (1991) points out, sometimes use a variety of psychological mechanisms for avoiding the unpleasant truth that performance gaps exist. These mechanisms include:

- *Evasion through rationalization.* Managers may escape having to demand better performance by convincing themselves that they have done all they can to establish expectations. They overlook the possibility of obtaining greater yields from available resources.

When they ask for more from their staff, they are too ready to believe them when they claim that they are already overloaded, and they may weakly take in the extra work themselves. Or they may go to the opposite extreme and threaten workers with arbitrary demands, unaccompanied by specifications of requirements and deadlines for results.

- *Reliance on procedures.* Managers may rely on a variety of procedures, programmes and systems to produce better results. Top managers say, in effect, Let there be performance-related pay, or performance management or whatever and sit back to wait for these panaceas to do the trick which, of course, they will not unless they are part of a sustained effort led from the top and are based on a vision of what needs to be done to improve performance.
- *Attacks that skirt the target.* Managers may set tough goals and insist that they are achieved, but they may still fail to produce a sense of accountability in subordinates.

Schaffer (1991) suggested the following strategy for action to deal with these and other problems and to get better results:

- *Select the goal.* Start with an urgent problem: for instance, costs in a department too high; a budget seriously overrun; a quality specification missed; a shortfall in meeting a sales target. Generate a feeling that achievement of the goal is imperative, not merely desirable.
- *Specify the minimum expectations of results.* Broad, far-reaching or amorphous goals should be narrowed to one or two specific, measurable ones. Focus energy on one or two sharply defined targets.
- *Communicate expectations clearly.* Share with all concerned, both orally and in writing, the nature of the goal, the allocation of responsibility for achieving it, the timetable and the constraints.
- *Allocate responsibility.* Allocate responsibility for achieving each goal to one person even though the contribution of that person's team may be essential for success. Ensure that the manager responsible for each goal produces a written work plan for steps to be taken to reach it. The plan should specify how progress will be measured and reported. Then monitor the project.
- *Expand and extend the process.* Once success has been achieved

on a first set of demands, it should be possible to repeat the process based on new goals or an extension of the first goal.

## Managing underperformers

When managing underperformers, the comment by Charles Handy (1989) that this should be about applauding success and forgiving failure needs to be remembered. He suggests that mistakes should be used as an opportunity for learning – something only possible if the mistake is *truly* forgiven because otherwise the lesson is heard as a reprimand and not as an offer of help .

Managing underperformers is therefore a positive process that is based on feedback throughout the year and looks forward to what can be done by individuals to overcome performance problems and, importantly, how managers can provide support and help.

### The five basic steps

The five basic steps required to manage underperformers, each of which is described in more detail below, are as follows:

- 1 Identify and agree the problem.
- 2 Establish the reason(s) for the shortfall.
- 3 Decide and agree on the action required.
- 4 Resource the action.
- 5 Monitor and provide feedback.

#### Identify and agree the problem

Analyse the feedback and, as far as possible, obtain agreement from the individual on what the shortfall has been. Feedback may be provided by managers but it can in a sense be built into the job. This takes place when individuals are aware of their targets and standards, know what performance measures will be used, and either receive feedback or control information automatically or have easy access to it. They will then be in a position to measure and assess their own performance and, if they are well-motivated and well-trained, take their own corrective actions. In other words, a self-regulating feedback mechanism

exists. This is a situation that managers should endeavour to create, on the grounds that prevention is better than cure.

Establish the reason(s) for the shortfall

When seeking the reasons for any shortfalls, the manager should not be crudely trying to attach blame. The aim should be for the manager and the individual jointly to identify the facts that have contributed to the problem. It is on the basis of this factual analysis that decisions can be made on what to do about it by the individual, the manager or the two of them working together.

It is necessary first to identify any causes that are external to the job and outside the control of either the manager or the individual. Any factors that *are* within the control of the individual and/or the manager can then be considered. What needs to be determined is the extent to which the reason for the problem is because the individual:

- did not receive adequate support or guidance from his/her manager;
- did not fully understand what he/she was expected to do;
- could not do it there is a problem with ability;
- did not know how to do it there is a skills shortage;
- would not do it there is a problem with attitude.

A checklist used by an organization to analyse factors affecting managerial performance is given in Appendix B. A checklist for analysing performance problems is given in Appendix C.

Decide and agree on the action required

Action taken by the individual, the manager or both parties could include:

- taking steps to improve skills or change behaviour by the individual;
- changing attitudes up to individuals as long as they accept that their attitudes need to be changed. The challenge for managers is that people will not change their attitudes simply because they are told to do so. They can only be helped to understand that certain changes to their behaviour could be beneficial, not only to the

organization but also to themselves. A counselling approach is desirable, as described in Chapter 12;

- providing more support or guidance by the manager;
- clarifying expectations jointly;
- developing abilities and skills jointly, in the sense that individuals may be expected to take steps to develop themselves but managers may provide help in the form of coaching, additional experience or training.

Whatever action is agreed, both parties must understand how they will know that it has succeeded. Feedback arrangements can be made, but individuals should be encouraged to monitor their own performance and take further action as required.

Resource the action

It is necessary to provide the coaching, training, guidance, experience or facilities that are required to enable agreed actions to happen.

Monitor and provide feedback

Both managers and individuals monitor performance, ensure that feedback is provided or obtained and analysed, and agree on any further actions that may be necessary.

## Checklists for managing underperformers

The following checklists set out the questions that a manager can usefully ask himself or herself (and have answered) when dealing with different aspects of substandard performance.

Failure to achieve objectives or standards

- To what extent have objectives not been achieved?
- What specific instances have there been of substandard performance?
- Did the individual fully understand what he/she was expected to achieve?
- Were these expectations reasonable in the light of the individual's experience and qualifications to do the job?

- Did the way in which the job was structured contribute to the failure?
- Did the individual get sufficient support from his/her manager or team leader and the other members of the team?
- Was the individual aware that his/her work was not up to standard and what, if anything, was he/she doing about it?
- Was the problem caused by inadequate knowledge or lack of skill in any respect?
- To what extent, if any, was the failure to achieve targets or meet performance standards simply because of a lack of effort or interest on the part of the individual?

The answers to these questions should provide some indication of the action that could be taken, leading for example to:

- clarifying objectives and standards;
- reformulating objectives to make them attainable (but not too easily);
- redesigning the job (adjusting tasks and responsibilities) to provide a sounder basis for obtaining better results;
- re-examining the composition of the team and its methods of working, followed, if necessary, by a team-building programme;
- improving the feedback on results to the individual, and monitoring performance following the feedback to ensure that corrective action is taken as necessary;
- encouraging individuals to develop the additional knowledge or skills themselves, while providing guidance and coaching as required;
- if a self-development approach is inappropriate or insufficient, arranging for specific training or coaching in areas where deficiencies in knowledge or skill have been identified;
- helping individuals to learn from their mistakes, thus knowing how to minimize the risk of repeating them;
- encouraging individuals to recognize that certain aspects of their behaviour have contributed to the substandard results and getting

them to agree to the achievement of specified modifications in behaviour.

The last action will be the most difficult one to carry out successfully.

Unacceptable attitude or behaviour

- Why do you believe that there is a problem over the employee's attitudes or behaviour?
- What evidence is there that the attitude/behaviour is creating a performance problem? (Quote actual examples.)
- Have you discussed with the individual *at the time* any instance of poor performance that you believe could be attributed to negative attitudes or behaviour?
- How did the individual react when asked to comment on any such instances?
- What steps have you taken to enable the employee to recognize his/her own problem or situation and discuss it with you?
- Have you taken into account the fact that in general it is easier to change behaviour than deep-seated attitudes?
- Have you been successful in obtaining agreement on the cause of the problem and what should be done about it?
- If so, have you agreed how the problem should be managed by the individual with whatever help you and, possibly, other people could provide?
- If not, is this a problem that you should refer to another counselling source (eg a member of the human resource department) for resolution?

The approach described above requires the manager to act as a counsellor rather than as an authoritarian figure handing out threats or promises of reward. Counselling is a skilled process and managers need to be convinced of its value as a means of managing performance and trained in how to do it (and Chapter 12 deals with counselling techniques in more detail).

There will, unfortunately, be situations when counselling does not work: the problem will persist, an employee will be incorrigible, and a

capability procedure will have to be invoked, as discussed later in this chapter.

Unwillingness to accept objectives or standards

The management by contract aspect of performance management is basic to its philosophy, but what happens if someone does not agree to what the manager believes to be entirely fair although possibly stretching objectives or standards? The following questions need to be addressed by the manager in this situation:

- How certain am I that this is an attainable objective or standard?
- Have I any benchmarking evidence that targets or standards of this nature have been achieved by other people in similar circumstances?
- Is it reasonable for me to ask this particular individual to achieve this objective or standard in the light of his/her experience or qualifications, or in the circumstances in which the job is carried out?
- Does the individual have any reasonable grounds for rejecting the objective or standard? If not, why is he/she adopting this attitude?
- Do I insist on this objective or standard in spite of the individual's objections? If not, to what extent am I prepared to modify the objective?

In the last analysis, if you believe that an objective or standard is essential and attainable, you have to insist on it. It may be one that has to be achieved if you are going to reach objectives or standards to which you have already agreed as being proper and reasonable. And if, for example, the business will not survive unless certain targets for earnings per share or return on capital employed are achieved, you cannot agree to an individual target that is not going to make an adequate contribution to the overall result required. There may be some discussion about how it is to be achieved, but there can be no dispute over the fact that it *must* be achieved if at all possible.

The same principle applies to performance standards. If, for instance, you know that you will lose valuable customers if you cannot guarantee a proper response to an enquiry within 24 hours, and you also know that the resources are available to achieve that standard, then it

is entirely reasonable to insist on it, even though you may have to accept that it cannot be achieved overnight (but spell out *when* it has to be reached).

The aim is, of course, to avoid an impasse, and if you have difficulty in reaching agreement you have to do your best to persuade the individual that the target or standard is reasonable, promising any necessary help if that is appropriate.

If this does not work, you may allow the employee to appeal to a higher authority (eg your boss). If such an appeal is not upheld, you would have no alternative but to insist on the target or standard you require and you would have to inform the individual that you expect every effort to be made to reach it. If, subsequently and without good reason, the individual fails to achieve the target or standard, you would then have to consider invoking a capability procedure as described below.

It is to be hoped that such situations will seldom, if ever, arise, but what you cannot afford to do is allow substandard performance to continue unchecked. Performance management is essentially management by agreement, but if that agreement is unreasonably withheld, managers have to exert their authority in order to get the job done well.

## Capability procedure

Every attempt should be made to deal with performance problems as they arise, or at least to consider them dispassionately at a review meeting. The aim is to *avoid* invoking the disciplinary procedure. However, further action to deal with underperformers may be necessary.

When confronted with such situations, many organizations have recognized that to go straight into a disciplinary procedure (with its associations with misconduct) is not the best way to handle things. They believe it is better to have a special capability procedure for performance issues, leaving the disciplinary procedure as the method used to deal with cases of misconduct, poor timekeeping, etc. Set out following is an example of a capability procedure.

## Policy

A good organization will at all times endeavour to ensure that its employees achieve and maintain a high standard of performance in

their work. To this end, it will ensure that standards are established, performance is monitored, and employees are given appropriate training and support to meet these standards.

## Procedure

The following six steps follow on from one another.

- 1 Where the manager/team leader first establishes that an employee's performance is unacceptable, an informal discussion will be held with the employee to try to establish the reason. Should this discussion result in a decision that the established standards are not reasonably attainable, the standards will be reviewed.
- 2 Should the interview establish that the performance problems are related to the employee's personal life, the necessary counselling/support will be provided. However, if it becomes apparent that the poor performance constitutes misconduct, the disciplinary procedure will be invoked.
- 3 If it is decided that the poor performance emanates from a change in the organization's standards, those standards will be explained to the employee and help will be offered to obtain conformity with the standards.
- 4 Should the employee show no (or insufficient) improvement over the next ..... weeks/months, a formal interview will be arranged between the employee (together with a representative if so desired) and his/her manager. The aims of this interview will be to:
  - identify the cause(s) of the performance and to determine what, if any, remedial treatment (eg training, retraining, support, etc) can be given;
  - explain clearly the shortfall between the employee's performance and the required standard;
  - obtain the employee's commitment to reaching that standard;
  - set a reasonable period for the employee to reach the standard and agree on a monitoring system during that period;
  - tell the employee what will happen if that standard is not met.

The outcome of this interview will be recorded in writing and a copy will be given to the employee.

- 5 At the end of the review period, a further formal interview will be held, at which time the following will be considered:
  - If the required improvement has been made, the employee will be told of this and encouraged to maintain the improvement.
  - If some improvement has been made but the standard has not yet been met, the review period will be extended.
  - If there has been no discernible improvement, the employee will be informed that he or she has failed to reach the standards required to carry out the job. Consideration will be given to whether there are alternative vacancies which the employee would be competent to fill. If there are, the employee will be given the option of accepting such a vacancy or being dismissed.
  - If such vacancies are available, the employee will be given full details of such vacancies, in writing, before being required to make a decision.
  - In the absence of suitable alternative work, the employee will be invited to give his or her views on this before a final decision is taken.
  
- 6 If dismissal is the end result, employees generally have the right to appeal against their dismissal, stating their reasons in writing within a certain laid-down period of time.

## Keep it separate

Although capability action is there to be used as a means of overcoming performance problems, it should be treated as a separate procedure that is not regarded as part of the normal processes of performance management. The standard processes should help to identify performance problems that can be dealt with on the spot, if at all possible. Only if this fails are these problems transferred to the capability system for resolution.

This separation of performance management processes and capability procedures is important because of the serious harm that would be done to the positive performance-improvement and developmental aspects of performance management if employees felt that the process was simply being used to collect evidence for use in taking capability or disciplinary action. Performance reviews can become threatening affairs if they are perceived as placing sticks in the hands of management with which they can beat employees.

If the problem has to be transferred to the capability procedure for resolution, it is highly desirable to state what it is in full, with any supporting evidence which is available. Reference can be made to the fact that the problem was identified earlier as part of the continuing process of performance management, but the content of any performance review form produced following a review meeting should not be used as evidence. The capability warning must be complete in itself.

In practice, this may not cause much difficulty as long as the manager follows the guidelines for continually managing performance, as described in Chapter 7. These suggest that immediate action is taken to deal with performance problems – they should not be saved up to be discussed at a formal review meeting some time after the event. Raising problems immediately means that they are dealt with as a normal management process, and the capability procedure should only be resorted to when this process fails, in spite of every effort to make it succeed.

# 10

## Performance Rating

Traditional merit-rating schemes and many current performance-appraisal systems linked to performance-related pay schemes have required managers to rate their staff. These ratings were often made on personality traits such as energy, willingness and determination, which were not linked to actual behaviour or any clear definitions based on analysis and research on their relevance to job performance.

Performance management reviews, however, seldom include such headings. The argument against assessing personal qualities is that managers are thereby asked to measure abstract personality traits, which have never been properly validated and which they are seldom qualified to do. Such approaches mean that individuals are in danger of becoming passive objects, receiving judgements from on high. It is greatly preferable to use capability analysis techniques as described in Chapter 5. These can provide definitions of behavioural requirements that are related to behaviours that, it has been established, lead to high levels of performance and that can be identified and defined by managers and individuals by reference to evidence of what the latter actually do.

Crude assessments of personality traits are now less common, although some competency definitions look suspiciously like old-fashioned personality characteristics under a new guise. Whether or not this is the case, many organizations include ratings in their review procedures. This is a somewhat controversial issue, and the arguments for and against rating are discussed below.

## Arguments for and against rating

The arguments for ratings are chiefly as follows:

- It is useful to sum up judgements about people, such as who are the exceptional performers, who are the underperformers and who are the reliable core performers, so that action (either developmental or some other non-financial form) can be taken. It can be argued that we all make judgements of people, so why not place it on record?
- You cannot have performance-related pay (PRP) without ratings. (This is not actually the case. Many organizations with PRP decide on pay increases without a formal rating system see below and others include ratings only as part of the performance management process.)
- Ratings can provide a basis for predicting potential on the assumption that people who perform well in the present are likely to go on doing so in the future. However, past performance is only a predictor of future performance when there is a connecting link, ie where there are elements of the present job that are also important in a different job.

The arguments against ratings are chiefly as follows:

- Ratings are largely subjective and it is difficult to achieve consistency between the ratings given by different managers.
- To sum up the total performance of a person with a single rating is a gross oversimplification of what may be a complex set of factors influencing that performance. To do this after a detailed discussion of strengths and weaknesses suggests that the rating will be a superficial and arbitrary judgement.
- The whole performance review meeting may be dominated by the fact that it will end with a rating, especially if that governs PRP increases, thus severely limiting the forward-looking and developmental focus of the meeting, which is all-important.
- To make judgements about potential on the basis of an overall rating, which masks dissimilarities between these elements, is dangerous, although it must be accepted that poor overall performance should not be followed or rewarded by promotion.

- To label people as average or below average, or whatever equivalent terms are used, is both demeaning and demotivating.

A further serious problem with ratings is created when organizations have forced distribution or quota systems. Forced distribution means that managers have to conform to a laid-down percentage distribution of ratings between different levels, for example 5/15/60/15/5 per cent across five categories. Managers and staff rightly resent being forced into this sort of straitjacket — there is no valid reason why the distribution of performance levels throughout an organization should conform to a standard or normal distribution pattern.

Quota systems are even worse. They can completely turn off everyone involved except the misguided managements who institute them. Such systems lay down what the distribution of ratings should be and adjust the ratings of managers after the event to ensure that the quota in each level is met. They are usually applied retrospectively to ensure that, if there is PRP and increases are driven by a rating formula, the cost of increases is within budget. In effect, this means that the judgements of managers have been overruled, which is unlikely to make them feel happy about the procedure. Staff also know that whatever comes out of the review meeting may be changed more or less arbitrarily by a higher authority. This will destroy any confidence they might have in performance management or the fairness of PRP decisions.

Some organizations that do not have performance-related pay reject ratings altogether because of the objections listed above.

Organizations that *do* have performance-related pay may sometimes also avoid the use of performance ratings as part of the review system, and instead have a separate pay review in which managers are simply asked to indicate whether they want to award an exceptionally high increase, an above-average increase, a below average increase, or no increase at all. Of course, such judgements are related to assessments of performance and there is therefore a read across from the review. But decisions about pay increases can be based on a number of factors besides performance in the current job, including the market worth of individuals, their potential, and how their pay relates to their peers.

## The validity of ratings

In spite of the reservations expressed above, it is probably true that most managers are capable of discriminating at least between those who have done exceptionally well and those who have done exceptionally badly, leaving the rest of the sound performers in the middle. Extensive research conducted on the validity of ratings by the United States National Research Council (Milkovich and Wigdor, 1991) found that there is evidence to support the premise that managers are capable of forming reasonably reliable estimates of their employees overall performance levels. But this conclusion is somewhat modified later by their comments on the validity of performance ratings:

Supervisor ratings have been used in thousands of studies designed to examine the power of cognitive and other ability tests to predict job performance in other words, they have been used to validate employment tests. These studies consistently show low to moderate observed correlations between employment tests and supervisor ratings; job incumbents who score well in the test tend also to receive good ratings and those with low test scores tend to be rated as mediocre performers. While admittedly circular, this relationship provides further indirect evidence that although supervisors can rate their employees with some degree of (but by no means perfect) accuracy, whether they will do so in an operational setting is another matter.

It may still be felt, however, that, whether or not you believe that managers can produce reliable and valid performance ratings, a rating is required for one or more of the following purposes: performance-related pay, giving information on overall performance levels, or providing some indication of potential. And there are ways of achieving greater consistency based upon the careful definition of rating scales or using other techniques, as described later in this chapter.

If overall ratings are to be included in a performance review procedure, three things need to be considered: first, the basis upon which levels of performance will be defined; second, the number of rating levels to be used; and, third, the methods of achieving a reasonable degree of accuracy and consistency in ratings. These are each described in the sections that follow.

## Performance-level definitions

The rating-scale format can either be behavioural, with examples of good, average and inadequate performance, or graphic, which simply presents a number of scale points along a continuum. The scale points or anchors in the latter may be defined alphabetically (a, b, c, etc), numerically (1,2,3, etc), or by means of initials (EX for excellent, etc) that purport to disguise the relative nature of the scale. The scale points may be further described adjectivally (eg consistently superior, average, consistently unsatisfactory).

Behaviourally anchored rating scales (BARS), have been developed in an attempt to reduce the rating errors that it was assumed are typical of graphic scales. It was believed that the behavioural descriptions in such scales would discourage the tendency to rate employees in broad terms by focusing attention on specific work behaviours. But research has shown that behaviourally based scales have not met early expectations. Raters appear, when they make ratings, to rely less on specific behaviours than on their general evaluation of each employee, regardless of the focus of the rating scale. These general *a priori* evaluations substantially affect raters' memory for, and evaluation of, actual work behaviour.

Many organizations have taken great care in the wording of their definitions of each level of the scale in the hope that this will provide for greater accuracy and consistency in ratings. Detailed descriptions may be helpful, but only to a certain extent – however carefully such descriptions are worded, there will always be room for subjective judgements to be made. Hence the importance of taking further steps to promote understanding of how to apply the scale definitions, as described later in this chapter.

## Positive negative definitions

Traditionally, definitions have regressed downwards from a highly positive, eg exceptional, description to a negative, eg unsatisfactory, definition, as in the following typical example:

- A = Outstanding performance in all respects.
- B = Superior performance, significantly above normal job requirements.

- C = Good all-round performance that meets the normal requirements of the job.
- D = Performance not fully up to requirements. Clear weaknesses requiring improvement have been identified.
- E = Unacceptable performance. Constant guidance is required and performance of many aspects of the job is well below a reasonable standard.

## Positive definitions

An alternative and increasingly popular approach is to have a rating scale that provides positive reinforcement (or at least emphasis) of the need for improvement at every level. This is in line with a culture of continuous improvement. The examples given below emphasize the positive and improvable nature of individual performance.

- *Very effective.* Meets all the objectives of the job. Exceeds required standards and consistently performs in a thoroughly proficient manner beyond normal expectations.
- *Effective.* Achieves required objectives and standards of performance, and meets the normal expectations of the job.
- *Developing.* A contribution that is stronger in some aspects of the job than others, where most objectives are met but where performance improvements should still take place.
- *Basic.* A contribution that indicates that there is considerable room for improvement in several definable areas.

Positive definitions aim to avoid the use of terminology for middle-ranking but entirely acceptable performers such as satisfactory or competent, which seem to be damning people with faint praise.

Some organizations use the term improvable for the basic category on this list. Others include learner/achiever or unproven/too soon to tell categories for new entrants to a grade for whom it is too early to give a realistic assessment.

The above scale deliberately avoids including an unacceptable rating or its equivalent on the grounds that if someone's performance is totally unacceptable and unimprovable, this should have been identified during the continuous process of performance management and

corrective action initiated at the time. This is not an action that can be delayed for several months until the next review, when a negative formal rating is given which may be too demotivating or too late.

If the defined action fails to remedy the problem, the employee may be dealt with under the capability procedure and the normal performance review may be suspended unless and until the problem is overcome. However, the capability procedure should still provide for performance reviews to assess the extent to which the requirements set out in the informal or formal warnings have been met.

Note also that in order to dispel any unfortunate associations with other systems such as school reports, this positive scale does not include alphabetic or numerical ratings.

## Number of rating levels

There has been much debate on what constitutes the best number of rating levels. The US Social Survey (1991) research project came to the conclusion that:

The weight of the evidence suggests that the reliability of ratings drops if there are fewer than three or more rating categories. Recent work indicates that there is little gain from having more than five response categories. Within that range (three to five) there is no evidence that there is one best number of scale points in terms of scale quality.

But there are strong advocates of three, four, five or even six level scales, as described below.

### Three-level scales

Three-level scales may be constructed by reference to such terms as:

- *overall achievement* exceptional , acceptable , not fully acceptable ;
- *achievement of objectives* exceeds , meets , fails to meet ;
- *capability/competent* highly capable/competent , fully capable/competent , less than fully capable/competent ;
- *spread of ability* above average , average , below average (not a desirable approach because it labels people).

Advocates of three grades contend that people are not capable of making any finer distinctions between performance levels. They know the really good and poor performers when they see them and have no difficulty in placing the majority where they belong, ie in the middle category. The box below is an example of a three-category scheme used in a large financial institution.

### **Rating employees at the Halifax**

#### *Fulfilling expectations*

In order to fulfil the expectations agreed for your role, you and your manager will agree at your appraisal how you have:

- worked with others and developed yourself;
- followed through processes and made improvements;
- met the needs of internal/external customers;
- achieved key financial and business results.

The expectations are stretching and demanding and if you achieve them you will have done well and made a full and balanced contribution which has delivered the requirements of the business. The majority of staff achieve what we expect of them and are currently assessed at this level we expect this to continue in the future.

#### *Exceeding expectations*

People who exceed the expectations agreed for their role will be exceptional for two reasons: first, expectations of all of us are generally stretching and rise over time, so to have exceeded them denotes an approach that has added value beyond these normal high standards; second, performance is assessed not only in the job but also compared to colleagues doing similar jobs, so a clearly differentiated contribution will have been made. People who exceed expectations can therefore expect higher pay awards and faster salary progression.

#### *Not fulfilling expectations*

We hope that there will not be many people who do not fulfil expectations. Such people will be counselled and supported to improve their performance but if, in the end, their contribution has not met the requirements of the business, they can expect to receive a smaller pay rise or no pay rise at all.

Those who want more grades in their rating system take the diametrically opposite but probably equally subjective view compared with that above, namely that raters *do* want to make finer distinctions and feel uncomfortable at dividing people into superior (average or above average) sheep, and inferior (below average) goats. They prefer intermediate categories in a five-point scale as described below or a wider range of choice in a four- or six-point scale.

The advocates of a larger number of points on the scale also claim that this assists in making the finer distinctions required in a performance-related pay system. But this argument is only sustainable if it is reasonably certain that managers are capable of making such fine distinctions (and there is no evidence that they can) and that these can be equitably reflected in meaningful pay increase differentials.

### Four-level scales

Four-level scales are sometimes used, often with positive definitions as in the example given above. They provide finer distinctions than a three-level scale while helping to avoid the problem inherent in the five-level scales of rating drift (an unwillingness to use the middle or lower categories).

### Five-level scales

Five-level scales are probably the most typical arrangement found today in organizations. Typically, they provide for two superior performance levels, a fully satisfactory level, and two shades of less than capable performance.

The rationale is that raters prefer this degree of fineness in performance definition and can easily recognize the middle grade and distinguish those who fall into higher or lower categories. It is also in accord with a typical way in which the normal curve of distribution is expressed, where the middle category includes 60 per cent of the population, the next-higher or next-lower categories each comprise 15 per cent of the population, and the remaining 10 per cent is distributed equally between the highest and lowest category. This normal distribution curve was originally applied to the distribution of intelligence in the form of IQs (intelligence quotients). The assumption was then made that general ability is also distributed in the same pattern. However, this is a highly questionable assumption that has never been substantiated by research.

When confronted with a five-level scale, raters can be tempted to overconcentrate on the middle rating and avoid discriminating sufficiently between superior and inferior performers. Alternatively, five-level scales can lead to rating drift – a tendency to push ratings into higher categories. This can only be avoided by carefully wording the level descriptions so as to ensure that the middle category is used appropriately and by training an organization's managers in the relevant rating methodology.

## Six-level scales

Six-level scales are sometimes used as in the example given below:

- **XC** Exceptional performance: meeting all objectives and requirements and contributing outstanding achievements that significantly extend the impact and influence of the total job.
- **EX** Excellent performance: meeting all objectives and requirements and contributing some notable achievements beyond normal expectations for the job.
- **W** A well-balanced performance: meeting objectives and requirements of the job, consistently performing in a thoroughly proficient manner.
- **R** Reasonable performance: a contribution that is stronger in some aspects of the job than others and where most objectives are met, but with varying degrees of effectiveness.
- **BE** Barely effective performance: meeting few objectives or requirements of the job, such that significant performance improvements are needed.
- **U** Unacceptable performance: failing to meet most objectives or requirements of the job and demonstrating a lack of commitment to performance improvement, or a lack of ability that has been discussed prior to the performance review.

The rationale for six levels is that it gives a wider range and, like the four-level scale, eliminates the tendency in five-level scales either to pick mainly the central rating or to give in to the temptation to drift upwards from it.

Another perceived benefit of having six levels is that the core of competent performers who are given a third-level rating (**W** in this

example) are aware that there are three levels below them. This is assumed to have a greater motivational value than being placed in the third of five grades, with only two lower categories.

## Conclusions on the number of levels

It can be said that arguments about the number of levels come into the same category as the discussions of medieval philosophers of the how many angels can dance on a pin variety. A review of 200 studies conducted by Landy and Farr (1980) concluded that all the different formats used for rating performance were equally good or equally bad, depending on your point of view.

The format to use is a matter of choice and judgement. Many organizations are settling for three levels, but there is no evidence that any single approach is clearly much superior to another. It does, however, seem to be preferable for level definitions to be positive rather than negative and for them to provide a degree of reliable guidance on the choice of ratings. It is even more important to ensure that level definitions are compatible with the culture of the organization and that close attention is given to ensuring that managers use them as consistently as possible.

## Achieving consistency

The problem with rating scales is that it is very difficult, if not impossible without very careful management, to ensure that a consistent approach is adopted by managers responsible for rating. It is almost inevitable that some people will be more generous than others (the swan effect), while others will be harder on their staff (the goose effect). Ratings can, of course, be monitored and challenged if their distribution is significantly out of line, and computer-based systems have been introduced for this purpose in some organizations. But many managers want to do the best for their staff, either because they genuinely believe that they are better or because they are trying to curry favour. It can be difficult in these circumstances to challenge them.

There are three approaches that can be adopted to achieving consistency: first, the mechanistic forced-distribution method; second, the equally mechanistic ranking method; and, third, relying on training managers and monitoring and evaluating the rating process.

## Forced distribution

The forced distribution of ratings requires managers to conform to a pattern that quite often corresponds with the normal curve of distribution on the assumption that performance levels are distributed normally. A typical distribution would be the 5/15/60/15/5 distribution across five rankings, as described earlier.

But the assumption that performance and consequential reward is distributed normally is questionable. It tends to produce win lose situations. In the many evaluations of performance management and performance-related pay that have been conducted over the last few years, forced choice distributions and quotas have come in for particular criticism. There is no rule that states that performance or ability should be normally distributed within an organization. There are many examples of high-performance organizations where key departments such as marketing are well staffed with above-average people who are delivering a new business strategy, and others where to fill departments such as finance with superachieving accountants would be quite inappropriate and in any case would result in them withering away from boredom.

There is also the view that the level of fully acceptable performance needs to be ratcheted up every year so that what was defined as a good contribution in one year is less than acceptable in the next. This is one of the arguments that can be used to contain rating drift.

## Ranking systems

An alternative approach is to rank staff in order of merit and then distribute performance ratings through the rank order. A typical forced distribution in a ranking system would be to give the top 10 per cent an A rating, the next 15 per cent a B rating, the next 60 per cent a C rating and the remaining 15 per cent a D rating. Such forced distribution systems ensure a consistent distribution of ratings but still depend on the relative objectivity and accuracy of the rankings.

## Training

Training can take place in the form of consistency workshops for managers who discuss how ratings can be objectively justified and who test rating decisions on case-study performance-review data. This can build a level of common understanding about rating levels.

## Peer reviews

Groups of managers meet to review the pattern of each other's ratings and challenge unusual decisions or distributions. This process of moderation is time-consuming but is possibly the best way to achieve a reasonable degree of consistency, especially when the moderating group members share some knowledge of the performances of each other's staff as internal customers.

## Monitoring

Here, a distribution of ratings is monitored by a central department, usually the HR function, which challenges any unusual patterns and identifies and questions what appear to be unwarrantable differences between departments' ratings.

## Conclusions

The following comment on ratings was made by Engelmann and Roesch (1996):

To reduce the subjectivity of performance management systems and increase the focus on continuous improvement, organizations have tended to move away from rating categories or labels toward summary statements that are behaviour-orientated and more focused on future improvements.

And Fletcher (1993) made the point when he said that in the United Kingdom, The use of ratings to compare individuals (even overall performance ratings) for so long a central element of appraisal forms and processes, is now declining .

Many organizations will want to retain ratings because they perceive that the advantages outweigh the disadvantages. But those businesses that want to emphasize the developmental aspect of performance management and play down even eliminate the performance pay element, will be convinced by the objections to rating and will dispense with them altogether.

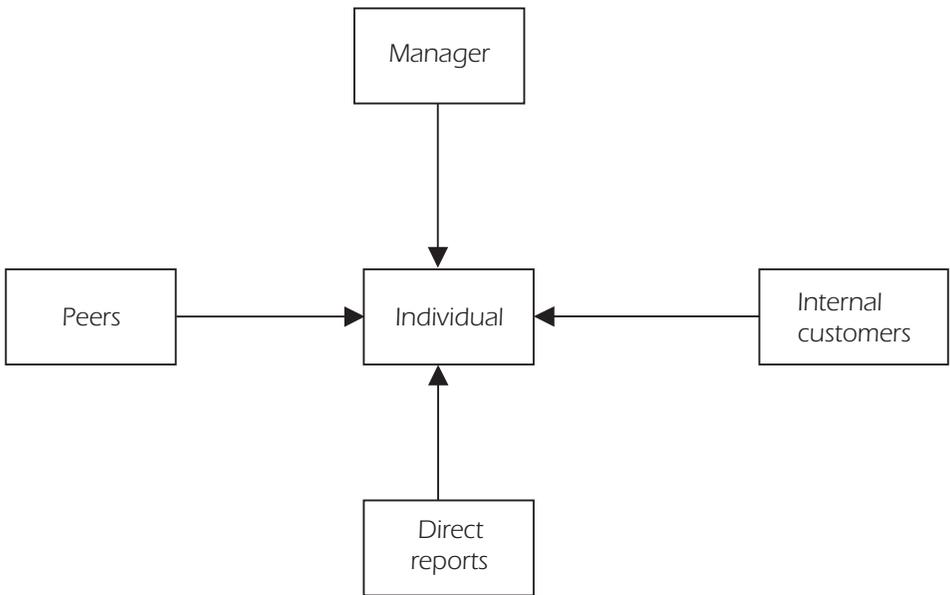
# 360-Degree Feedback

360-degree feedback is a relatively new feature of performance management. Although by no means common (only 11 per cent of the organizations covered by the Institute of Personnel and Development's 1997 survey into performance management practices used it), interest is increasing. This chapter starts with a definition of 360-degree feedback, goes on to describe how it is used and operated, and then discusses its advantages and disadvantages and methods of introduction.

## Definition

360-degree feedback has been defined by Ward (1997) as: The systematic collection and feedback of performance data on an individual or group derived from a number of the stakeholders on their performance. The data are usually fed back in the form of ratings against various performance dimensions. 360-degree feedback is also referred to as multisource assessment or multirater feedback.

Performance data in a 360-degree feedback process can be generated for individuals (as shown in Figure 11.1) from the person to whom they report, their direct reports, their peers (who could be team members and/or colleagues in other parts of the organization) and their internal customers. The range of feedback could be extended to include other stakeholders – external customers, clients or suppliers (and this is sometimes known as 540-degree feedback). A self-assessment process may also be incorporated using for comparison purposes the same criteria as the other generators of feedback.



**Figure 11.1** 360-degree feedback model

Feedback can be initiated entirely by peers (in a team setting) or by both peers and the team leaders. It can also take the form of 180-degree or upward feedback, where this is given by subordinates to their managers. Feedback may be presented direct to individuals, or to their managers, or both. Expert counselling and coaching for individuals as a result of the feedback may be provided by a member of the HR function or an outside consultant.

## Purpose

The main rationale for 360-degree feedback has been expressed by Turnow (1993) as follows:

360-degree activities are usually based on two key assumptions: (1) that awareness of any discrepancy between how we see ourselves and how others see us increases self-awareness, and (2) that enhanced self-awareness is a key to maximum performance as a leader, and thus becomes a foundation block for management and leadership development programmes.

London and Beatty (1993) have suggested that the rationale for 360-degree feedback is as follows:

- 360-degree feedback can become a powerful organizational intervention to increase awareness of the importance of aligning leader behaviour, work unit results, and customer expectations, as well as increasing employee participation in leadership development and work unit effectiveness;
- 360-degree feedback recognizes the complexity of management and the value of input from various sources – it is axiomatic that managers should not be assessing behaviours they cannot observe, and the leadership behaviours of subordinates may not be known to their managers;
- 360-degree feedback calls attention to important performance dimensions that may hitherto have been neglected by an organization.

360-degree feedback has been found to be used for a number of purposes. Research conducted by the Ashridge Management Research Group (Handy *et al*, 1996) found that, typically, 360-degree feedback forms part of a self-development or management development programme. The 45 users covered by the survey fell into the following groups:

- 71 per cent used it solely to support learning and development;
- 23 per cent used it to support a number of HR processes, such as appraisal, resourcing and succession planning;
- 6 per cent used it to support pay decisions.

A 1997 survey of 22 organizations using 360-degree feedback by the Performance Management Group (unpublished) found that 77 per cent either disagreed or strongly disagreed with the statement that it is a personal development tool and should not be used for wider HR or organizational purposes; and 81 per cent disagreed or strongly disagreed that the natural use of 360-degree feedback is to provide a basis for reward. Similarly, the IPD 1998 survey also found that the 51 organizations covered by the research predominantly used 360-degree feedback to help in assessing development needs and as a basis for performance coaching. Only one-fifth of the respondents used it to determine a performance grade or pay award.

# Methodology

## Questionnaire

360-degree feedback processes usually obtain data from questionnaires that measure from different perspectives the behaviours of individuals against a list of competencies. In effect, they ask for an evaluation: How well does do ? The competency model may be one developed within the organization or the competency headings may be provided by the supplier of a questionnaire.

The dimensions may broadly refer to leadership, management and approaches to work. The headings used in the Performance Management Group's Orbit 360-degree questionnaire are:

- leadership;
- team player/manage people;
- self-management;
- communication;
- vision;
- organizational skills;
- decision making;
- expertise;
- drive;
- adaptability.

The leadership heading, for example, is defined as: Shares a clear vision and focuses on achieving it. Demonstrates commitment to the organization's mission. Provides a coherent sense of purpose and direction, both internally and externally, harnessing energy and enthusiasm of staff .

## Ratings

Ratings are given by the generators of the feedback on a scale against each heading. This may refer both to importance and performance as in the PILAT questionnaire, which asks those completing it to rate the

importance of each item on a scale of 1 (not important) to 6 (essential), and performance on a scale of 1 (weak in this area) to 6 (outstanding).

## Data processing

Questionnaires are normally processed with the help of software developed within the organization or, most commonly, provided by external suppliers. This enables the data collection and analysis to be completed swiftly, with the minimum of effort and in a way that facilitates graphical as well as numerical presentation.

Graphical presentation is preferable as a means of easing the process of assimilating the data. The simplest method is to produce a profile, as illustrated in Figure 11.2. Some of the proprietary software presents feedback data in a much more elaborate form.

## Feedback

The feedback is often anonymous and may be presented to the individual (most commonly), to the individual's manager (less common), or to both the individual and the manager. Some organizations do not arrange for feedback to be anonymous. Whether or not feedback is anonymous depends on the organization's culture – the more open the culture, the more likely is the source of feedback to be revealed.

## Action

The action generated by the feedback will depend on the purposes of the process, ie whether development, appraisal or pay. If the purpose is primarily developmental, the action may be left to individuals as part of their personal development plans, but the planning process may be



Figure 11.2 360-degree feedback profile

shared between individuals and their managers if they both have access to the information. Even if the data only go to the individual, they can be discussed in a performance review meeting so that joint plans can be made. There is much to be said for adopting this approach.

## Development and implementation

To develop and implement 360-degree feedback, the following steps need to be taken:

- 1 *Define objectives.* It is important to define exactly what 360-degree feedback is expected to achieve. It will be necessary to spell out the extent to which it is concerned with personal development, appraisal or pay.
- 2 *Decide on recipients.* Who is to be at the receiving end of feedback? This may be an indication of who will eventually be covered after a pilot scheme.
- 3 *Decide on who will give the feedback.* Will it be the individual's manager, direct reports, team members, other colleagues, or internal or external customers? A decision will also have to be made on whether HR staff or outside consultants should take part in helping managers to make use of the feedback. A further decision will need to be made on whether or not the feedback should be anonymous (it usually is).
- 4 *Decide on the areas of work and behaviour on which feedback will be given.* This may be in line with an existing competency model or it may take the form of a list of headings for development. Clearly, the model should fit the culture, values and type of work carried out in the organization, but it might be decided that a list of headings or questions in a software package would be acceptable at least to start with.
- 5 *Decide on the method of collecting the data.* The questionnaire could be designed in-house or a consultant's or software provider's questionnaire could be adopted, with the possible option of amending it later to produce a better fit.
- 6 *Decide on data analysis and presentation.* Again, the decision on whether to develop the software in-house or use a package. Most

organizations installing 360-degree feedback do, in fact, purchase a package from a consultancy or software house. But the aim should be to keep the system as simple as possible.

- 7 *Plan initial implementation programme.* It is desirable to pilot the process, preferably at top level or with all the managers in a function or department. The pilot scheme will need to be launched with communications to those involved about the purpose of 360-degree feedback, how it will work and the part they will play. The aim is to spell out the benefits and, as far as possible, allay any fears. Training in giving and receiving feedback will also be necessary.
- 8 *Analyse outcome of pilot scheme.* The reactions of those taking part in a pilot scheme should be analysed and any necessary changes made to the process, the communication package and the training.
- 9 *Plan and implement a full programme.* This should include briefing, communicating, training and support from HR and, possibly, the external consultants.
- 10 *Monitor and evaluate.* It is important to maintain a particularly close watch on the initial implementation of feedback, but monitoring should continue after that as well. This is a process that can cause anxiety and stress, or produce little practical gain in terms of development and improved performance for a lot of effort.

## Advantages and disadvantages of the method

The survey conducted by the Performance Management Group in 1997 (unpublished) revealed that respondents believed the following benefits resulted from using 360-degree feedback:

- a broader perspective by individuals of how they are perceived by others than previously possible;
- increased awareness of and relevance of competencies;
- increased awareness by senior management that they too have development needs;
- more reliable feedback to senior managers about their performance;
- a gaining of acceptance of the principle of multiple stakeholders as a measure of performance;

- the encouragement of more open feedback new insights;
- the reinforcing of the desired competencies of the business;
- provision of a clearer picture to senior management of the real worth of individuals (although there tended to be some halo effect syndromes);
- a clarification to employees of critical performance aspects;
- the opening-up of feedback, giving people a more rounded view of performance than they had previously;
- the identification of key development areas for the individual, a department and the organization as a whole;
- the identification of strengths that can be used to the best advantage of the business;
- a rounded view of an individual s/team s/the organization s performance and what its strengths and weaknesses are;
- raised self-awareness by people managers of how they personally impact upon others positively and negatively;
- support for a climate of continuous improvement;
- a start to improving the climate/morale, as measured through an employee opinion survey;
- a focused agenda for development, where managers are forced into discussing personal development issues;
- a perception of feedback as more valid and objective, leading to the acceptance of the results and actions required.

But there may be problems. These include:

- people not giving frank or honest feedback;
- people being put under stress in receiving or giving feedback;
- lack of action following feedback;
- overreliance on technology;
- too much bureaucracy.

These problems can all be minimized, if not avoided completely, by careful design, communication, training and follow-up.

### **Criteria for 360-degree feedback success**

360-degree feedback is most likely to be successful when:

- it has the active support of top management, who themselves take part in giving and receiving feedback and encourage everyone else to do the same;
- there is commitment everywhere else to the process based on briefing, training and an understanding of the benefits to individuals as well as the organization;
- there is real determination by all concerned to use feedback data as the basis for development;
- questionnaire items fit or reflect typical and significant aspects of behaviour;
- items covered in the questionnaire can be related to actual events experienced by the individual;
- comprehensive and well-delivered communication and training programmes are followed;
- no one feels threatened by the process this is often achieved by making feedback anonymous and/or getting a third-party facilitator to deliver the feedback;
- feedback questionnaires are relatively easy to complete (not unduly complex or lengthy, with clear instructions);
- bureaucracy is minimized.

# 12

## Feedback, Counselling and Coaching

Throughout this book it has been emphasized that the *processes* of performance management are much more important than the *content* of a performance management system – the procedures, documents and forms that have too often been treated as the essence of performance management. The basic processes as described earlier are concerned with performance planning, and monitoring and reviewing performance.

The successful employment of these processes requires the exercise of special skills by managers, some of which, such as setting objectives, have been dealt with in earlier chapters. But the key skills of providing feedback, counselling and coaching, all of which play an important part in reviewing and developing performance, have not yet been considered specifically. This chapter aims to give them the attention they deserve.

### Feedback

In systems engineering, feedback transmits information on performance from one part of a system to an earlier part of the system in order to generate corrective action or to initiate new action.

In this respect at least, performance management has some of the characteristics of a system in that it provides for information to be presented to people on their performance, which helps them to understand how well they have been doing and how effective their behaviour has been. The aim is for feedback to promote this

understanding so that appropriate action can be taken. This can be corrective action where the feedback has revealed that something has gone wrong or, more positively, action taken to make the best use of the opportunities that the feedback has revealed.

Systems engineers design self-regulating systems that generate their own feedback and respond to this information of their own volition. The same principle can be applied in performance management: individuals can be encouraged to understand the performance measures, which are available for them to use, in order to provide their own feedback and to develop their own plans for performance improvement and development.

Such self-generated feedback is a highly desirable feature of a full performance management process, but there will always be a need for managers, colleagues and, sometimes, internal or external advisors to provide feedback based on their own observations and understanding.

Feedback in performance management is positive in the sense that its aim is to point the way to further development and improvement, not simply to tell people where they have gone wrong (which is classed as negative feedback). Feedback must nevertheless report on failures as well as successes, although failings should not be dwelt on as matters for blame. Instead, they should be treated as opportunities for learning so that they are less likely to be repeated in the future.

Feedback in performance management is always based on evidence. It refers to results, events, critical incidents and significant behaviours that have affected performance in specific ways. The feedback should be based on fact, not opinion, and it should be presented in a way that enables individuals to recognize and accept its factual nature. Of course, there will often be room for some interpretation of the facts, but such interpretations should start from the actual situation as reported in the feedback and not from the subjective views expressed by the provider of the feedback.

## Guidelines on providing feedback

The following are important aspects of the process of feedback, and guidelines are given for how each should be tackled. Thus:

- *Build feedback into the job.* To be effective, feedback should be built into the job or provided within 48 hours of an activity taking place.

- *Provide feedback on actual events.* Feedback should be provided on actual results or observed behaviour. It should be backed up by evidence. It should not be based on supposition about the reason for the behaviour. You should, for example, say: We have received a complaint from a customer that you have been rude. Would you like to comment on this? rather than: You tend to be aggressive.
- *Describe, don't judge.* The feedback should be presented as a description of what has happened but should not be accompanied by a judgement. If you start by saying: I have been informed that you have been rude to one of our customers. We can't tolerate that sort of behaviour, you will instantly create resistance and will prejudice an opportunity to encourage improvement.
- *Refer to specific behaviours.* Relate all your feedback to specific items of behaviour. Don't indulge in transmitting general feelings or impressions.
- *Ask questions rather than make statements.* Thus: Why do you think this happened? ; On reflection, is there any other way in which you think you could have handled the situation? ; How do you think you should tackle this sort of situation in the future?
- *Select key issues and restrict yourself to them.* There is a limit to how much criticism anyone can take. If you overdo it, the shutters will go up and you will get nowhere.
- *Focus.* Focus on aspects of performance the individual can improve. It is a waste of time to concentrate on areas that an individual can do little or nothing about.
- *Provide positive feedback.* Provide feedback on the things that the individual did well in addition to areas for improvement. People are more likely to work positively at improving their performance and developing their skills if they feel empowered by the process.

## Coaching

Coaching is a personal (usually one-to-one) on-the-job approach to helping people develop their skills and levels of capability. The need for coaching may arise from formal or informal performance reviews, but opportunities for coaching will also emerge during normal day-to-day

activities. Every time a manager delegates a new task to someone, a coaching opportunity is created to help the individual learn any new skills or techniques that are needed to get the job done. Every time a manager provides feedback to an individual after a task has been completed, there is an opportunity to help that individual do better next time.

## The coaching process

Coaching as part of the normal process of management consists of:

- making people aware of how well they are performing by, for example, asking them questions to establish the extent to which they have thought through what they are doing;
- controlled delegation ensuring that individuals not only know what is expected of them but also understand what they need to know and be able to do to complete the task satisfactorily, giving managers an opportunity to provide guidance at the outset (as guidance at a later stage may be seen as interference);
- using whatever situations may arise as opportunities to promote learning;
- encouraging people to look at higher-level problems and how they would tackle them.

## Coaching skills

Coaching will be most effective when:

- the coach understands that his or her role is to help people to learn;
- individuals are motivated to learn they should be aware that their present level of knowledge or skill or their behaviour needs to be improved if they are going to perform their work to their own and to others satisfaction;
- individuals are given guidance on what they should be learning and feedback on how they are doing;
- learning is an active, not a passive, process individuals need to be actively involved with their coach;

- the coach listens to individuals to understand what they want and need;
- the coach adopts a constructive approach, building on strengths and experience.

## Planned coaching

Coaching may be informal, but it has to be planned. It is not simply checking from time to time on what people are doing and then advising them on how to do it better. Nor is it occasionally telling people where they have gone wrong and throwing in a lecture for good measure. As far as possible, coaching should take place within the framework of a general plan of the areas and direction in which individuals will benefit from further development. Coaching plans can and should be incorporated into the personal development plans set out in a performance agreement.

## The manager as coach

Coaching should provide motivation, structure and effective feedback if managers have the required skills and commitment. As coaches, managers believe that people can succeed, that they can contribute to their success and that they can identify what people need to be able to do to improve their performance. They have to see performance management as an enabling, empowering process that focuses on learning requirements. Successful coaching depends on a clear definition of work and development objectives and on managers recognizing that this is one of their key responsibilities. But they need to be trained in coaching skills if they are to carry out their important role effectively.

## Counselling

Counselling in performance management can be defined as what managers do when they help employees to understand what they (the employees) need to do to manage their own performance and development. It is essentially about helping people to help themselves and is particularly relevant to self-development. What people seek out for themselves, with some guidance as necessary, is likely to make a greater impact than anything handed out to them by their managers.

Almost all managers engage in some activity that could be termed counselling as part of their normal working life. It is therefore a natural component of performance management – an everyday activity that can arise from immediate feedback.

## The counselling process

The counselling process consists of three stages:

- 1 *Recognition and understanding* – recognizing the indicators of problems and issues.
- 2 *Empowering* – enabling employees to recognize their own problem or situation and encouraging them to express it.
- 3 *Resourcing* – managing the problem, which will include the decision on who is best able to act as counsellor out of the manager, the specialist or an outside resource.

## Counselling stages

Egan (1995) has suggested that the stages to be followed in counselling are threefold, as set out below.

Listening, understanding and communicating

This stage focuses on understanding the perspective of the other person and communicating that understanding. It is non-judgemental and concentrates on ensuring that both parties have the same understanding of a situation.

Changing the picture

This stage involves talking through the appropriate issue, which can help to change the individual's perspective and indicate a solution to the problem. But this does not always happen, and the manager as counsellor may have to use the tougher skills of challenging and confronting, sharing his/her different perceptions, or providing a different framework. The initial listening phase should have established an atmosphere of acceptance and openness that enables this tougher stage to take the process forward into action.

## Implementing action

In this stage, the manager helps the individual to take action. The manager becomes a facilitator, helping the individual to formulate action plans and providing expertise and guidance as necessary. But it is not the manager's role to tell the individual what action to take. The individual must be helped to work out for himself or herself what needs to be done and how it should be done although the manager can provide the resources required in the shape of coaching, training or the provision of better working facilities or systems.

## Counselling skills

Counselling is a skilled process. It is essential to train managers in how to develop and apply the following counselling abilities and skills:

- *problem identification* recognizing that the problem exists;
- *open questioning* probing by open-ended, non-directive questions to identify the real focus of the problem rather than concentrating on its symptoms;
- *listening* the ability to listen actively so as to obtain the full story by probing, evaluating, interpreting and supporting;
- *sensitivity* to individual beliefs and values, some of which may be based on culture or religion;
- *reflecting* being able to restate the problem from the individual's point of view;
- *empathy* having regard for the feelings and anxieties of the individual;
- *impartiality* the ability to remain non-judgmental and to refrain from prescribing solutions;
- *sincerity* having a genuine attitude of interest and openness to the individual's problems;
- *belief* having the belief that individuals have the resources to solve their own problems, albeit with passive or active help.

# 13

## Performance Management Documentation

It has often been said in this book – but it bears repetition – that it is the processes of performance management as practised by line managers that are important, not the content of the system, and the content often consists largely of forms. The elegance with which forms are completed is not important. Their purpose is no more than that of recording views and decisions; they are not ends in themselves.

Performance management is not a form-filling exercise, as many traditional merit-rating or performance-appraisal schemes appeared to be. Personnel managers who spent their time chasing up reluctant line managers to complete their appraisal forms and return them to the personnel department often unwittingly defeated the whole purpose of the exercise. Managers tended to be cynical about their rating and box-ticking activities, and they often produced bland and unrevealing reports that could be prepared without too much effort. They became even more cynical if they had any reason to believe that the completed forms were gathering dust in personnel dossiers, unused and unheeded. And, sadly, this was often what happened.

A case could be made for having no forms at all for managers to complete. They could be encouraged to record their agreement and the conclusions of their reviews on blank sheets of paper, to be used as working documents during the continuing process of managing performance throughout the year.

But there is much to be said for having a format that can help in the ordering and presentation of plans and comments. And the mere existence of a form or a set of forms demonstrates that this is a process that managers and their staff are expected to take seriously.

## Purpose of the documentation

Before designing performance management forms, it is necessary to be quite clear about their purpose. The following questions need to be answered:

- To what extent are these working documents for use by managers and their staff?
- What information does the HR department need about the outcome of performance reviews?
- How is the quality of performance reviews to be assured?
- How can employees be reassured that they will not become the victims of prejudiced or biased reports?

## The forms as working documents

There is no doubt that the main purpose of any performance management forms is to serve as working documents. They should be in continual use by managers and individuals as reference documents on objectives and plans when reviewing progress. They record agreements on performance achievements, and the actions to be taken to improve performance or to develop competence and skills. They should be dog-eared from much use — they should *not* be condemned to moulder away in a file.

For this reason, the forms should be owned by the manager and the individual (and both parties should have a copy). Any information that the HR department needs in ratings (for performance-related pay or career planning purposes) or requests for training would be incorporated in a separate form for their use.

The employee can still be protected against unfair assessments and ratings by providing for the manager's manager (the grandparent) to see and comment on the completed report. These comments could be shown to the individual, who should have the right to appeal through a grievance procedure if he or she is still unhappy about the report.

There is, however, a good case for the HR department having sight of completed review forms for quality-assurance purposes, especially in the earlier days of operating a performance management system.

## Information for the HR department

Within the foregoing context, the HR department may need to know:

- who the high flyers are, for development and career planning;
- who the people are who are performing badly, to consider their situation with the line manager and to decide what action needs to be taken;
- performance ratings, for performance-related pay decisions;
- recommendations on training, in order to assess any common training needs and to initiate training action;
- the performance of any individual who might be considered for promotion, transfer or disciplinary action.

Another factor that helps to persuade many organizations to hold copies of the review forms centrally is that a decision in an unfair dismissal case may depend on the quality of record keeping as well as the honesty of the performance review process and performance review forms may be required for evidence. This can create a problem if a manager who has produced bland, superficial but generally favourable reports on an employee is later allowed to take disciplinary action for incapability. Employment tribunals do not look with favour on this type of inconsistency. It is always necessary for an HR function to compare review reports with the picture painted by managers when the latter request disciplinary action, and to question any inconsistencies.

The approach adopted by most organizations is to require at least a copy of review forms to be held centrally, together with a copy of performance agreements if these contain training and development recommendations. Managers and individuals would, however, be encouraged to retain their own copies as working documents.

## Form design

When designing performance management forms, the aim should be to keep them as simple and as brief as possible while allowing ample white space for comments. Like all good forms, they should be self-explanatory, but they may be supplemented by notes for guidance.

Although documentation should be kept to a minimum, such

documents as are used should be well designed and presented. A typical set of forms, which include an overall performance rating section, is illustrated in Figures 13.1 and 13.2.

<b>PERFORMANCE AND DEVELOPMENT AGREEMENT AND REVIEW</b>			
Name:	Forename(s):		
Job title:	Department:		
Reviewer's name:	Job title:		
<b>PERFORMANCE AND DEVELOPMENT AGREEMENT</b>			
Objectives	Performance measures		
Capabilities	Agreed actions		
<b>PERSONAL DEVELOPMENT PLAN</b>			
Development need	How it is to be met	Action by whom	Target completion date

**Figure 13.1** Performance and development review form (part 1)

PERFORMANCE AND DEVELOPMENT REVIEW	
Capabilities	Actions taken
Development needs	Actions taken
Comments by reviewer:	
Signed:	Date:
Comments by reviewee:	
Signed:	Date:

**Figure 13.2** Performance and development review form (part 2)

## Variations on a theme

There are many varieties of performance management forms used by different organizations – some more elaborate with, for example, a special performance planner form, and some simpler ones. They do,

however, all have the same basic themes and in some way include spaces for:

- agreed objectives;
- agreed performance and personal development plans;
- a review of performance against objectives;
- a review of achievements against the personal development plan.

If a capability or competence framework exists, the form may include a section listing the main capabilities with space for comments

Forms in organizations with performance-related pay (PRP) will often have an overall rating section. Those without PRP may still retain ratings as a means of summarizing performance.

# Managing Organizational Performance

The focus so far in this book has been on managing individual performance on the seemingly reasonable assumption that if this is done well, then improved organizational performance will inevitably follow. But this assumption is not wholly justified. The way in which the performance of individuals is managed has to be carried out within the context of how organizations and teams are managed. Performance has to be managed from the viewpoint of the organization, and as a team management process, as dealt with in Chapter 15.

The aspects of organizational performance management examined in this chapter are the overall requirements for high organizational performance, performance management at the organizational level, the part played by individual performance management, the integration of organizational and individual performance management processes, and performance management in smaller organizations. Each is discussed in greater detail below.

## Requirements for high organizational performance

### Basis

High levels of organizational performance are based on a clear understanding of the organization's mission, strategies and goals. They involve the clarification of what individuals and teams must do to support the achievement of these goals, the systematic review of

performance in relation to the goals, and the agreement of performance improvement plans to achieve better results in the future.

## Factors

The factors contributing to organizational effectiveness are:

- clearly defined goals, and the strategies to accomplish them;
- a value system that emphasizes performance, capability, productivity, quality, customer service, teamwork and flexibility;
- strong visionary leadership from the top;
- a powerful, proactive and innovative management team;
- a well-motivated, committed, skilled and flexible workforce;
- effective teamwork throughout the organization with win lose conflict well under control;
- continuous pressure to innovate and grow;
- the ability to respond fast to opportunities and threats;
- the capacity to manage, indeed thrive on change;
- a sound financial base and good systems for management accounting and cost control;
- the adoption of a value-based management approach, the fundamentals of which are that whatever the business does, it must contribute to the maximization of shareholder value;
- data processing facilities that provide the information for managing as and when required, that speed up transactions and that reduce operating costs.

## The strategic base for achieving competitive advantage

As argued by Prahalad and Hamel (1990), competitive advantage stems in the long term from when a firm builds distinctive capabilities, or core competences, that are superior to its rivals and when it learns faster and applies its learning more effectively than its competitors.

Distinctive capabilities or core competences describe what the

organization is specially or uniquely capable of doing. They are what the organization does particularly well in comparison with its competitors. Key capabilities can exist in such areas as technology, innovation, marketing, delivering quality, and making good use of human and financial resources. If a company is aware of what its distinctive capabilities are, it can concentrate on using and developing them without diverting effort into less rewarding activities.

Four criteria have been proposed by Barney (1991) for deciding whether a resource can be regarded as a distinctive capability or competency:

- value creation for the customer;
- rarity compared to the competition;
- non-imitatability;
- non-substitutability.

The concept of distinctive capability forms the foundation of the resource-based approach to strategy. This resource-based view is that the strategic capability of a firm depends on its resource capability. Resource-based strategy theorists such as Barney argue that sustained competitive advantage stems from the acquisition and effective use of bundles of distinctive resources that competitors cannot imitate. As Boxall (1996) comments: Competitive success does not come simply from making choices in the present; it stems from building up distinctive capabilities over significant periods of time .

A resource-based view of strategy emphasizes the significance of the distinctive capabilities of the human resources of an organization both for attaining competitive advantage and for adding value. It provides the philosophical foundation for strategies that aim to improve individual and team performance. It also provides the basis for high-performance management strategies.

## High-performance management

High-performance management (in the United States called high-performance work systems or high-performance work practices ) aims to make an impact on the performance of an organization through its people in such areas as productivity, quality, levels of customer service, growth, profits, and, ultimately, the delivery of increased shareholder

value. High-performance management practices include rigorous recruitment and selection procedures, extensive and relevant training and management-development activities, incentivized pay systems and performance management processes.

A definition of a high-performance work system was produced by the US Department of Labor (1993). The characteristics listed were:

- careful and extensive systems for recruitment, selection and training;
- formal systems for sharing information with the individuals who work in the organization;
- clear job design;
- high-level participation processes;
- monitoring of attitudes;
- performance reviews;
- properly functioning grievance procedures;
- promotion and compensation schemes that provide for the recognition and financial rewarding of the high-performing members of the workforce.

## Performance management at the organizational level

At the organizational level, performance management will be concerned with all the factors listed above. It will use a resource-based strategic approach and a philosophy of continuous improvement. It will be an integrated approach covering the characteristic features of a high-performance work system

Performance management at the organizational level is about realizing the vision of what the organization should become and what it should achieve. In the words of Tom Peters (1988): The vision, and managers consistent, daily actions in support of it, is the sea anchor, the basis for keeping people from running aground as the waves of change toss them to and fro. The key factor is therefore visionary leadership from the top.

Visionary leaders create *focus*. They have a clear agenda that is based on an unparalleled concern with outcomes. Visionary leaders are

results orientated and are effective in drawing attention and gaining commitment to what they believe can and must be achieved. And they are deeply concerned with the performance imperatives of their organization what managers and their staff must be able to do to make things happen, to get results.

Performance management processes cannot replace visionary leadership. But they can provide mechanisms for ensuring that the vision is achieved. These mechanisms are concerned with the formulation of missions and values, the determination of critical success factors, strategies, objectives and plans, followed by action, feedback and review (as illustrated in Figure 14.1).

## Mission statements

The start of the performance management process is the formulation of a mission statement. This is a succinct definition of the overall purpose of the organization, setting out clearly what it is there to do and achieve. For example, a software company might describe its mission as follows: We are a company dedicated to the development and application of information technology to provide high-value customer solutions that will achieve operational and managerial effectiveness .

Mission statements:

- focus attention on purpose what the organization exists to do;
- convey top management s vision about the organization;
- provide a foundation upon which critical success factors can be determined and strategic plans can be built;

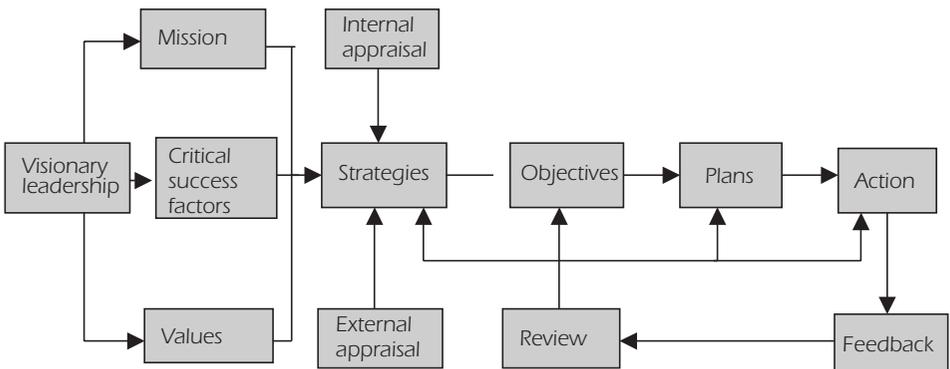


Figure 14.1 Performance management at the organizational level

- lead to the development of explicit statements defining the core values of the organization.
- act as levers for change, indicating the starting points for programmes for development, innovation and performance improvement.

It is, however, worth noting that it is more important for an organization to have a sense of mission than a mission statement. It is deeds, rather than words, that count.

## Value statements

The purpose of a value statement is to help develop a value-driven and committed organization that conducts its business successfully by reference to shared beliefs and an understanding of what is best for the enterprise. Value statements set out how an organization intends to achieve its mission, as is indicated in the example statement of values for a software company in the box below.

### Software house value statement

How we accomplish our mission is as important as the mission itself. Fundamental to success for the company are these basic values:

- *People*. Our people are the source of our strength. They provide innovation and intelligence and determine our reputation and vitality. Involvement and teamwork are our core human values.
- *Products*. Our products are the end result of our efforts and they should be the best in serving our customers. As our products are viewed, so are we viewed.
- *Customers*. We depend absolutely on our customers. We have to identify their needs and satisfy them.
- *Profits*. Profits are the ultimate measure of how efficiently we provide customers with high-quality products for their needs. Profits are required for the company to survive and grow.

However, value statements are meaningless if management does not practise what it preaches and takes no steps, through the development of supporting policies, to ensure that they are enforced.

It is also necessary to ensure that the values are understood, accepted and followed throughout the organization by defining standards of behaviour and insisting that they are adhered to. Performance management processes at the *individual* level can make a major contribution to making this happen.

## Critical success factors

Critical success factors indicate those areas of corporate performance that are vital to the successful accomplishment of an organization's mission. They describe the key issues to which attention must be given if the organization is to thrive and grow. They could be described as the drivers of organizational performance.

Critical success factors will, of course, vary considerably from organization to organization. The following is an example of the critical success factors drawn up for a small but growing pharmaceuticals company:

- *product development* the ability to develop innovative products to meet current or anticipated needs;
- *market development* the capacity to make markets and increase market share;
- *process innovation* the ability to develop new manufacturing processes and systems that will improve productivity and quality and reduce operating costs;
- *customer service* the ability to meet customer needs and to deliver improved standards of customer service;
- *human resources* the ability to obtain and retain high-quality people with distinctive capabilities who will deliver added value;
- *asset utilization* the optimization of working capital, including inventory, and the profitable use of capital assets.

## Strategies

Strategies are declarations of intent. They define the direction in which an organization is going in order to achieve its mission. At the corporate

level they are the means of expressing the vision of top management about where they want to be in the longer term and, broadly, how they want to get there. To sum up, strategies are about vision and direction.

Performance management processes are there to support the achievement of the strategies by ensuring that realistic but stretching objectives are set and that action plans are prepared that will implement them.

Strategies may be set out under such headings as:

- *corporate strategies* for long-term growth, increased profitability, product/market development, diversification, acquisition, investment and disinvestment;
- *marketing* target markets, market positioning and the marketing variables that will produce the right response in the target markets in terms of new products, pricing, promotion and the development of sales and distribution activities;
- *manufacturing* the future manufacturing resources and systems required in the form of new technology and other systems for planning and controlling production;
- *research and development* the thrust of research-and-development activities in the light of assessed market needs and opportunities;
- *human resources* the acquisition, motivation and development of the human resources required by the organization and the steps required to create commitment and constructive and co-operative relationships with employees;
- *finance* the acquisition and utilization of the resources required by the company to its best advantage;
- *IT* the Information Technology requirements of the firm needed to support growth and improve organizational effectiveness.

## Objectives

Objectives can be set out under the following headings:

- *financial* targets for profit, added value, sales revenue, overhead rates, return on capital employed, economic value added, earnings per share etc;

- *product/market development* projects for the new or improved products or new markets;
- *operational development* projects for the development of new systems and processes;
- *performance improvement* targets for productivity, cost reduction, stock turn etc;
- *growth* acquisitions, mergers, joint ventures etc.

## Plan, action, feedback and review

Performance management is then a matter of developing plans to achieve objectives, putting them into action, obtaining feedback on results, and reviewing achievements in order to modify plans or take corrective action as necessary.

## Performance management at the individual level

In all organizations, individual performance-management processes flow from, and are integrated with, the overall processes described above. The sequence of events shown in Figure 14.2 run in parallel with the performance management processes at organizational level. What needs to be done is for the chief executive to get the top management team together to ensure that each member understands the corporate strategies and objectives, how they will work together to

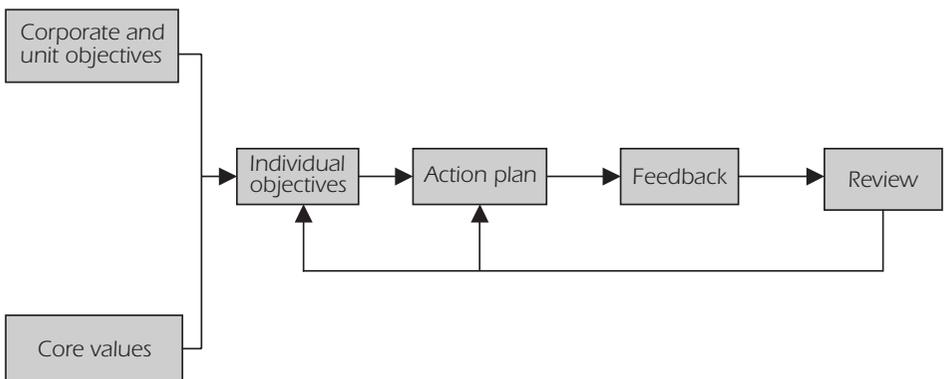


Figure 14.2 Performance management at the individual level

achieve them, the contribution each member of the team is expected to make, and the performance measures that will be used to assess progress and results.

The chief executive can then hold individual discussions with team members to agree objectives and plans, which should include personal development as well as operational and performance improvement plans. The members of the management team should continue this process with their own teams, and so on down the line. The team and individual discussions should provide scope for people to comment on and contribute to the formulation or reformulation of higher level objectives.

The understanding and agreements arising from these discussions should form the basis for progress reviews as and when required, following which revisions can be made to existing objectives or plans, or new objectives and plans can be agreed.

## **Integrating organizational and individual performance management**

Processes for managing individual and team performance should be firmly embedded in processes for managing organizational performance. As suggested by Mohrman and Mohrman (1995), this means that it is necessary for organizations to:

- integrate all performance management processes by focusing on running the business;
- manage employee performance in the context of business performance;
- use systematic processes that serve overall business needs;
- focus on integrating multiple systemic levels of performers (individuals, teams, processes, business units);
- manage performance laterally and mutually.

## **Performance management in smaller organizations**

A systematic approach to performance management is often seen as the preserve of larger organizations, which can create and maintain

sophisticated systems for objective setting and performance reviews. This belief is based on a misapprehension of the basic nature of performance management, which is essentially about building individual and team commitment, motivation and abilities to achieve organizational goals.

This latter, of course, is common to all organizations, large and small. And within organizations of any size it is perfectly possible for discrete business units – even individual functions or departments – to develop their own performance management processes. Such processes will be no more, but no less, than the implementation of good management practices in the key areas of goal setting, leadership, motivation and improving results.

Clearly, what smaller organizations or units within organizations do *not* want is an elaborate performance management system with an array of forms and procedures and rigid programmes to be followed. The performance management processes they adopt must be organic in the sense that they fit their particular culture and environment and grow from their normal management practices, as long as these are *good* practices.

The key to success in improving organizational performance – whatever the size of firm – is to ensure that people take the time and trouble to carry out the essential performance management processes, namely to agree individual or team objectives that support corporate or functional objectives, to review performance against those objectives and to agree action plans as required for improving performance and developing the capacity for the organization to deliver better results.

# 15

## Managing Team Performance

Greater emphasis than ever before is nowadays being placed on good teamwork. There have been a number of reasons for this, including the delayering of organizations, the impact of new technology (which has led to the creation of work cells), the increased use of work groups, task forces and project teams to tackle innovations and operational problems, the formation of customer service teams to improve relationships with customers, and a recognition of the importance of synergy – the fact that the impact of the whole can be greater than the impact of the sum of its parts.

One common reaction to the perceived need for better teamwork has been training in team building and in interactive/interpersonal skills. Less attention has been paid to the scope for using performance management to facilitate effective teamwork or to the use of team rewards as distinct from individual performance-related pay.

### **Purpose and process**

Performance management can enhance team building by including effectiveness as a team leader or member as one of the capabilities to be assessed, or as a performance guideline designed to support a core value of the organization relating to teamwork. It can also get individuals to recognize the importance of working well with their colleagues by including overlapping objectives in performance agreements for people who have to collaborate with one another, or emphasizing as a performance standard the importance of such collaboration.

Thus an overlapping objective could read: Work with [ . . . ] in developing an improved method of responding to customer queries that will reduce the turnaround time from 48 to 24 hours , while a performance standard could read: Works effectively as a team member in delivering objectives as determined for the team as a whole .

The rating of performance as a team member can be carried out by using a behaviourally anchored rating scale, thus:

- A Continually contributes new ideas and suggestions. Takes a leading role in group meetings but is tolerant and supportive of colleagues and respects other people s points of view. Keeps everyone informed about own activities and is well aware of what other team members are doing in support of team objectives.
- B Takes a full part in group meetings and contributes useful ideas frequently. Listens to colleagues and keeps them reasonably well informed about own activities, while keeping abreast of what they are doing.
- C Delivers opinions and suggestions at group meetings from time to time but is not a major contributor to new thinking or planning activities. Generally receptive to other people s ideas and willing to change own plans to fit in. Does not always keep others properly informed or take sufficient pains to know what they are doing.
- D Tendency to comply passively with other people s suggestions. May withdraw at group meetings but sometimes shows personal antagonism to others. Not very interested in what others are doing or in keeping them informed.
- E Tendency to go own way without taking much account of the need to make a contribution to team activities. Sometimes unco-operative and unwilling to share information.
- F Generally unco-operative. Goes own way, completely ignoring the wishes of other team members and taking no interest in the achievement of team objectives.

But performance management for teams should also be concerned with the functioning of the team as a whole, and this will mean giving consideration to how teams set objectives, develop work plans and review their performance and how teams should be rewarded.

For this purpose, a team may be any one of the following:

- a closely knit and interdependent group working within a unit and jointly responsible for delivering specified results for example, a customer service unit or a manufacturing cell using computer numerically controlled machine tools;
- a group of people reporting to a manager, all of whom have similar responsibilities and who work in geographically separate areas but who may have to collaborate with one another on some matters for example, area sales managers reporting to a regional sales manager, who are responsible for the achievement of sales targets in their area but may have to work together in servicing the need of a major customer with branches throughout the region;
- a group of people reporting to a manager, each member of which has distinct responsibilities but all of whom must work together in achieving departmental or sectional objectives;
- a standing committee, such as the board of directors of a company, that is set up to plan and control a range of activities and to achieve certain objectives;
- a specially constituted task force or project team that works together on a full or part-time basis to initiate and implement a project or to solve a problem;
- a relatively loose network in an organization, consisting of people from different functions or departments who yet have a common interest or objective that means that they need to make special efforts to collaborate with one another.

A performance management approach to teamwork will vary in these different situations but there are nevertheless certain common elements, as described below.

## Team and teamworking objectives

Team objectives can be concerned either with the achievement of work targets and standards, or with the way in which the team operates.

### Work objectives

Work objectives for teams are formulated in the same way as individual objectives. They may be related to the mission and overall objectives of

the organization and the function, unit or department in which the team operates; or they may be concerned with a specific project or area of activity that is not catered for separately in the objectives of any one department but that will be supporting the attainment of an overarching objective of the organization, the unit or the function. The team should agree on its overall mission or purpose and then on the specific objectives that will support the accomplishment of that mission.

In some cases, team objectives will be completely integrated with organizational or functional/departmental objectives, depending on the nature of the team. In these circumstances the team could make a major contribution to the formulation of overall objectives and would thus play a positive and active part in an upwardly directed objective-setting process.

There is much to be said for a team getting together to discuss and agree its objectives before the objectives of individual team members are agreed. The discussion of team objectives can clarify the contribution that individual team members are expected to make, and the agreement of integrated objectives for the latter is facilitated because they will already have participated in team discussions.

Team objectives could be set out as targets or performance standards to attain, or projects to be completed by a certain time and to an agreed standard.

## Teamworking objectives

Teamworking objectives could be agreed by reference to the following characteristics of an effective team as formulated by Douglas McGregor (1960):

- 1 The atmosphere tends to be informal, comfortable and relaxed.
- 2 There is a lot of discussion in which initially everyone participates, but it remains pertinent to the task of the group.
- 3 The task or objective of the team is well understood and accepted by the members. There will have been free discussion of the objective at some point until it was formulated in such a way that the members of the team could commit themselves to it.
- 4 The members listen to each other. Every idea is given a hearing. People do not appear to be afraid of being considered foolish by putting forth a creative thought even if it seems fairly extreme.

- 5 There is disagreement. Disagreements are not suppressed or overridden by premature team action. The reasons are carefully examined, and the team seeks to resolve them rather than to dominate the dissenter.
- 6 Most decisions are reached by consensus, in which it is clear that everybody is in general agreement and willing to go along with the decision. Formal voting is at a minimum; the team does not accept a simple majority as a proper basis for action.
- 7 Criticism is frequent, frank and relatively comfortable. There is little evidence of personal attack, either openly or in a hidden fashion.
- 8 People are free in expressing their feelings as well as their ideas, both on the problem and on the group's operation.
- 9 When action is taken, clear assignments are made and accepted.
- 10 The leader of the team does not dominate it, nor does the team defer unduly to him. There is little evidence of a struggle for power as the team operates. The issue is not who controls, but how to get the job done.

## Team work plans

It is important for teams to get together to create work plans for the attainment of their agreed objectives. Work plans will specify programmes (staged as necessary), priorities, responsibilities, timetables, budgets and arrangements for monitoring performance, feedback and holding progress meetings.

It can also be useful for a team to discuss its critical success factors what must be done and how it must be done if its mission and objectives are to be attained. Teams that are closely involved in setting objectives, monitoring their own performance against those objectives and taking action to deal with problems without referring to a higher authority could be regarded as self-managed teams. And it is for this type of team that performance management processes as described in this book are the most appropriate.

## Team performance reviews

Team performance review meetings analyse and assess feedback and control information on their joint achievements against objectives and work plans. The agenda for such a meeting could be as set out in the box below.

### **Sample agenda for team performance review meeting**

1. *General feedback:*

- progress of the team as a whole;
- problems encountered by the team as a whole that have caused difficulties or delayed progress;
- overall helps and hindrances to the effective operation of the team.

2. *Work reviews:*

- how well the team has functioned (a checklist for analysing team performance is given below);
- review of the individual contribution made by each team member;
- discussion of any new problems encountered by team members.

3. *Group problem solving:*

- analysis of reasons for any major problems;
- agreement of steps to be taken to solve the problems or to avoid their recurrence in the future.

4. *Update objectives and work plans:*

- review of new requirements, opportunities or threats;
- amendment and updating of objectives and work plans.

## Checklist for analysing team performance

The following is a useful checklist to use during a team performance review:

- How well have we worked together?
- Does everyone contribute?
- How effectively is the team led?
- How good are we at analysing problems?
- How decisive are we?
- How good are we at initiating action?
- Do we concentrate sufficiently on the priority issues?
- Do we waste time on irrelevancies?
- To what extent can people speak their minds without being snubbed?
- If there is any conflict, is it openly expressed and is it about issues rather than personalities?

## Peer assessments

Peer assessments can also be used in teams to review team performance, but they have to be handled with great care, if they are used at all, because of their potentially disruptive effect.

## Team rewards

Team rewards can be financial or non-financial.

### Financial rewards

Financial rewards in the form of team pay can be related to the achievements of team targets or standards, or to a performance review and rating by a higher authority.

A target-related team bonus scheme will determine the amount of bonus to be distributed to team members by reference to the team's achievement against targets or work standards (and on the shop floor

these should have been determined by work measurement). The targets may be profits, added value, sales or output, or they may refer to improvements in levels of service delivery (eg response, timeliness, increases in productivity, or reductions in costs or inventory levels). There may be a bonus fund for distribution to team members equally or in accordance with their job grades.

Rating may be carried out by an assessment of the total performance of the team. Alternatively, an overall rating may be built up by adding together separate numerical ratings of different aspects of a team's performance such as output, quality, service delivery, keeping within budget. Some organizations with a large number of similar work teams (eg large financial services companies) rank teams and distribute team bonuses accordingly. Team rating, however, suffers from the same problems of achieving consistency and objectivity as individual rating, and care needs to be taken that the rating process is conducted fairly.

The experience of organizations such as Pearl Assurance, which uses team pay, is that: it is more acceptable to staff – it feels fair; it develops team spirit and healthy competition; and it concentrates teams and their members in performance requirements and measures. But Pearl Assurance has noted that, paradoxically, team pay can inhibit co-operation between teams and can lead to pressure from staff to migrate to good teams.

Team pay can be distributed in the form of a bonus paid regularly on top of the base rate (common in shop-floor schemes), or a periodical achievement bonus in the form of a lump-sum payment. Team pay is not often used to increase an employee's base rate, as occurs in a performance-related pay scheme; this would be handled by an individual rating and pay decision.

## **Non-financial rewards**

The motivational impact of performance management for individuals as well as teams does not have to rely on financial rewards. In fact, too close a connection between performance management review-processes and pay can inhibit the motivational and developmental impact of performance management.

The clarification and agreement of expectations, goal setting, and positive feedback and reinforcement can all function as effective rewards for teams and their individual members. Performance management processes that are operated along the lines described earlier in

this chapter and elsewhere in this book can empower teams to become prime movers in deciding on and achieving their goals. This, together with the positive reactions, feelings and attitudes that are created by joint achievement and recognition, is a powerful motivator for a team.

Team recognition can be easily carried out by, for example, nominating the team of the month and ensuring that this is well publicized. Other forms of reward, which may cost money but which are not financial (in the sense that they do not involve cash payments to individual team members), include team outings and social events that not only provide recognition and reward but also help to build team spirit.

## Team and individual performance

Managing team performance is important, but this does not mean that the individual needs of members of the team should be neglected, and they should still be parties to individual performance agreements and reviews.

Indeed, as Vicky Wright and Liz Brading (1992) have pointed out: Leaving team dynamics to manage performance by such things as team pressure can be dangerous and unfair. Managing team performance is important, but it is not a substitute for managing individual performance .

# 16

## Personal Development Planning

Throughout this book, it has been emphasized that the primary purpose of performance management is to improve performance by developing the capacity to work effectively. This is the all-important developmental aspect of performance management. It takes place at every point in the cycle: planning, managing performance throughout a year, and monitoring and reviewing outcomes. It could therefore be regarded as a natural process; but the likelihood of its happening is increased if there is a framework for personal development, and this is provided by personal development plans as part of the overall planning and implementation activities.

### A definition

Personal development planning is carried out by individuals with guidance, encouragement and help from their managers as required. A personal development plan sets out the actions that people propose to take to learn and to develop themselves. They take responsibility for formulating and implementing the plan but they may receive support from the organization and their managers in doing so.

### Purpose

Personal development planning aims to promote learning and to provide people with the knowledge and portfolio of transferable skills that will help to progress their careers. A distinction can be made

between the learning and developmental aspects of personal development plans. Pedler, Burgoyne and Boydell (1989) see learning as being concerned with an increase in knowledge or a higher degree of an existing skill, whereas development is about moving to a different state of being or functioning.

The initial purpose may be to provide what Tamkin, Barber and Hirsh (1995) call a self-organized learning framework. But, as they comment, within that framework: Some organizations have interpreted learning widely, encompassing all aspects of self development or included learning activities that have little to do with an individual's current job or even future career. Others have focused heavily on job-related skills or knowledge, or have laid a heavy emphasis on the user's future career and required experience.

At Guardian Royal Exchange, personal development planning is carried out for two reasons: To fit people better for their current job, and because they need to improve or the job itself is changing (Hegarty, 1995). Royal Mail Anglia defines the purpose of the plan as being the identification of development and training needs which will enhance their personal contribution to the success of Royal Mail.

At BP Chemicals it is stated in the guidance notes for staff that:

It's all very well to say that the responsibility for development rests with the individual, but without the means to approach this in an analytical and systematic fashion, this is an empty statement. BP Chemicals is therefore encouraging everyone to produce a Personal Development Plan.

The research conducted for the Institute of Employment Studies (IES) by Tamkin, Barber and Hirsh (1995) into personal development plans did not reveal in any of the 14 case-study organizations that the use of such plans had been initiated as a deliberate step towards becoming a learning organization.

## Focus

As the IES research showed, personal development plans were most commonly focused on job or career development or some mix of both. Less frequently, the emphasis was on the whole person. Tamkin and colleagues (1995) comment:

Personal development plans which focus solely on skill development for the current job will not be welcomed by many employees. Those which take a broader view of the indi-

vidual and their future may be more effective for encouraging flexibility and have a higher impact on employees.

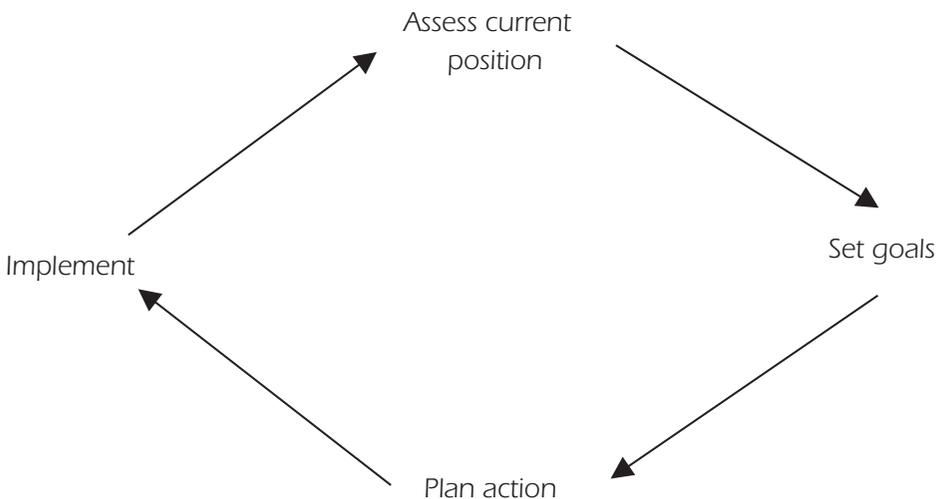
## The overall process

Personal development plans can be created as an important outcome of a performance review and planning meeting. They can also be an outcome of a development or assessment centre.

As described by BP Chemicals, the four stages in preparing a personal development plan are to assess the current position, to set goals, to plan appropriate action, and to implement what has been agreed. These stages are illustrated in Figure 16.1.

These planning stages are in line with those proposed by Gannon (1995), who identified the following:

- analyse current situation and development needs;
- set goals under such headings as improving performance in the current job, improving or acquiring skills, extending relevant knowledge, developing specified areas of competence, moving across or upwards in the organization, preparing for changes in the current role;
- prepare an action plan.



**Figure 16.1** The process of personal development planning

## Development needs and wants

Development needs and wants are identified in performance management processes by individuals, on their own or working in conjunction with their managers. This will include reviewing performance against agreed plans and assessing capability requirements and the capacity of people to achieve them. The analysis is therefore based on an understanding of what people do, what they have achieved, what knowledge and skills they have, and what knowledge and skills they need. It is always related to work and the capacity to carry it out effectively.

Individuals can make their own assessment of their personal development needs to get more satisfaction from their work, to advance their careers and to increase their employability.

### The means of satisfying needs

Personal development planning emphasizes that it is *not* just about identifying training needs and suitable courses to satisfy those needs. Training courses may form part of a development plan, but a minor part; other learning activities are much more important. As Royal Mail Anglia states in its guidance notes on personal development planning:

Development needs can be met using a wide variety of activities. Do not assume that a conventional training course is the only option. In many instances, activity more finely tuned to the specific need can be more rewarding and appropriate than a generalized training course.

The examples of development activities listed by Royal Mail Anglia include:

- seeing what others do (best practice);
- project work;
- adopting a role model (mentor);
- involvement in other work areas;
- planned use of internal training media (interactive video programmes/learning library);
- input to policy formulation;
- increased professionalism on the job;

- involvement in the community;
- coaching others;
- training courses.

Other learning activities, which could be mentioned but are not on this list, include guided reading, special assignments, action learning and distance learning.

## Action planning

An action plan sets out what needs to be done and how it will be done under headings such as:

- development needs;
- responsibility for development what individuals will do;
- outcomes expected (learning objectives);
- development activities to meet the needs of what support the individuals will require from their manager, the HR function or other people;
- timing when the learning activity is expected to start and be completed;
- outcomes what development activities have actually taken place and how effective they were.

The aims of the planning process are: to be specific about what is to be achieved and how it is to be achieved; to ensure that the learning needs and actions are relevant; to indicate the timescale for action; to identify responsibilities and, within reason, to ensure that the learning activities will stretch those concerned.

As noted by the IES research, the extent varies to which the development plan is structured. A highly structured approach will specify the competency areas to be developed, as established in the performance review against each of the competency framework headings used by the organization. The action plan might also be structured under the headings of the type of development activity proposed.

In a semi-structured process, only broad headings would be incorporated in the documentation; for example, the development need and

the means by which it will be met. A completely unstructured approach is occasionally used, in effect asking for the plan to be committed to a blank sheet of paper but with some guidelines on what should be recorded.

Most of the organizations covered by the IPD research reported by Armstrong and Baron (1998) adopted the middle-of-the-road approach some structure but not too much, on the grounds that the organizations did not want planning to degenerate into a bureaucratic form-filling exercise. The personal development plan form may be attached to the performance review form or, to emphasize its importance, it may be kept separately. The forms are usually quite simple. They need to include only four columns covering: development objectives and outcome expected; action to be undertaken and when it is to be undertaken; support required; and evidence to demonstrate activity has been undertaken.

## **Responsibility for personal development planning**

In most applications it is emphasized that the individuals themselves are primarily responsible for progressing the plan and for ensuring that they play their part in implementing it. But it is generally recognized that, to different degrees, people will need encouragement, guidance and support. Managers are not expected to sit back and let their staff flounder. They have a role to play in helping, as necessary, in the preparation of the plan.

## **Introducing personal development planning**

The introduction of personal development planning should not be undertaken lightly. It is not just a matter of designing a new back page to the performance review form and telling people to fill it up. Neither is it sufficient just to issue guidance notes and expect people to get on with it.

Managers, team leaders and individuals all need to learn about personal development planning. They should be involved in deciding how the planning process will work and what their roles will be. The benefits to them should be understood and accepted. It has to be recognized that everyone will need time and support to adjust to a culture in which they have to take much more responsibility for their own

development. Importantly, all concerned should be given guidance on how to identify learning needs, on the features of the various means of satisfying those needs, and how they can make use of the facilities and opportunities that can be made available to them.

# 17

## Performance Management and Pay

### The link between performance management and pay

Performance management is not inevitably associated with pay, although this is often assumed to be the case. Research conducted by the Institute of Personnel and Development (Armstrong and Baron, 1998) established that only 43 per cent of respondents to the survey with performance management had performance-related pay.

This research, however, also showed that contingent or differential pay is still an important element in many performance management schemes, chiefly because paying for performance and/or for competence is regarded by many organizations as desirable for three reasons:

- it motivates people to perform better or to develop their skills and competences;
- it delivers the message that performance and competence are important;
- it is fair and equitable to reward people differentially according to their performance, competence or contribution.

In this chapter, consideration is given to the various aspects of performance management and contingent pay (paying for performance, competence or contribution), and how well they work within the context of performance management.

## Approaches to contingent pay

Contingent pay is pay that is related to or dependent on the performance, competence or contribution of people. These approaches are summarized below.

### Performance-related pay

Individual performance-related pay (PRP) relates pay progression (increases to base rate) or bonuses to the assessed performance of individuals. The typical features of a PRP scheme are as follows:

- *pay structure* this is designed to provide scope for pay progression within pay brackets attached to job grades;
- *pay progression and performance* the rate and limits of progression through the pay brackets are often but not always determined by performance ratings;
- *decelerated progression* pay progression relating to performance is typically planned to decelerate through the grade because it is argued, in line with learning curve theory, that pay increases should be higher during the earlier period in a job when learning is at its highest rate.

Performance-related pay increases may be added cumulatively to basic pay (ie consolidated) until either the maximum rate of pay for the grade, or a limit within the grade defined in terms of a level of performance, is reached. PRP increases typically range from 3 per cent to 10 per cent, with an average of about 5 per cent in times of low inflation. But this can vary considerably between organizations and between different categories of people within organizations. Alternatively, performance-related pay can be paid as non-consolidated lump-sum bonuses (variable pay), although this is less common.

#### Advantages

The advantages claimed for PRP can be summarized as follows:

- it motivates;
- it delivers the right message;
- it is fair to reward people according to their performance;

- it provides a tangible means of rewarding and recognizing achievements.

#### Disadvantages

As pointed out by its many critics, the disadvantages of PRP are that:

- it is not a guaranteed motivator;
- it has to be based on some form of performance assessment, usually a rating;
- even so, it may be difficult to produce realistic performance measures, which means that ratings or assessments may be unfair, subjective and inconsistent;
- if there is undue emphasis on individual performance, teamwork will suffer;
- it can lead to pay rising faster than performance (pay drift) in other words, it is not cost-effective;
- PRP schemes are difficult to manage well, for they rely upon effective performance management processes, which many organizations will not have;
- it can inhibit teamwork because of its individualistic nature;
- it can produce poor-quality performance because people are concentrating on achieving quantitative targets;
- it can lead to short-termism the pursuit of quick results rather than paying attention to the achievement of longer-term strategic goals.

These disadvantages may appear to be formidable, but the fact remains that in many organizations, as shown by the 1998 IPD survey, the advantages of PRP are perceived as far exceeding its perceived disadvantages. Perhaps the most compelling reason for taking this view is that it is equitable to reward people who perform well more than those who perform badly.

And even if PRP is not a powerful direct motivator, it will provide indirect motivation because achievement will have been recognized by tangible means. It will also deliver the message that high performance is vital and will be rewarded This is what we believe to be important

and this is what we will pay for. As such, it can form a valuable part of a total performance management process.

## Competence-related pay

Competence-related pay provides for pay progression to be linked to assessments of the levels of competence people have achieved. Typically, the headings in a competence profile or framework are used as the basis for assessment. The level of competence expected from a fully effective individual in a role is defined, and the actual levels achieved are compared with requirements.

In some schemes, people are assessed against each competence heading and an overall assessment is then made, which may be expressed on a scale such as: exceeds level of competence required, fully competent, not yet competent but developing at the expected rate, not yet competent but developing at less than the expected rate. These assessments are then translated into a pay increase.

The problem with competence-related pay, as Sparrow (1996) pointed out, is that of measuring levels of competence, although Brown and Armstrong (1997) have asserted that measurement and assessment are possible if a well-researched and clearly defined competence framework exists and people are trained in how to collect and assess evidence on competence levels. This is easier when hard, work-based capabilities are used rather than softer, behaviourally-based competencies.

If competences or capabilities are used, they will have been defined in output terms, ie in this aspect of the role the person should be capable of. The capability will be described in terms of doing something that will produce a result. The measurement of competence therefore starts by reviewing results in each area of capability and thus assessing how effectively the competence has been used.

## Contribution-related pay

Contribution-related pay recognizes that people should be rewarded for both the quality of their inputs (their capabilities) and the level of their achievements (their outputs). It therefore reflects the mixed model of performance management in which both capability and results are assessed. Contribution-related pay combines the features of performance- and competence-related pay.

The questions to be answered when assessing levels of contribution-related pay are:

- What impact has the person in this role made on team, departmental or organizational performance?
- What level of capability has been brought to bear in handling the demands made by the role?
- How has the contribution made to end-results been affected by the level of capability displayed and applied?

Contribution-related pay can therefore be defined as a process for making pay decisions that are based on assessments of both the outcomes of the work carried out by individuals and the levels of capability that have influenced these outcomes.

Paying for contribution, as suggested by Brown and Armstrong (1999), means paying for results plus competence and for past performance and future success, as illustrated in Figure 17.1.

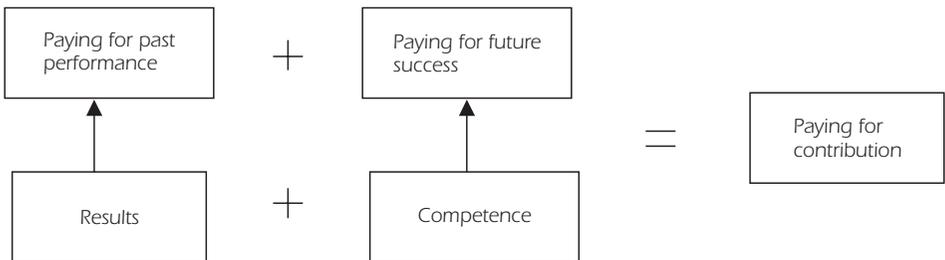


Figure 17.1 A model for contribution-related pay

## Reconciling performance management and pay

The problem of reconciling the developmental aspects of performance management (or appraisal) and pay has been with us for decades. Armstrong commented in 1976 that:

It is undesirable to have a direct link between the performance review and the reward review. The former must aim primarily at improving performance and, possibly, assessing potential. If this is confused with a salary review, everyone becomes over-concerned about the impact of the assessment on the increment. . . It is better to separate the two.

Many people since then have accepted this view in principle but have found it difficult to apply in practice. As Kessler and Purcell (1993) argue:

How distinct these processes [performance review and performance-related pay] can ever be or, in managerial terms, should ever be, is perhaps debatable. It is unrealistic to assume that a manager can separate these two processes easily and it could be argued that the evaluations in a broad sense should be congruent.

And Armstrong and Murlis (1998) comment that Some organizations separate entirely performance pay ratings from the performance management review. But there will, of course, inevitably be a read-across from the performance management review to the pay-for-performance review. The issue is that if you want to pay for performance or competence, you have to *measure* performance or competence. And if you want as you should do the process of measurement to be fair, equitable, consistent and transparent, then you cannot make pay decisions, on whatever evidence, behind closed doors. You must convey to individuals or teams how the assessment has been made and how it has been converted into a pay increase.

It therefore seems almost impossible to avoid some sort of assessment or rating in the performance review meeting. The argument that this will not affect the quality of that meeting in terms of its developmental purposes has been dismissed by some people on the grounds that there should be no problem if the reasons for the rating are fully explained; indeed, it is asserted that the act of rating could *enhance* the developmental aspect of the review meeting if it clearly establishes what people have to do or learn to improve their ratings.

This argument sounds reasonable enough, but the evidence from the focus groups conducted as part of the Institute of Personnel and Development's research into performance management (Armstrong and Baron, 1998) was that rating systems were generally and in some cases, passionately disliked because they were deemed to be both unfair and impossible to understand (and therefore to accept). It seems that managers *should* be good at explaining things but don't always do it very well.

There are strong arguments for a separate assessment process that could simply place people in a number of broad categories such as exceptional, consistently good, improvable, and not acceptable. These categories could be used as input to an organization's pay decisions.

Some organizations reject the idea of a separate meeting because it imposes an extra burden on line managers. Others believe that the distinction is false and the fact that there will be an assessment or rating of performance at *some* time will be obvious and is just as likely to prejudice the review meeting as if it had taken place at the same time.

Nevertheless, the evidence from the focus groups that the IPD conducted as part of its research project is that ratings for pay purposes do indeed seriously prejudice the developmental aspects of performance management. Even if there is an inevitable read-across, the case for separating development and pay reviews by a gap of several months is a strong one.

# 18

## Developing Performance Management

### The development framework

Performance management can be regarded as a framework, as illustrated in Figure 18.1, within which a number of factors operate that will affect how it should be developed, introduced and evaluated.

The framework, or essence, of performance management is provided by the arrangements for agreeing performance requirements or expectations, preparing performance plans, managing performance continuously, and reviewing performance regularly.

### Contextual factors

Inside this framework are the contextual or environmental factors of culture, management style and structure, which will strongly influence the content of performance management procedures, guidelines and documentation, as well as the all-important processes that make it work (namely objective setting, attribute and competence analysis, providing feedback, counselling and coaching).

Cultural considerations will affect performance management because it works best when it fits the existing values of an organization. Ideally, these should support high performance, quality, involvement, openness, freedom of communication, and mutual trust. The attributes may not have been put into practice in full, however vigorously they have been espoused; but the organization's senior managers must genuinely want to move in these directions and they need to

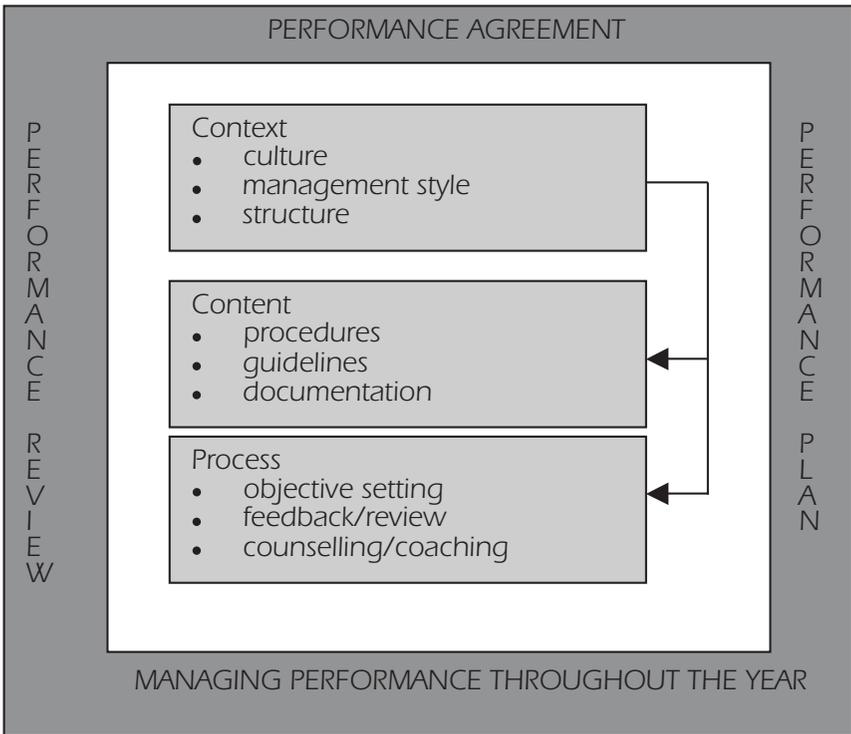


Figure 18.1 The performance development framework

make it clear that they, like everyone else, are supporting them, using performance management as a lever for change. In performance management, there is too often a gap between the rhetoric and the reality. The process of developing and introducing performance management must concentrate on ensuring that worthy ambitions are translated into effective action by all concerned.

Structural considerations will also affect the way in which performance management is introduced. In a highly decentralized organization, or one in which considerable authority and power are devolved to some functions or divisions, it may be appropriate to encourage or permit each unit or function to develop its own approach to performance management as long as they conform to central guidelines on its basic principles.

The cultural and structural factors to be taken into account will vary considerably between organizations, which is why there is no one best way to develop and introduce performance management.

## A performance management development programme

The development of performance management can be carried out in the following stages:

- 1 Decide on the reasons for introducing performance management.
- 2 Analyse organization culture and structure and the present arrangements.
- 3 Set objectives for performance management in terms of the business needs that it will meet.
- 4 Involve line managers and employees in focus-group discussions on the need for performance management and how it should operate.
- 5 On the basis of the initial analysis and discussions, draw up the basic principles that will determine how performance management will function.
- 6 Decide how and where to introduce performance management.
- 7 Decide who is to be covered.
- 8 Decide on whether or not the same approach should be adopted at each level.
- 9 Set up a project team to develop performance management.
- 10 Define the performance management processes and documentation.
- 11 Pilot test and make amendments as necessary.
- 12 Draw up briefing notes in order to communicate to everyone the aims of performance management, how it will work, and how individuals will benefit.
- 13 Develop training courses in performance management. (This is discussed in Chapter 19.)
- 14 Plan the implementation programme.

Each of these steps in the programme is discussed further below.

## Reasons for introducing performance management

The reasons for introducing performance management should be determined and agreed by top management. They could consist of any or all of the following:

- to reinforce a performance-orientated culture or to help change an existing culture towards becoming more performance orientated;
- to weld together different parts of an organization with different cultures;
- to improve the performance of individuals and teams performance-driven performance management;
- to develop the skills, capabilities and potential of employees development-driven performance management;
- to provide the information on performance required for performance-related pay reward-driven performance management;
- to provide for increased and sustained motivation motivation-driven performance management;
- to empower people giving them more scope to exercise control over and take responsibility for their work;
- to help in the integration of organizational, functional, departmental, team and individual objectives;
- to provide for an extra channel of communications about matters concerning work;
- to provide a framework within which managers can improve their performance in the processes of clarifying responsibilities, delegation, monitoring and reviewing performance, and developing their staff;
- to attract and retain skilled staff;
- to support total quality management.

## Analysis of culture, structure and present arrangements

The following questions should be answered in this analysis.

### Culture

- To what extent could the culture of the organization as a whole be described as: aggressive or laid-back; opportunistic or reactive; dynamic or static; and bureaucratic or informal?
- What are the core values of the organization for: performance; quality; innovation; teamwork; and the basis upon which people should be treated, motivated and developed?
- How could the prevailing management style of the organization be described: autocratic, using authority to compel people to do what they are told; or democratic, encouraging people to participate and involve themselves in decision making; task-centred or people-centred; distant and cool, or approachable and friendly; hard or soft on people, or an appropriate balance between the two?
- To what extent are there different cultures, values and management styles within the organization?
- Is there a perceived need to reinforce or change the existing culture?

### Structure

- How hierarchical is the structure?
- To what extent is the organization decentralized?
- How much authority is devolved to separate divisions, functions and units?
- To what extent does the organization depend upon teamwork to get things done?
- How flexibly does the structure operate?

### Present arrangements

- Is there a defined mission statement and, if so, to what extent has it been communicated to employees?
- Has a statement of core values been communicated to employees and have steps been taken to ensure that these values are acted upon?

- Have the objectives of the organization been clearly defined, and are they used as the basis for determining departmental, team and individual objectives?
- How aware are people of the critical success factors that influence the achievement of objectives?
- Are there feedback loops that enable employees to contribute to the formulation of higher-level objectives?
- Is there an existing merit-rating/performance-appraisal scheme?
- If there is:
  - is it based on the agreement of objectives and competence requirements and is performance measured against them?
  - does the process cater for the definition of relevant performance measures?
  - is the scheme used to establish development and training needs?
  - do managers feel that the scheme is useful?
  - do employees feel that the scheme operates fairly?
  - to what extent can performance management arrangements be built upon the present scheme?
  - what changes, if any, would managers or employees like to make to the scheme?

## Objectives of performance management

Performance management must be designed to meet business needs. A business case is required. The case has to be based on an assessment of the ways in which performance management can add value. Specific objectives could include:

- improving organizational, team and individual performance;
- providing the closer integration of organizational, team and individual objectives;
- clarifying expectations on what individuals and teams are required to achieve;
- developing individuals skills and capabilities;
- fostering a closer relationship between individuals and their managers based on the agreement of objectives, feedback, counselling and coaching;

- providing for a more objective and fairer method of assessing performance;
- empowering individuals to manage their own performance and learning.

## Involving people

It is essential to involve people in discussing future performance-management arrangements as early as possible. These discussions could take place in focus groups, which could be asked to consider questions such as:

- What do you think of the present arrangements for performance management/appraisal?
- What improvements would you like to see in those arrangements?
- How do you think we should approach performance management?
- How do you think you could benefit from a new approach to performance management along the lines we have just discussed?
- What should be done to ensure that everyone believes in performance management, is able to take part effectively in performance management processes, and fully participates in putting it into practice.
- In the light of the discussion so far, can we agree on the basic principles that should be adopted by the organization in developing its approach to performance management?

## Drawing up the basic principles

The basic principles of performance management could be set out as listed below, where performance management is:

- regarded as part of the normal process of managing the business;
- based on the plan act monitor review management cycle;
- owned by the managers and staff who are involved in the process, and is not a bureaucratic system or procedure run by the HR function;

- a partnership between managers and their staff who are equally involved in planning and reviewing performance, and in implementing personal development and performance improvement plans;
- a process that will only succeed if senior managers are committed to it and play an active part in it, and only if an open and honest management style is adopted;
- a continuous process, not a once-a-year event;
- a means of aligning corporate, team and individual goals;
- concerned with empowerment, focusing on the self-management of performance and development;
- requires the skill and commitment of all involved – the organization will do everything it can to develop the right skills and to obtain commitment.

In the box below is an example of guiding principles developed by a Corporation of London working party.

**Corporation of London's guiding principles for performance management**

- If no commitment from the Head of Department, don't do it.
- Clearly stated work objectives/tasks subject to regular review and updating.
- Clearly stated standards of performance.
- Feedback on job behaviour.
- Comments rather than performance ratings.
- Identification of development needs.
- Have an agreed training plan.
- Reach agreement through a two-way process.
- Incorporate appeals procedure.
- Used as a day-to-day management tool.
- No link to pay.

## Where and how should performance management be introduced?

Performance management is usually introduced on an organization-wide basis, starting at the top. In most cases the philosophy, principles and key procedures and processes are developed centrally. In a highly decentralized organization, separate business units may be allowed to decide for themselves whether or not they want performance management and, if they do, to develop it on their own.

An intermediate approach adopted by some decentralized organizations is for the centre (top management) to require all divisions and business units to introduce performance management in accordance with certain general principles that have been developed in consultation with management and staff. The business units proceed to develop their own processes, but the centre provides help as required and may monitor the introduction of performance management on each division to ensure that it is happening according to plan and in line with corporate principles and values.

The most common and best method of introduction is to set up a project team or working group for this purpose with management and staff representatives. This provides for different opinions and experiences to be considered, serves as a base for wider consultation and communications to take place, and generally helps to achieve ownership.

There may be a central project team to draw up the basic principles of performance management, but some organizations have also provided for the full involvement of line management and employees by introducing it progressively in each major division or function. The management team of the department acts as its own working group and decides in full consultation with members of the department how it will operate. A series of workshops may be held within the division or department to brief and train managers and staff. Assistance will be given to this development programme by members of the central project team or the HR function and/or an external consultant. This approach is also designed to enhance ownership – the aim is to get each division or department to believe that this is *their* scheme that fits into their normal pattern of working (objective setting, planning and reviewing).

## Who should be covered?

Another important decision to be made at the outset is who should be covered by performance management. At one time, most schemes were restricted to managers, but performance management is now more generally being extended to all professional, administrative, technical and support staff. Some organizations also include shop-floor workers especially high-tech firms, those that rely on production by high-performance work teams, companies with integrated pay structures and terms and conditions of employment (often high-tech and/or international firms) and companies with performance-related pay for manual workers.

## Different approaches according to level?

If performance management does indeed cover professional/technical staff, administrative, clerical and support staff and, possibly, manual workers, as well as managers, a decision has to be made on whether or not the same approach should be used for everybody.

Many organizations believe that it would be invidious to distinguish between levels so far as the essence of the approach is concerned, although they might accept that different performance measures may be used. In contrast, some organizations distinguish between roles where quantified and regularly updated short-term objectives will be set and those where continuing performance standards are more usual. In the former case they may refer to the key result areas of the job as principal accountabilities ; in the latter they may use terms such as main tasks or key activities . It may also be recognized that the objective setting and review process in more routine jobs may not need to be as exhaustive as for those in managerial or professional roles.

## Project teams

As mentioned above, project teams consisting of managers and other employees and facilitated by a member of the HR function and/or an outside consultant are a valuable means of getting involvement and ownership. The individual members of the team can be responsible not only for taking part in the development of performance management but also for helping to introduce it in their own departments and for consulting with, and communicating to, their colleagues.

Project teams are likely to be advisory bodies in that they will present their recommendations to the organization's governing board or a steering committee wherever the final decision will be made. But if the project team does its work well and ensures that the board or steering committee is given progress reports and the opportunity to comment as the project proceeds, it should not normally have any serious difficulty in getting its views accepted.

The project may be led by a senior member of the HR function (often the HR director) or a senior line manager. That person will not only have the responsibility for leading the team but also for communicating with the board and other senior colleagues to ensure that they are convinced that the project is proceeding in the right direction.

The project team should be briefed on why the organization wants to introduce performance management and the objectives it has set for it. The team may be told that they are an advisory body only, but the importance of their contribution to developing the scheme and helping to gain its acceptance should be emphasized.

The team should be given deadlines for each main stage of its work, namely: agreeing the basic features of performance management; developing details of processes and procedures and producing a description of the scheme; running a pilot test; briefing employees; developing and co-ordinating training; implementing the scheme; and evaluating it after implementation.

An indication should also be made of when the team is expected to provide progress reports to management, and to managers and employees generally, and in what form such reports should be presented. It might be appropriate to require reports and review meetings after each of the main stages of the project.

If there are to be internal or external facilitators, their role should be defined in advance. Basically, this could be to present ideas for the team to discuss, to bring to the attention of the team relevant information and lessons from experiences in other organizations, to record and present the outcome of the team's discussions in the form of draft descriptions of the process, and to draft documentation, briefing notes and training specifications. The facilitator could also be involved in planning and conducting pilot schemes, training, monitoring, implementation and evaluation.

## Role of the HR function

The role of the HR function in developing and implementing performance management is initially to convince top management that its introduction will make a significant impact on the organization's performance. It must then show the way to top management, line managers and employees generally. But it is not the role of the HR function to bulldoze the organization into introducing performance management. As an HR manager once said: Our role has been to act as a searchlight, not a World War One tank.

Members of the HR function can play an important part in leading and facilitating project teams, in planning and implementing briefing and training programmes and in providing individual guidance, counselling and coaching to line managers. In effect, they can operate as internal consultants.

In one sense, the HR function is the custodian of performance management on behalf of top management. It has to ensure that it is operating effectively and it should exercise some form of quality control for that purpose. Follow-up and evaluation studies, including attitude surveys, may be the responsibility of the HR function, although it could work with a standing performance-management project team. There is much to be said for extending the development role of the team into one of monitoring performance management in action.

## Defining performance management processes and documentation

There are a set of 64 questions set out in the last main section of this chapter. The answers to those questions will provide a sound basis for developing performance management from both a procedural and a documentation point of view. The project team, or whoever is responsible for development, will need to pay attention to each point against a background of an understanding of the objectives to be attained and the culture and structure of the organization.

## Pilot tests

There is much to be said for pilot testing at least some aspects of performance management bearing in mind that the usual cycle lasts twelve months and it may therefore be difficult to pilot test the whole process.

Examples of aspects of performance management which can be tested are drawing up performance agreements, objective setting and document completion.

## Prepare briefing papers

### Overall brief

It is desirable to issue an overall description of performance management to all employees that sets out the scheme's objectives and method of operation and the benefits it is expected to provide for the organization and its managers and employees.

Some organizations have prepared elaborate and lengthy briefing documents, but fairly succinct documents often suffice as long as they are written in simple language and are well produced. An example of such a brief is given in Appendix E.

### Oral briefings

It is desirable to supplement written briefings with oral briefings through a briefing group system, if there is one, or a special briefing programme. In a large or dispersed organization, this briefing will have to be carried out by line managers and they should be issued with special briefing packs and, possibly, a list of typical questions and their answers. An example of a question-and-answer document for use by managers when briefing is given in Appendix F.

## The implementation programme

The implementation programme should cover the following:

- the date of introducing performance management in the whole or different parts of the organization (phased as necessary);
- the briefing plan;
- the training programme;
- the procedure for evaluating the process (see Chapter 20).

## Overall design: points to consider

The decisions on the overall approach to a performance management scheme should cover the points listed below, which are numbered consecutively throughout the list but which are grouped according to relevant topics.

### General

- 1 What are our objectives in introducing performance management?
- 2 Where and when should it be introduced?
- 3 To what extent are we going to allow different divisions, units or departments to develop their own approach to performance management?
- 4 Who should be covered?
- 5 Do we vary the approach for different levels in the organization?

### Performance agreement

- 6 Should the approach be based on a formal performance agreement, plan or contract and, if so, what should be included in the agreement (for example, objectives, capability requirements, work, personal development and performance improvement plans)?

### Objectives

- 7 What do we mean by objectives? Do we, for example, differentiate between short-term and standing objectives?
- 8 When we refer to objectives, do we distinguish between targets, projects and standards of performance? If so, how do we define them in a way that will be meaningful to managers and individuals?
- 9 How do we provide for the integration of organizational and individual objectives?

### Performance measures or indicators

- 10 What do we mean by performance measures or indicators?

- 11 What sort of performance measures or indicators do we think are most likely to be appropriate in our organization at different levels (for example, work quality, output and timeliness)?
- 12 Do we include inputs (ie attributes and competences) as well as outputs and outcomes (results and contribution) as factors to be considered in assessing performance?

#### Capabilities

- 13 What do we mean by capabilities?
- 14 To what extent is it possible or desirable to develop generic capabilities?
- 15 To what extent will it be possible to define specific capabilities for individual jobs and job families?

#### Performance and development plans

- 16 To what extent do we need to formalize the performance planning process?
- 17 How should we incorporate personal development plans?

#### Managing performance throughout the year

- 18 How do we ensure that managers and team leaders are aware of their responsibilities for managing performance throughout the year and carry them out?
- 19 How do we get managers and team leaders to provide constructive feedback as required during the year?
- 20 How do we ensure that performance problems are dealt with as they arise?
- 21 To what extent should we expect managers to hold interim progress meetings throughout the year?
- 22 How are managers going to be briefed and trained in how to deal with underperformers?
- 23 How will the capability procedure operate in relation to performance management?

### Performance reviews

- 24 Are we going to encourage both managers and individuals to prepare systematically for formal performance reviews?
- 25 To what extent do we incorporate self-, upward or peer assessment in the review process?
- 26 How do we impress on managers and team leaders the importance of making this an open, constructive and forward-looking process?
- 27 How do we ensure that reviews concentrate on job-related facts and observed behaviour rather than on opinions?
- 28 How do we protect employees from unfair or biased assessments?
- 29 What is the role, if any, of the manager's manager (ie the grandparent) in performance assessment?
- 30 How do we overcome the reluctance some managers seem to have to conducting formal performance review meetings?
- 31 How do we minimize the apprehension some employees have about performance reviews?
- 32 How do we ensure that performance reviews properly identify training, development and performance-improvement needs and that action is taken to meet those needs?
- 33 To what extent are we going to use performance reviews as a means of assessing potential, and if so, how?
- 34 How do we ensure that proper attention is given to the motivation and development of our core employees, the middle of the road people on whom we largely depend?

### Performance rating

- 35 Do we need performance rating? If so, why (eg for performance-related pay purposes)?
- 36 If rating is needed, how many rating levels are required and how do we define each level?
- 37 How are we going to define rating levels in ways which will not be demotivating?

- 38 How can we provide for rating definitions to recognize the importance of the core performers as well as drawing attention to the high flyers and inadequate employees?
- 39 How do we ensure that ratings are based on carefully sifted factual evidence related to performance and behaviour which affects performance rather than on subjective opinion?
- 40 How do we ensure that ratings are fair and reasonably consistent?

#### Documentation

- 41 What written guidelines do we need for managers and individuals?
- 42 What forms do we need?
- 43 How can we avoid the use of overelaborate forms and prevent the scheme becoming merely a form-filling exercise?

#### Existing arrangements

- 44 What account do we take of existing arrangements for performance appraisal? Do we, for example, replace them completely (the wisest step if they have fallen into disrepute or do not fit the philosophy of performance management) or do we incorporate them in some way into the new arrangements?

#### Performance management for teams

- 45 Do we want to emphasize the importance of incorporating teams into the performance management process?

#### Performance-related pay

- 46 If we have performance-related pay, how do we prevent this prejudicing the motivational and developmental aspects of performance management?

#### Reaction and behaviour of managers

- 47 How can we generate ownership of performance management by line managers?
- 48 How do we deal with managers who say, in effect: I m already doing it anyway, so why should I bother with this new scheme?

- 49 What do we do about managers who are reluctant to conduct performance reviews or provide feedback and, if they do it at all, they do it badly?
- 50 To what extent do we allow line managers to adjust the process to meet their own requirements and inclinations?

#### Reactions of other employees

- 51 How do we get employees to accept and understand performance management and appreciate how they can benefit from it (bearing in mind that many might be suspicious or apprehensive about the process)?

#### Training

- 52 Do we train both managers *and* their staff?
- 53 What should the training cover (eg procedures and documentation as well as feedback, reviewing, counselling and coaching skills)?
- 54 How much training is necessary and what resources (time and money) are we prepared to put into it?
- 55 Who prepares the training programme?
- 56 Who conducts the training?

#### Briefing

- 57 What sort of briefing is required for staff?
- 58 Who prepares the briefing?
- 59 Who carries out the briefing?

#### Pilot testing

- 60 Do we need to conduct pilot tests?
- 61 If so, how, with whom, by whom and when?

#### Implementation

- 62 Do we implement performance management throughout the organization all at once, or do we phase its introduction?

Evaluation

63 How do we evaluate the effectiveness of performance management?

Quality

64 How do we provide for quality assurance?

# Performance Management Training

The importance of thorough training for both managers and individuals in the skills required to operate performance management effectively cannot be overemphasized. Many, if not most, of those involved will not consciously have practised the skills of objective setting, providing feedback, coaching and counselling. Both parties in the performance management process will also need guidance and training in the use of competences, the preparation of performance agreements and plans, the preparation for and conduct of performance reviews, ratings and the completion of review forms.

Although some of these skills and procedures, such as providing feedback, coaching, counselling and rating, will mainly be practised by managers, the individuals affected also need to know the part they have to play on the basis of an appreciation of what their managers are doing and why they are doing it.

Performance management is concerned with *content*, ie the procedures for completing performance agreements and review forms; but, more importantly, it will be about a *process*: setting objectives, defining capabilities, selecting and using performance measures and indicators and, of course, using skills in providing feedback, counselling and coaching.

Training can be provided by formal courses (as long as they are highly participative) or workshops.

## Objectives of training

The objectives of training could be set out to state that, on completing the training, those who participate should understand:

- the aims and principles of performance management;
- the sequence of activities that will take place;
- how to carry out or participate in the following processes:
  - agreeing key tasks;
  - setting objectives;
  - agreeing skills, knowledge and capability requirements;
  - reviewing performance on a continuing basis;
  - providing feedback;
  - coaching and counselling;
  - preparing work plans;
  - agreeing personal development plans.

## Training programmes

It is probably best to develop a series of training modules, because it might be difficult to get people to go through all the training required at one time, which in any case they would be unable to absorb.

### Training modules

The modules could consist of eight elements:

- 1 Introduction to performance management.
- 2 Defining key tasks and objective setting.
- 3 Working with attributes and capabilities analysis and measurement.
- 4 Preparing personal development plans.
- 5 Conducting review meetings.
- 6 Rating.
- 7 Providing feedback.
- 8 Coaching and counselling.

These modules could be combined in two programmes, each lasting at least a whole working day (and if more time could be spared for practice and consolidation so much the better).

## Training courses

The first programme could be designed to launch the scheme and would include modules 1-4, ie a description of the process, defining key tasks, setting objectives, understanding competences, and preparing work and development plans to produce a performance agreement.

The second programme could be run before formal reviews take place and should include modules 5-8, covering review techniques, rating, and feedback, coaching and counselling skills. Another approach would be to start with the introductory course (modules 1-4); then go through the basics of conducting review meetings, rating and providing feedback (modules 5-7); and then run a later, more advanced, course on coaching and counselling (module 8).

There are many variations depending on the time and resources available. An example of a two-part training programme is given in Appendix G.

## Distance learning

If training cannot be given face to face, then some form of distance learning will have to be used involving the provision of detailed guidance notes or work books, along the lines of the talking texts produced by the National Australia Bank Group. Distance learning can be reinforced by holding workshops or learning groups, in which people discuss the application of the approaches they have read about in the texts.

## Face-to-face training methods

The training should be as participative as possible – guided discussions, role plays and other exercises.

## Guided discussion

The aim of guided discussions would be to get participants to think through the learning points for themselves. The trainer asks questions such as (when covering review meetings):

- What do you think makes for a good review meeting? Have you any examples from your previous experience?
- What do you think can go wrong with a meeting? Have you any examples?
- Why is it important to create the right environment? How do you set about doing so?
- What sort of things should be discussed in a review meeting?
- Why is it important for managers to let the individual do most of the talking?
- Why could self-assessment be helpful?

## Role plays

Role plays are usually based on a written brief that defines the same situation from each participant's point of view so that they can understand what it feels like to be in either position. Course members are then asked to play out the roles and fellow members have to assess their performance. (This in itself provides some practice in performance assessment.) Each person playing the role will also describe his or her feelings about the review, and assess the other person's performance or behaviour. Examples of role plays are given in Appendix H.

To avoid embarrassing course members by asking them to play roles in front of the rest of the course, and to give everyone more practice, it is a good idea to divide the course into triads. Two members play the roles and one assesses.

Techniques such as role reversal can also be used. This involves the two role players first playing the manager and the individual respectively and then switching the roles so that they can understand what it feels like to be in either position.

The problem with role playing is that some individuals are simply not very good at it and anyone is likely to say during the feedback session: 'Well, I wouldn't have done it like that in real life', or 'This was a totally unrealistic situation'.

## Exercises

An approach that can be more realistic is to get participants to perform a task, which they are then appraised on by fellow course members. This could be a group exercise. If there is sufficient time available, each member could take it in turn to lead the group and be appraised on his or her performance by the rest of the group. Such exercises can also be used to practise formulating team objectives and reviewing team performance.

A further variation suggested by Clive Fletcher (1993) is to get one course member to give a short presentation on a topic, have a second one assess the presenter, and get a third person to assess the quality of the assessment. As Fletcher suggests:

The point about exercises of this kind is that, whilst they only allow the appraisal of performance in one isolated event, they do offer an opportunity to practise appraisal skills on genuine behavioural examples. The course members are ego-involved to the extent that they find it a demanding task with the minimum of artificiality.

## Use of training videos

The use of training videos can be a valuable supplement to the other training methods, although they cannot replace them. They are particularly useful if relatively inexperienced trainers have to be used (and with the best will in the world some organizations cannot afford to engage a highly skilled trainer in this subject). The rules for guidance are helpful and can be used as the basis for discussions.

## Videoring role plays

Videoring role plays is a particularly valuable method of getting course members to understand what they are doing and the impression they are making. Such role plays must, however, be handled sensitively. The crude use of videos as a basis for criticism can have a destructive effect.

# Evaluating Performance Management

It is clearly important to monitor the introduction of performance management very carefully, but it is equally vital to continue to monitor and evaluate it regularly, especially after its first year of operation.

## General method for monitoring and evaluation

The best method of monitoring and evaluation is to ask those involved managers, individuals and teams how the performance management scheme has worked. As many as possible should be seen, individually and in groups, to discuss the points set out in the last section of this chapter. It is also desirable to scrutinize a sample of completed forms in order to check on how well and how thoroughly they have been completed. The evaluation can be carried out by members of a project team and/or by the HR function. An independent consultant or adviser can be used to conduct a special review.

Individual interviews and focus group discussions can be supplemented by a special survey of reactions to performance management, which could be completed anonymously by all managers and staff. The results should be fed back to all concerned and analysed to assess the need for any amendments to the process or further training requirements. An example of a performance review evaluation form is given in Appendix D, and a typical set of questions for an attitude survey is given in Appendix I.

The ultimate test, of course, is analysing organizational performance to establish the extent to which improvements can be attributed to performance management. It may be difficult to establish a direct connection, but more detailed assessments with managers and staff on the impact of the process may reveal specific areas in which performance has been improved, which could be linked to an overall performance measure.

## A typical approach

When performance management was introduced into an NHS trust, it was decided that monitoring could be carried out by:

- recording and analysing performance assessments, which helps establish how managers are using performance management;
- sampling performance-review documentation to give an indication of the nature of the performance reviews being undertaken in the organization;
- one-to-one interviews with managers, identifying how they are finding the experience of performance management and where they need more support;
- employee attitude surveys and focused discussion groups;
- reviewing improvements in the performance (however defined) of the organization.

To maintain high standards, it was deemed necessary also to:

- maintain training in performance management for all new staff (including individuals promoted to management posts);
- top up training to keep the principles and practices fresh;
- use one-to-one coaching where necessary;
- conduct workshops for managers to share their experiences.

Although devised by a specific organization, these guidelines are valid for any other organization that wants to develop and maintain effective performance management processes.

## Points to be covered

The questions that should be answered in an evaluation of performance management are as set out below. Note that, as in Chapter 18, the list is numbered sequentially but grouped under various topic headings.

### Performance agreements

- 1 Are performance agreements being completed properly?
- 2 Do performance agreements generally spell out realistic objectives, attribute and competence requirements, work plans, and performance improvement and development plans?

### Objectives

- 3 Are objectives being agreed properly?
- 4 Are objectives related clearly to key result areas?
- 5 Do they generally meet agreed criteria for good objectives, ie are they demanding but attainable, relevant, measurable, agreed and time-based?
- 6 Are they integrated with organizational and departmental objectives?
- 7 Are individuals and teams given scope to contribute to the formulation of higher-level objectives?

### Performance standards

- 8 Are performance standards agreed for key aspects of the job where time-based and quantifiable objectives cannot be set?

### Performance measures

- 9 Are appropriate performance measures being agreed?

### Feedback

- 10 Are managers providing good feedback throughout the year as well as during formal review meetings?

## Performance reviews

- 11 Are both managers and individuals preparing properly for performance review meetings?
- 12 How well are managers conducting such meetings with particular reference to:
  - creating the right (informal) atmosphere;
  - working to a clear structure;
  - using praise to get people to relax, to motivate and to provide them with encouragement;
  - letting the individual do most of the talking;
  - inviting self-appraisal;
  - discussing performance, not personality;
  - being positive facing up to situations;
  - not springing surprises on the individuals they are assessing;
  - agreeing realistic and measurable objectives and a plan of action.

## Motivation

- 13 How effective has performance management been in motivating employees?

## Development

- 14 How effective has performance management been in developing skills and capabilities?
- 15 How well have managers and team leaders carried out their role as coach, counsellor and mentor?

## Ratings

- 16 Have ratings been fair and consistently applied?

## Performance-related pay

- 17 Do managers and employees feel that rewards under the performance-related pay scheme are properly and fairly linked to their performance?

18 How well do they think that performance-related pay is acting as a motivator?

## **Documentation**

19 How well have the performance management forms been completed?

## **Briefing and training**

20 How effective have the briefing and training programmes been?

## **Outcome of evaluation**

The outcome of the evaluation should be a report that summarizes findings and indicates what actions are required to correct shortcomings in the shape of change to the arrangements and/or further briefing and training.

# 21

## The Practice of Performance Management

This chapter is concerned with the practice of performance management. It begins by summarizing the findings of the research conducted by the Institute of Personnel and Development (Armstrong and Baron, 1998) on the incidence of performance management, its main features, developments, characteristics, and the reactions of managers and staff. The approaches to performance management adopted by a number of organizations are then summarized in the section dealing with performance management in action.

### Research findings

The IPD survey in 1997/98 established that 69 per cent of the 562 respondents had performance management. The incidence of the main features of their performance management processes are shown in Table 21.1.

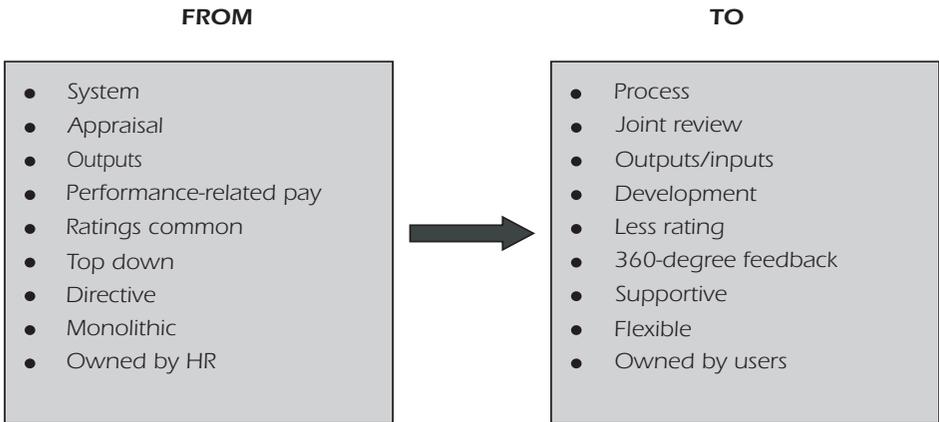
It is interesting that personal development plans are so popular, while performance-related pay is not such a common feature as is generally supposed.

The overall findings of the research were that since the previous (1991) survey by the IPM (now the IPD) of performance management, considerable changes in the approach to performance management have taken place, as shown in Figure 21.1. These developments can be summarized as follows:

■ *From system to process.* In 1991, performance management was

**Table 21.1** Features of performance management

Feature	Percentage
Objective setting and review	85
Annual performance review	83
Personal development plans	68
Self-appraisal	45
Performance-related pay	43
Coaching/mentoring	39
Career management	32
Competence assessment	31
Twice-yearly performance reviews	24
180-degree feedback	20
Continuous assessment	17
Rolling appraisal	12
360-degree feedback	11
Peer review	9
Balanced scorecard	5



**Figure 21.1** Developments in performance management since 1991

regarded as a system , a sort of mechanistic set of techniques. It is now more generally seen as an integrated set of processes that are concerned with ways in which managing performance can be carried out.

- *From appraisal to joint review.* Performance management in the early 1990s still operated largely in the mode of the traditional performance-appraisal scheme. Since then, it has increasingly been

perceived as a continuous process, involving reviews that focus on the future rather than the past and for which the key words are dialogue, shared understanding, agreement and mutual commitment.

- *From outputs to inputs.* In 1991, the emphasis was still on objective setting and the appraisal of results against goals, ie outputs. What is now happening is the realization that a fully rounded view of performance must embrace *how* people get things done as well as *what* gets done, ie inputs as well as outputs.
- *From performance-related pay to development.* In the early days of performance management, the system was associated closely with performance-related pay. But the philosophy of planning personal development as part of the overall process of performance management is now regarded generally as more important.
- *Less prominence given to ratings.* At one time, performance appraisal was synonymous with merit rating. Yet about a quarter of the organizations with PRP that responded to the IPD survey in 1997-98 did *not* have ratings.
- *From top-down appraisal to 360-degree feedback.* The use of 360-degree feedback is still fairly limited (11 per cent of the respondents to the IPD questionnaire). But interest is growing as the value of obtaining feedback from a number of different sources is becoming recognized.
- *From a directive to a supportive approach.* Most of the organizations covered by the 1997-98 research recognize that performance management is not just another means of obtaining compliance with the achievement of objectives that have been cascaded down from some remote height within the organization. They treat it as a joint process that requires managers and team leaders to identify, in discussion with individual team members or their teams as a whole, what support those staff members need to do their work well.
- *From monolithic to flexible.* Traditionally, performance appraisal has been a monolithic and bureaucratic system that has been imposed on line managers by the personnel department. Today there is much less bureaucracy in many organizations – forms are no longer the be all and end all of performance management.

- *From ownership by HR to ownership by the participants.* The organizations visited during the 1997-98 research all stressed that they regarded the management of performance as the responsibility of line managers in conjunction with their teams. It was not the preserve of the HR function.

## Views of some organizations

The views of some of the organizations on performance principles and the introduction of performance management, as established by Armstrong and Baron (1998), are given below.

The principles

- A management tool which will help managers to manage better *a charity.*
- Driven by corporate purpose and values *manufacturing company.*
- Inherent – we don't have to fight the ideological argument for performance management. It's there in the corporate thinking *food industry company.*
- To obtain solutions that work *food industry company.*
- Only interested in things you can do something about and get a visible improvement *manufacturing company.*
- Focus on changing behaviour rather than paperwork *financial services organization.*
- It's about how we manage people. It's not a system *manufacturing company.*
- The company will not grow unless its people grow *oil company.*

Development of process

- Agree principles and then devolve application to line managers. Right, over to you. These are the principles, you put them in place. We are here to give you support and advice on how to do this, if you want it *Head of Management and Career Development, financial services organization.*

- Maximum involvement of staff and trade unions at all stages *a charity.*
- Incremental pick off departments one by one, leaving them to adapt principles to meet own requirements *local authority.*
- Use line managers to sponsor/facilitate implementation *pharmaceuticals company.*
- Set framework to be filled by each directorate in line with principles *local authority.*
- Recognize diversity *museum.*
- Don't overengineer *financial services organization.*

## Reactions to performance management

It has often been assumed that most line managers think performance management is a waste of time and that, if they do it all, they do it badly. It is also assumed that staff dislike the process and feel demotivated by it. The IPD researchers therefore decided to get the views by means of focus groups and attitude surveys of those who actually experience performance management. Unexpectedly, the majority of comments made by both managers and staff in the focus groups were favourable. The following are some typical remarks:

- It gives our staff a sense of direction and feedback.
- It focuses your attention on the fact that you should be spending some quality time with your staff.
- It's an opportunity to consolidate all the feedback you've given on a more informal basis.
- What my staff get out of it is communication. Someone is interested in what they are saying, just for once.
- It gives you a sense of responsibility for your own future.
- You get quality time with your manager.
- I thought it was very helpful. We were relaxed over it. You could talk to him.
- It was more like a chance to have a conversation than a formal meeting.

Views of line managers Percentage agreeing to statement	
● It helps me to manage my team better	85%
● It helps me to manage my team	83%
● I don't like conducting reviews	10%
● It's a waste of time	10%

**Figure 21.2** Views of line managers

Views of staff Percentage agreeing to statement	
● Assessments are fair and unbiased	70%
● I get useful feedback	67%
● I feel motivated after the meeting	58%
● I don't like how my manager conducts reviews	28%

**Figure 21.3** Views of staff

■ I think I dreaded my first meeting. But after the meeting I felt very positive about it.

The attitude surveys also revealed that managers and staff were more favourably disposed to performance management than otherwise, as is shown in Figures 21.2 and 21.3.

## Performance management in action

The approaches adopted by a number of different organizations identified by the IPD research and from other sources are summarized below.

### Automobile Association

The AA has a comprehensive objectives- and competency-based approach, accompanied by 180-degree feedback for managers. In AA Insurance, the performance management scheme is geared to the

special context of a company in the financial services sector. Ratings are incorporated and there is a strong emphasis on performance development planning. The scheme is supported by extensive and focused training.

## **Bass Brewers**

Performance management at Bass Brewers represents best practice in the following ways:

- emphasis on developing people to increase the added value they can provide for the business;
- focus on competencies – their definition, assessment and development;
- a powerful personal development planning process;
- a link to a broad-banded pay structure.

## **BP Amoco Exploration**

This is a good example of an organization in which the management of performance is more a way of life than a distinct stand-alone system. It is about:

- how the business is managed;
- how people are expected to behave;
- the basis upon which leadership is enhanced;
- how growth and continuous improvement will be achieved;
- how recognition can be given to the belief that BP Amoco Exploration is more than a collection of assets. It is people working together ;
- how the belief that people are at the heart of successful performance can be brought to fruition.

This was one of the most impressive examples encountered in the research of a fully integrated approach to managing performance as a fundamental part of the management ethos that can be adopted in running a business.

## Corporation of London

Performance management in the Corporation of London has the following features:

- it was introduced to further and support culture change;
- there was considerable emphasis on corporate values, missions and strategies as the starting points for performance management processes the development of performance;
- management was closely associated with the development of strategic planning processes;
- an incremental approach to introduction was adopted;
- a major communication and training exercise was conducted to introduce performance management;
- flexibility was allowed to tailor schemes within departments as long as the basic principles in the model scheme were upheld;
- the process covers both outputs (objectives) and inputs (behaviour);
- there were no ratings;
- there was no link to pay.

## Halifax plc

The objectives of the performance management process at Halifax plc are stated as being to:

- improve the way the business is managed by adopting a common approach to managing performance and personal development;
- ensure everyone has an agreed set of challenging performance objectives;
- provide a closer link between individual performance and reward;
- encourage personal development to enhance each individual's skills.

The process is based on a balanced scorecard approach, which is used for planning, managing and measuring performance. There are two

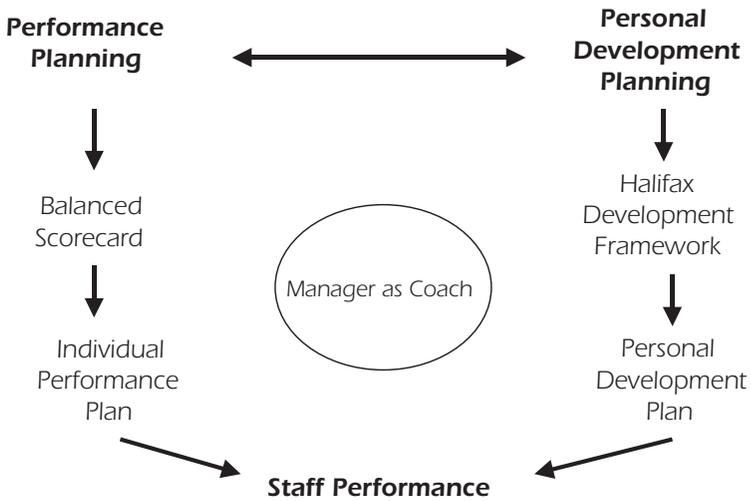


Figure 21.4 Performance management at Halifax plc

strands to the process: performance planning ( about what we need to deliver ) and personal development planning ( about developing the skills we need to help us to deliver, now and in the future ). The performance management process at Halifax is illustrated in Figure 21.4.

## Littlewoods Stores Ltd

The particularly interesting features of the approach adopted by Littlewoods Stores were:

- a thorough and cohesive approach involving the use of input and output measures;
- a strong emphasis on development;
- 360-degree feedback, regarded as a developmental rather than a performance management process;
- comprehensive training;
- ratings, but not linked to performance-related pay;
- thorough evaluation (this was the most impressive approach to evaluation that was encountered in the research).

## New Forest District Council

New Forest District Council is an organization that integrates performance management with corporate planning processes. A primary aim is to achieve clear and identifiable links between what people do and what the council wants to achieve. Performance management is seen as an important tool in bringing about organizational development.

## Severn Trent Water

This organization has developed comprehensive performance management processes. Interesting features include:

- the use of just three criteria for assessment/rating;
- separate development reviews;
- the use of weighted quantitative/qualitative targets and standards;
- comprehensive documentation.

The performance management process here consists of three stages, as shown in Figure 21.5.

## United Distillers

The approach of United Distillers to performance management was another excellent example of the management of performance as a way of life rather than a separate system. The emphasis was on strate-

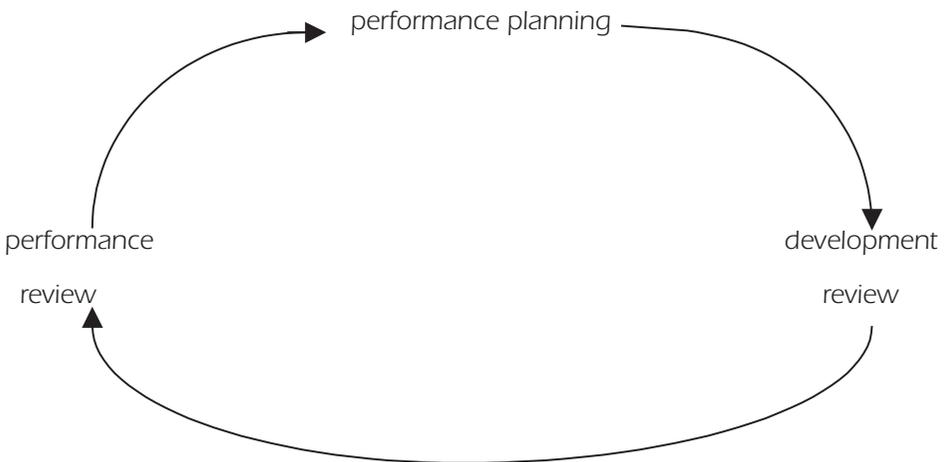


Figure 21.5 Performance management at Severn Trent Water

gic integration, the improvement of the ways in which managers and individuals can work together to improve performance, and personal development.

## **Victoria and Albert Museum**

This case study provides very interesting information about how performance management processes can be developed and introduced in the special context of a major museum. The most significant points about the arrangements were:

- maximum staff involvement in developing the scheme;
- considerable emphasis in all aspects of the process on performance management as a dialogue rather than a top-down and judgemental appraisal system;
- the strong influence of the context on process design the Museum's culture and ethos, the type of people working there, and the type of work that they carry out;
- a focus on development;
- recognition of the distinction between standards and objectives and the fact that the use of these would vary at different levels in the organization;
- a good use of attributes;
- comprehensive training.

The overall process is described in the flowchart shown as Figure 21.6.

## **Yorkshire Water**

The key feature of the approach by Yorkshire Water to performance management, as illustrated in Figure 21.7, was the degree to which the scheme is integrated with other business processes.

## **Zeneca Pharmaceuticals**

Zeneca was a best practice case study in the 1991 IPM research report. The evolution that has taken place since then confirms its place as one of the leading exponents of performance management. The most significant aspects of the Zeneca approach were that:

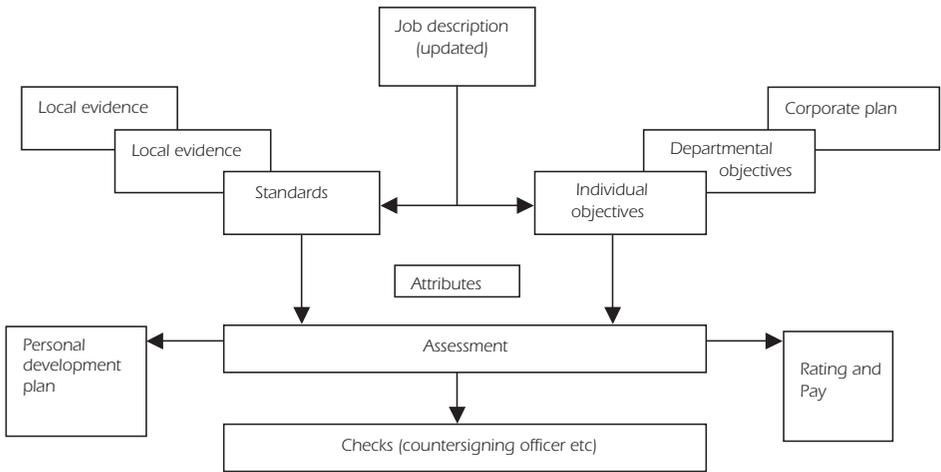


Figure 21.6 Performance management at the Victoria and Albert Museum

The Performance Management Process at Yorkshire Water Services

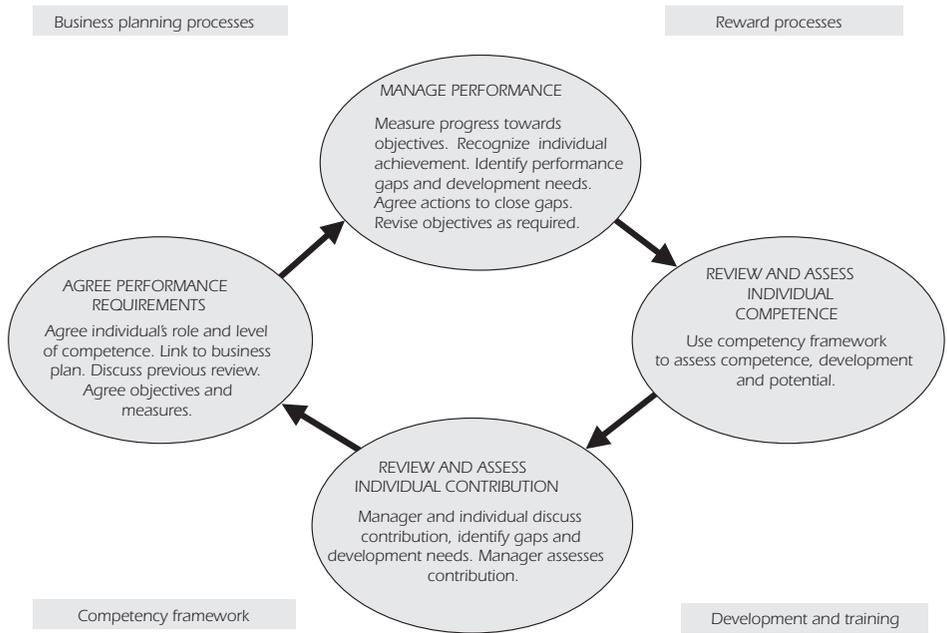


Figure 21.7 Performance management at Yorkshire Water

- it is a well-established and sophisticated (in the best sense) scheme;
- the emphasis is on employee development;
- performance management is linked to reward, although not on a formulaic basis, and there is as much if not more emphasis on non-financial rewards;
- both objectives/targets and competency elements are incorporated in the process;
- there is no requirement for ratings;
- the performance management scheme is very well documented, including a user-friendly guide;
- it is owned by line management but with strong HR function support;
- line managers are used as performance management coaches;
- individuals can initiate the process with their managers;
- team and project as well as individual performance is emphasized.

A flowchart of the process is shown in Figure 21.8.

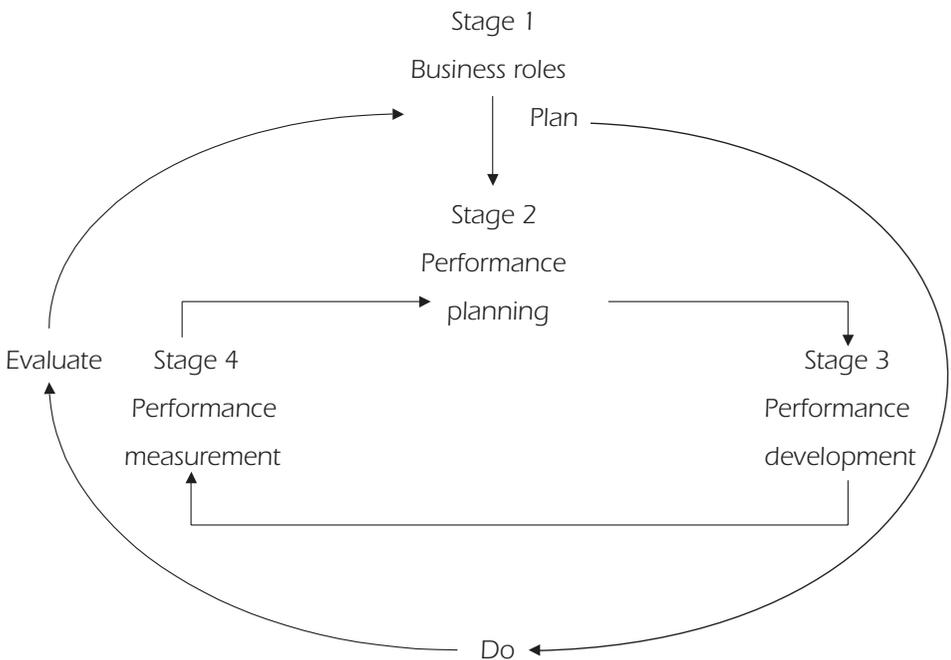


Figure 21.8 Performance management at Zeneca

# 22

## Conclusions: performance issues and ways of dealing with them

### Issues in performance management

Performance management does not always work as well as it should. Mohrman and Mohrman (1995) consider that:

The lack of success with performance management is due to the fact that prevailing human resource management approaches were designed to fit a traditional, hierarchical organization. And the recent increased emphasis on the lateral organization, with teams and mini-businesses performing in increasingly fluid and dynamic patterns, threatens the viability of management approaches that assume clearly defined job roles and responsibilities.

Alan Cave (1999) has said that: performance management is underperforming . He has commented that performance management is seen as a critical process for achieving business performance, but in many organizations managers and staff see it as a complicated chore that gets in the way of the real work . He believes that the main reasons why it has often failed are:

- inadequate management skills, for example in providing feedback;
- a failure to provide support to managers;
- performance management being perceived as being irrelevant to real work;
- management confusion about purpose and style;

- a dislike of rating;
- design conflicts with required ways of working, eg functional chimney design in contrast with team/project-based working.

Cave suggests that the important question to answer is: Do managers and employees generally see the outcomes of performance management in behavioural terms, ie in terms of what they will do differently as a result of performance management?

These views are supported by the IPD research, which revealed the following 10 key issues:

- 1 Performance management processes must fit the context of the organization its culture, structure and management style. If they do not, they will be seen as irrelevant.
- 2 Performance management processes are too often incongruent with what management wants and needs to do about improving performance another reason for dismissing them as irrelevant.
- 3 Performance management is not integrated with other areas of human resource management for example, human resource development.
- 4 Line managers regard performance management as a burden. They do not see how it benefits them, they regard it as a waste of their valuable time and, often, they are reluctant to engage in it to the full because they are uncertain about their own skills. (At a National IPD Conference session at Harrogate in 1999, the majority of the 500 personnel people present believed that this was the greatest problem they had to face with performance management in their organizations. HR professionals know that, like an apple a day, performance management is good for you, but they find it difficult to get managers to take the prescription.)
- 5 Performance management is too often the creature of the HR department. It is resented by line managers as something that has been imposed upon them by people who do not understand what life is like at the sharp end.
- 6 Staff are cynical about performance management because they perceive that their managers are going through the motions if they are doing anything about it at all.

- 7 Performance management processes are often overengineered. They involve managers in completing elaborate forms and in following complex procedures.
- 8 Too little attention is often paid to developing the skills required by managers *and* staff.
- 9 Organizations are frequently fixated on performance-related pay, to the exclusion of the developmental focus that is the key to successful performance management. The use of mechanistic ratings is unhelpful.
- 10 Organizations, as the IPD survey established, seldom evaluate performance management rigorously. The processes are left to their own devices and inevitably fall into decay or disuse.

Not all organizations fall into these traps. The case-study evidence summarized in Chapter 21 shows a number of organizations that are doing their best to overcome the problems listed here. But there is still much to be done in many businesses, and it is suggested that action should be along the lines set out below.

## Dealing with the issues

There are no quick fixes in performance management. The process often fails because it is difficult to make it work. And it takes time and continuous effort to support the process and ensure that everyone believes in and practises it. Whatever is done must fit the circumstances of the organization. It must fit the particular business needs.

The following, however, are some guidelines based on what organizations that have successfully introduced performance management are doing.

- Base performance management on a thorough analysis of the needs of the business in the light of the environment in which it operates.
- Take steps to understand what the organization is and needs to be in its performance culture.
- Base the performance management process on principles that are relevant to the identified needs and are accepted by all concerned. A key principle is that performance management should always operate fairly.

- Always bear in mind that performance management is about managing the business – a natural process of management.
- Ensure that top management drives performance management but line managers and employees must own it.
- Keep it simple; avoid overelaborate forms and procedures.
- Remember that it is the *process* that is important, not the system.
- Leave plenty of scope for flexibility in applications. Get everyone to buy into the principles, but leave them to apply them in ways that suit their circumstances and management style.
- Focus on development, not performance pay.
- Avoid the use of ratings.
- Monitor, evaluate and provide support.
- Always remember that the ultimate keys to success are thorough and effective communications, involvement and training for all.

# Appendix A

## Examples of statements of key result areas/main tasks and objectives

### Production director

#### Key result areas

- 1 Plan and control all production management activities to ensure that output, quality and customer service targets and standards are achieved.
- 2 Maximize productivity.
- 3 Optimize resource utilization.
- 4 Minimize manufacturing, inventory, maintenance and distribution costs.
- 5 Develop new technology applications to meet defined needs, and introduce improved systems for planning and control purposes.
- 6 Ensure that healthy and safe systems of work are maintained.
- 7 Increase the levels of skill motivation and commitment in the workforce.
- 8 Maintain a co-operative climate of employee relations.

#### Objectives

- Consistently meet demand forecasts by achieving the manufacturing programmes set out in the Master Production Schedule.

- Reduce the level of defects from 1.5 per cent to 1.0 per cent over the next six months.
- Increase units produced per employee by 3 per cent over the next nine months.
- Maintain delivery to customers within five working days of receiving the works order.
- Reduce downtime by 2 per cent over the next six months.
- Reduce cost per unit of output by 2 per cent over the next six months.
- Plan and introduce a fully effective system of MRPII within the next 12 months.
- Conduct a comprehensive health-and-safety audit by the end of the year that generates practical recommendations on the measures required to meet company health-and-safety policy requirements and to achieve the company's targets for reducing accidents and work-related health problems.
- Develop, in conjunction with the HR department, a skills-based pay scheme with supporting training programmes, for introduction within 18 months.
- Settle all disputes and grievances at shop-floor level without invoking the formal disputes or grievance procedure.

## **Regional sales manager**

### **Key result areas**

- 1 Plan and control regional sale efforts in order to achieve and, so far as possible, exceed sales volume and contribution targets.
- 2 Open new accounts in the region to achieve sales development targets.
- 3 Achieve agreed levels of customer service with regard to delivery, handling queries and complaints, and after-sales service.
- 4 Take part as required in new-product launches, including pilot testing.

- 5 Maintain close contact with customers in order generally to promote sales and specifically to obtain marketing intelligence on trends in customer wants and needs.
- 6 Track competitive activity in the region in order to provide information to assist in developing marketing strategies.
- 7 Staff the region with high-quality area managers and sales representatives who are trained, developed and motivated to achieve demanding sales targets and high levels of customer service.

## Objectives

- Achieve sales and contribution targets as set out in the current three-month sales budget for the region.
- Open at least 50 potentially profitable new accounts over the next six months.
- Ensure that:
  - in conjunction with the regional distribution depot, deliveries from stock are made within three working days;
  - immediate reports are made to headquarters of any failure to meet delivery standards arising from the goods not being made available on time to the depot by manufacturing or distribution;
  - customer orders are processed within 24 hours;
  - customer requests for after-sales service are acknowledged within 24 hours and satisfied within three working days.
- Complete within three months the pilot testing of new product X in conjunction with the product development department.
- Provide prompt customer and competitor intelligence that provides marketing with valuable insights as a basis for formulating marketing, product development and pricing strategies.
- Ensure that:
  - the turnover of sales representatives is reduced from an average of 2.2 per cent per month to an average of 1.5 per cent by the end of the calendar year;
  - all newly recruited sales representatives attend the first basic sales-training course available after they join;
  - area sales managers implement the company's sales-development programme in full for each of their sales representatives.

# Human resources manager

## Key result areas

- 1 Advise on HR strategies, policies and practices in order to ensure that the company has a committed, well-motivated and skilled workforce.
- 2 Prepare demand and supply forecasts of human resource requirements and plans for the recruitment and retention of employees to meet business requirements.
- 3 Provide a recruitment and selection service to meet the company's needs.
- 4 Provide advice on all employment and health-and-safety matters, including issues arising in connection with employment legislation, so as to ensure that the company meets its legal and social obligations and avoids legal actions.
- 5 Develop and help to implement effective performance management processes.
- 6 Plan and implement training and development programmes to meet identified needs and satisfy the company's requirements for an effective and multiskilled workforce.
- 7 Advise on reward management systems and the operation of the company's pay structure and performance pay schemes.
- 8 Advise on employee-relations issues and co-ordinate the company's involvement and communication processes in order to develop and maintain a co-operative and peaceful climate of employee relations in the company.
- 9 Develop and maintain an effective computerized personnel information system.

## Performance standards

Performance will be up to standard when:

- a proactive approach is consistently adopted in making proposals to management on the development of HR policies and practices that will improve business performance and add value;

- realistic plans are made to anticipate future staff requirements so as to avoid skill shortages or unmanageable staff surpluses;
- systematic recruitment and selection procedures are maintained that provide a wholly acceptable service to line managers, an acceptable service being one that includes:
  - a prompt (within one working day) response to requests for advice or help in recruitment;
  - the delivery of acceptable job descriptions, person specifications, draft advertisements and media plans within three working days;
  - the use of psychometric tests that have been properly evaluated, are administered by trained staff, and provide valuable insights for selection purposes;
  - the delivery by an agreed deadline of a short-list of candidates for vacancies, who meet the specification and whose applications are supported by helpful profiles.
- helpful advice is given on employment and health-and-safety matters that is based on a thorough understanding of the relevant legislation and company policies and procedures, the advice being such as to avoid the company being involved in any tribunal or other form of legal action.
- performance management is introduced by the end of the calendar year, the pilot tests having shown that the approach is acceptable to managers and staff and full preliminary briefing and training programmes having taken place;
- training programmes are based on a systematic analysis of needs and meet success criteria, as established by programme and course evaluations;
- reward management policies and practices are developed that ensure rewards are both competitive and equitable and contribute to the attraction, motivation and retention of staff within cost budgets, reward reviews being conducted efficiently (ie on time and accurately) and managers being provided with practical and helpful advice on their responsibilities for managing rewards in their departments;
- a good climate of employee relations is maintained, as indicated by

the outcomes of employee attitude surveys and the absence of disputes or references to the grievance procedure;

- the computerized personnel information system is used to maintain accurate records and to generate information for human resource planning purposes.

## Retail marketing analyst

### Main tasks

- 1 Provide annual and monthly forecasts of retail sales on the basis of given assumptions to assist in generating retail one- and three-year plans.
- 2 Maintain a database of information on sales, retail prices and customer discounts.
- 3 Provide information on products to the trade and other interested parties.
- 4 Deal with queries on products and prices from customers.
- 5 Provide general support to marketing and sales managers in analysing retail sales data.
- 6 Undertake special investigations and ad hoc exercises as required to support marketing and sales-planning activities.

### Performance standards

Performance will be up to standard when:

- sales forecasts are properly based on given assumptions, accurate and produced on time;
- the sales statistics database is updated within one working day on receipt of weekly sales revenue returns and is maintained accurately;
- current information is supplied promptly (ie on the same day) to the trade and other parties;
- queries on products and prices from customers are answered within one working day and customers express satisfaction with the service provided;

- marketing and sales managers are satisfied with the quality of the support they receive and the accuracy of the information provided;
- special investigations and ad hoc exercises are completed to the satisfaction of marketing and sales managers.

## Word processor operator

### Main tasks

- 1 Use a word processor to produce letters, memoranda, reports and tables from hand-written drafts.
- 2 Assist generally with administrative activities filing, photocopying, answering telephones, dealing with routine e-mails etc.
- 3 Operate the fax machine and distribute incoming messages.
- 4 Deputize for the receptionist as required.

### Performance standards

Performance is up to standard when:

- the operator is fully capable of using the word processor and its associated programs to produce high-quality documents;
- an accurate, speedy and helpful service is provided to users;
- filing is carried out accurately and the backlog is not more than one working week;
- telephone callers and people met at reception are dealt with efficiently and politely.

# Appendix B

## Checklist of factors affecting managerial performance

Performance management involves an analysis of what has been achieved in relation to objectives and the factors that have affected performance. This provides the basis for agreeing what should be achieved in the future and deciding what needs to be done to ensure that any factors within an individual's control that have affected performance are dealt with in the next review period. This may mean developing strengths or taking steps to overcome any problems, such as gaps in knowledge or skills.

The following checklist is designed to help managers identify and discuss the factors that may have affected an individual's performance. These factors will, of course, vary considerably from job to job so that this checklist will have to be used selectively.

### Factors largely outside a manager's control

Such factors are as follows:

- unforeseeable changes – either internal or imposed by external events – in the circumstances in which a job is carried out.
- poorly defined responsibilities;
- inappropriate or unachievable objectives or targets;
- insufficient guidance or support from the manager or other individuals at higher levels in the organization;
- inadequate co-operation or support from colleagues;

- inadequate resources money, staff, equipment or time;
- insufficient training;
- the job demands levels of skill or knowledge that the individual does not have and could not reasonably be expected to possess.

## Factors within the manager s control

The following provides guidelines on the standard of performance that managers can reasonably be expected to achieve. These should be discussed and agreed, with any modifications thought appropriate, in the performance agreement meeting. The extent to which there appears an inability to reach any of these standards should also be discussed and agreed.

- Leadership:
  - develops cohesive groups and teamwork;
  - guides others to the accomplishment of objectives;
  - resolves conflicts;
  - provides direction under uncertain conditions.
- Managing skills:
  - delegates work responsibility among employees for maximum efficiency;
  - monitors employees performance to achieve organizational goals and maintain control;
  - sets clear, understandable objectives and priorities for own department, self and *with* each employee;
  - schedules and develops contingency plans;
  - motivates people toward effective, co-operative group and individual efforts.
- Human resource development:
  - conducts performance reviews according to established guidelines;
  - provides good feedback to employees at the time of the event and in performance review meetings;
  - praises and recognizes positive performance of employees;
  - builds confidence in employees by supporting their appropriate decisions and actions;

provides support to employees in preparing and implementing personal development plans;  
takes prompt corrective measures when employees performance needs improvement;  
encourages and assists individuals through coaching, training and other methods to acquire the knowledge, skills and expertise necessary for effective job performance and promotion.

- **Decision making and problem solving:**
  - identifies and anticipates potential problems;
  - recognizes critical situations and takes appropriate action;
  - investigates and analyses problems and situations adequately and appropriately for the circumstances;
  - solicits and encourages ideas and input from others, involving them in the decision-making process;
  - considers the whole organization when making decisions;
  - looks for, evaluates and considers alternatives and options in solving problems prior to making decisions and recommendations;
  - is willing to accept responsibility for decisions whatever the outcome.
- **Innovation/creativity:**
  - recommends new methods and ideas;
  - accepts ideas and builds on them; adds value to given efforts;
  - questions constructively why things are done in a particular way.
- **Flexibility/adaptability:**
  - is willing to accept new assignments and complete them according to set standards;
  - can handle a wide variety of assignments;
  - is willing to consider new ideas and methods;
  - is open to constructive criticism and suggestions.
- **Teamwork:**
  - collaborates effectively with colleagues and other internal customers;
  - obtains co-operation from others.
- **Responsiveness:**
  - understands and responds to needs and requests quickly and willingly;

makes his/her expertise available to others;  
represents the department's services in a precise and acceptable manner.

■ **Communication:**

communicates all matters of importance up and down the organization in an accurate, timely manner;  
provides complete and reliable information;  
participates easily and influentially in meetings;  
listens carefully to others;  
writes and speaks clearly, concisely, accurately and persuasively.

■ **Technical/professional expertise:**

has the knowledge required in specified areas to achieve objectives;  
has the skills required in specified areas to achieve objectives.

## **Resultant action**

The extent to which the reason for an individual's behaviour in not achieving the expected and agreed standards is because of inadequate ability or skill or is the result of the individual's attitude should be jointly determined and agreed. Performance development and improvement will only take place if not only agreement but also resultant action takes place to deal with any of the factors mentioned above that have been identified as contributing to poor performance.

## **Factors outside an individual's control**

In reviewing relevant factors, the discussion should consider the extent to which the individual might have been able to anticipate or reduce their impact by, for example, discussing them thoroughly with his or her manager. The steps that should be taken if these factors recur in the future should also be discussed.

## **Factors within an individual's control**

The actions that can be taken to deal with these factors include agreement on:

- what has to be done by the individual himself or herself – this can be expressed as a development need in the performance agreement;

- any necessary programme of on-the-job developmental training, which may include coaching, counselling or extended experience with appropriate training and guidance;
- any specific training courses to extend the individual's knowledge or to enhance particular skills.

# Appendix C

## Analysis of performance problems

### Identifying the problems

If an individual's target or standard of performance has not been achieved, there will be a performance problem. The causes of this problem can be analysed under the following headings:

- The problem is caused by somebody else; it is the result of:
  - unforeseeable changes in job requirements arising from external or internal pressures;
  - expected resources not available;
  - lack of co-operation;
  - interference from others.
- The problem is caused by the manager:
  - failing to clarify requirements and expectations objectives, standards and priorities;
  - failing to provide adequate encouragement, guidance, support or information;
  - expecting too much setting unreasonable or unattainable objectives or standards; arbitrarily changing tasks or priorities.
- The problem arises because of the individual s:
  - lack of knowledge;
  - lack of skill;
  - failure to understand task or objectives;
  - lack of confidence;

lack of application and effort;  
failure to conform to policies or procedures;  
lack of interest;  
negative or uncooperative attitude;  
failure to get priorities right;  
carelessness.

The above categories will probably overlap, for it is most unlikely that there is any single cause of a problem. For example, the problem may be the individual's lack of ability, but this may have been compounded by new and unforeseen demands and/or a failure on the part of the manager to ensure that the individual had the necessary knowledge and skills.

It would be reasonable to expect the individual to make some attempt to try and overcome problems caused by other people or even his/her manager (if objectives are not understood, for example, individuals can always ask for clarification).

In all discussions, the aim of both parties should be to avoid getting into a defensive position. Respect is lost through defending mistakes rather than admitting them.

## Ways of helping individuals to improve

Ways to help individuals improve their performance can be categorized as follows:

- Knowledge and skill problems:
  - coaching by the line manager;
  - on-and-off the job training;
  - reading lists/distance learning/computer-based learning;
  - assignment to new tasks (job enlargement);
  - job rotation.
- Failure to understand task or objectives:
  - review of existing job description with line manager;
  - review and clarification of objectives with line manager;
  - discussions with fellow team members and colleagues.
- Lack of confidence:
  - counselling by manager;
  - help from fellow team members;
  - counselling by another party (internal or external).

- Failures concerning priorities or procedures:  
improvement targets;  
coaching by manager.
- Lack of application or effort:  
improvement targets.
- Attitude problems:  
counselling;  
improvement targets;  
changing to a new job.

# Appendix D

## Performance review evaluation form

This form is to be completed by the reviewee.

- 1 How effectively was the review meeting conducted in each of the areas listed below? Rate each aspect of the review meeting using a numerical scale where 1 = very effectively; 2 = effectively; 3 = fairly effectively; 4 = not very effectively. How would you score:
  - creating and maintaining an informal and friendly atmosphere;
  - working to a clear structure;
  - keeping control of the meeting;
  - using praise;
  - handling criticism;
  - letting the individual do most of the talking;
  - inviting self-assessment;
  - focusing on facts discussing performance not personality;
  - agreeing a plan of action?
  
- 2 How would you rate the overall effectiveness of the meeting?
  - very effective;
  - effective;
  - fairly effective;
  - ineffective.
  
- 3 How did you feel after the meeting?
  - highly motivated;
  - reasonably well motivated;
  - not very well motivated;

■ demotivated.

4 Comments:

Please set out in this section any particular reasons you want to mention for the ratings given above.

# Appendix E

## Example guidance notes on performance management for employees

### A guide to performance management

#### Introduction

The purpose of performance management is to help and encourage everyone to raise their performance, develop their abilities, increase job satisfaction and achieve their full potential to the benefit of the individual and the company as a whole.

#### What is performance management?

Performance management is a means of getting better results from the organization, teams and individuals by understanding and managing performance within an agreed framework of standards and planned goals. It is based on the simple proposition that when people know and understand what is expected of them, and have been able to take part in forming those expectations, they can and will perform to meet them.

#### Why do we need performance management?

There are two main reasons for introducing performance management. First, we want to focus everyone's attention on what they are expected to achieve in their jobs and how best to achieve it. Second, we would like to help everyone to identify and satisfy their development needs to improve performance and realize their potential.

## How does performance management work?

Performance management works like this:

- 1 You and your manager will discuss and agree your objectives, action plans and development and training needs – this is called the performance agreement.
- 2 During the review period (normally 12 months), you and your manager will keep under review your progress in meeting your objectives. And, as necessary, you will agree revisions to those objectives and your priorities.
- 3 Towards the end of the review period, you and your manager will separately prepare for a performance and development review meeting, deciding in advance on any points you wish to raise and noting these down on a preparation form.
- 4 A review meeting will then be held at which you can discuss with your manager how you got on during the review period and any other points you want to raise. You will then together draw up a new performance agreement for the period ahead.
- 5 Your manager's manager will see the form and will add any comments he or she feels may be appropriate. You will also see these comments.
- 6 You and your manager will retain your own copies of the review form – no other copies will be held by anyone else.

As a result, performance management will:

- focus on developing your strengths as well as considering any performance problems;
- be based on open and constructive discussion;
- be an everyday and natural management process, not an annual form-filling exercise;
- be a positive process, looking to the future rather than dwelling on the past.

## The part you will play

We hope that you will contribute to the success of this scheme in the following ways:

- by preparing carefully for the review, noting any points you want to raise with your manager;
- by entering into the spirit of the review meeting, which is intended to provide an opportunity for you to have quality time with your manager during which an open and friendly exchange of views will take place about your job and your prospects;
- by thinking carefully about how you are going to achieve the objectives and plans agreed at the meeting;
- by reviewing how you are getting on during the year and agreeing any actions required.

## The part managers will play

All managers will be expected to play their part with you in preparing for the meeting, reviewing your performance and drawing up your performance agreement. They are being specially trained in how to do this. Managers are also expected to work with you in preparing and implementing your personal development plan.

## Benefits to you

We hope performance management will benefit you by ensuring that:

- you know what is expected of you;
- you know how you stand;
- you know what you need to do to reach your objectives;
- you can discuss with your manager your present job, your development and training needs, and your future.

## Benefits to your manager

Managers will gain the opportunity to:

- clarify expectations with the individual members of their teams;

- have quality time with their staff to discuss matters affecting work, performance and development, away from the hurly-burly of everyday working life;
- provide better feedback to individuals about their performance and progress, based on a mutual understanding of needs;
- identify areas of individual concern and provide guidance to enable individuals to make the best use of their abilities;
- build closer working relationships based on mutual trust and respect;
- identify individual training and development needs.

## **Benefits to the company**

The company gains the opportunity to:

- integrate individual, team and company objectives;
- guide individual and team effort to meeting overall business needs;
- recognize individual contributions to the organization's progress;
- plan individual careers;
- introduce relevant and effective learning and development programmes to meet identified needs.

# Appendix F

## Introducing performance management: questions and answers

- 1 Q Why has the company decided to introduce performance management?
  - A Performance management has been introduced because of the following:
    - We believe performance is important we are very satisfied with the high level of professionalism, commitment and effective effort in the organization, but we want to make the good even better.
    - It is a basic responsibility of management to clarify what it expects from everyone in the form of results and standards, and performance management provides the means for doing this.
    - It is only fair that people know where they stand so that they know how well they are doing and also become aware of any areas for improvement.
- 2 Q What is meant by performance planning?
  - A The emphasis in this approach to performance management is on being positive and forward looking. We want managers and their staff to get together regularly to agree on future objectives and how they should be achieved. If, later, when performance is reviewed, it is established that objectives have not been achieved, then managers will discuss with their staff why this has happened. This will include an assessment of the degree to

which what has happened has been within or outside the control of the individual. Agreement is then reached on what should be done about it by the manager, the individual, or the two of them working together.

- 3 Q What do you mean by an objective ?  
A An objective is simply something that you are expected to achieve in your job. It could be expressed as a target, a standard of performance, or a task or project to be accomplished.
- 4 Q How will objectives be agreed?  
A You will discuss with your manager what your key tasks are defined as the most important things you have to do in your job. The two of you will then define objectives for each task. They will be realistic and achievable, although not necessarily too easily so in the interests of improving organizational performance you may be asked to achieve more than you are achieving at present.
- 5 Q What happens if I feel the objectives my manager wants me to achieve are unattainable?  
A It is to be hoped that your manager will only ask you to agree realistic and achievable objectives. If, however, you feel that they cannot be achieved, you will be given the opportunity to explain your reasons. If they are valid, your manager may agree with you more realistic objectives. But if your manager is still convinced that the objectives have to be achieved in order to contribute to reaching departmental or organizational objectives or standards, and that they are reasonable, you may be asked to do your best to achieve them. Your manager will be glad to discuss with you how you can best meet these standards.
- 6 Q What happens if the situation changes and previously agreed objectives become out of date?  
A Objectives are usually agreed for a period of time, but they can and should be amended in changing circumstances.
- 7 Q What is meant when it is emphasized that performance management is about developing as well as assessing performance?  
A Performance management contains a strong element of mea-

surement to establish the extent to which objectives have been achieved and what to do about any shortfalls. But the main aim is to improve performance, and this aim will be achieved by helping everyone to make the best use of their skills and abilities. The processes followed will identify how skills and abilities can be better used and what extra training or coaching is necessary to increase levels of competence or skill.

8 Q Who is going to be responsible for this development?

A The emphasis will be on self-development helping you to help yourself. But support will be provided by your manager and the HR function as required.

9 Q How will my performance be assessed?

A You will get feedback on your performance regularly during the year and there will be an annual summing-up and planning review once a year. During this meeting you will go through with your manager your achievements in comparison with agreements made on objectives and development plans and conclude a new agreement.

10 Q Surely, this meeting will simply be an opportunity for my manager to criticize me?

A That is certainly not the purpose of the meeting. It is essentially a positive affair, looking forward to what can be done better in the future rather than dwelling on the past. This does not mean that instances where performance has not been up to standard will not be discussed during the meeting. But the aim will be not to attach blame but to agree what can be done for the future about such instances.

11 Q What happens if I think my manager's assessment has been unfair?

A Again, it is to be hoped that this will not happen, especially if there has been a full and frank discussion during the meeting when both you and your manager will be able to get at the facts. The aim of the review meeting is to reach agreement, but if this does not happen, you will be able to record the reasons for your disagreement on the review form. This form will be seen by your manager's manager, and he or she will want to resolve the

problem. If you think an assessment is really biased and unfair, you can appeal through the grievance procedure.

12 Q Will the records made of discussions during the performance review meeting be used as evidence in subsequent disciplinary proceedings?

A The purpose of a performance review meeting is not to provide information on which disciplinary proceedings will be taken. If there is some real concern about an individual's performance, this would be taken up quite separately at the time.

# Appendix G

## Example of a performance-management training programme

### Performance planning

#### Workshop aims

On completing this workshop participants will:

- understand the key part played by performance agreements and plans in the performance management process;
- know about the different types of objectives and what makes a good objective;
- know how to set about agreeing objectives;
- know how to use the company's performance guidelines when preparing performance and development plans;
- be able to complete a performance agreement and plan and put it to good use.

#### Agenda

- 09.00 Objectives of the workshop
- 09.30 Introduction to performance management the purpose of the performance agreement
- 10.30 Coffee
- 10.45 Defining key tasks

11.30	Practice in defining key tasks
12.30	Lunch
13.15	The nature of objectives
13.45	Defining objectives
14.15	Practice in defining objectives
15.15	Tea
15.30	Using performance guidelines
16.30	Completing the performance agreement and plan
17.30	Close

## Reviewing performance

### Workshop aims

On completing this workshop participants will:

- understand the purpose of performance reviews;
- know how to prepare for a constructive review;
- know how to conduct an effective performance review;
- be able to provide good feedback;
- have gained understanding of the processes of coaching and counselling.

### Agenda

09.00	Objectives of the workshop
09.30	The purpose of performance reviews
10.00	Preparing for the review
10.30	Coffee
10.45	Giving feedback
11.15	Conducting the review
12.30	Lunch
13.15	Practice in conducting reviews (1)
15.00	Tea
15.15	Practice in conducting reviews (2)
16.15	Introduction to coaching and counselling
17.00	Putting the review to good use
17.30	Close

# Appendix H

## Performance management role-playing exercises

### Regional Sales Manager and Area Sales Manager

#### Brief for Regional Sales Manager

You are the Regional Sales Manager for the Wessex region of Universal Food Products plc, which manufactures and wholesales a range of food products to supermarkets and smaller retail outlets. You are about to conduct a review meeting with your Area Sales Manager for North Devon, who has 12 sales representatives in his team and who has been in the job for 18 months since being recruited from a competitor. Because of your many other preoccupations (eg working on a number of new product launches and keeping the major customers, whom you look after personally, happy), you have not seen as much of your Area Manager on his own as you would like, although he has, of course, attended regular regional sales meetings.

You know that he started well and has been meeting his overall targets for sales and new accounts, but you are concerned that the sales for some of the larger accounts seem to be slipping while newer ones are not always hitting their targets, especially in the northern territories where there has been increased competition. The problem has been alleviated by the exceptionally high sales from three of the territories in the southern part of the area where the competition has not been so intense. You have noted that four of the six representatives – all experienced and capable individuals – in the north of the area have

been replaced recently and you want to discuss the reasons for this high level of turnover and the impact it has made on sales.

You have also had three complaints this week from the managers of three of the largest accounts (all of whom you know very well) saying that the area manager did not treat complaints they made about the quality of one of the company's products seriously enough and has not yet dealt with them, although they were raised two days ago.

You think your area manager's strengths are his ability to take the initiative and get things done. But he is not always good at handling people. Evidence of this was provided by the complaints, which all mentioned that he went rapidly onto the defensive and, in fact, became quite aggressive. You believe that he may have had problems with his staff. Two of the most experienced reps, whom you know well, have complained to you that he tends not to listen to their suggestions and to impose sales targets without giving them much chance to discuss how they are going to be achieved. He also seems more ready to criticize than to recognize good work.

## **Brief for Area Manager**

You joined Universal Food Products plc 18 months ago to take over its North Devon sales area, which consists of 12 territories with a sales representative each. You are about to see your boss, the Regional Sales Manager, for your annual review meeting.

You have not seen much of your boss during the last nine months and you feel you could have done with more contact, especially as you have had some problems with the northern part of your area. Sales from established and new accounts have not been going too well there, and it is only because your reps in the southern part of your area have done so well that you have managed to meet your sales targets for the last quarter.

The problem in the northern part has mainly arisen because you have lost four of your six reps there in the last six months. As a result, you have had to spend a lot of time recruiting and training up your new reps. You cannot understand why the original reps wanted to leave, and they were not at all forthcoming when you asked them for their reasons. You spoke to some of the remaining reps about this and they told you that it was mainly because they felt you were imposing unreasonable targets on them and were not taking sufficient account of local conditions.

You cannot understand this. You had an area target to meet and you allocated them what you believed to be entirely reasonable targets based on previous figures. One or two of them tried to point out to you that the situation had changed because of an aggressive sales campaign from a competitor, but you felt that was just an excuse for not trying hard enough and insisted that they should stick to your targets which you knew to be attainable in spite of the opposition. Indeed, events in the southern part of the area proved you right: they had no problems in meeting the targets you set for them.

During visits you made earlier this week to six of your major outlets, three managers complained about a poor-quality product. From previous experience you know that these people tended to exaggerate and no one else had complained. You were anxious to get on so you brushed aside their remarks, promising, however, that you would look into their problem. Unfortunately, during the day you have had back in your office since then, you have not had time to investigate a crisis has arisen because of the sudden departure of a rep who left a mess behind him but you will get on with it tomorrow.

## **Finance Director and Secretary**

### **Brief for Finance Director**

You are the Finance Director of Apex Fabrications Ltd and you are shortly going to hold a performance review meeting with your Secretary.

She has been in the post for six months. She works hard and her typing, telephone manner and timekeeping are excellent. You appreciate her calm attitude and her ability to take the initiative when, as frequently happens, you are out of the office. However, the filing is in a mess. On several recent occasions neither of you has been able to find information that was badly needed. You were not too pleased about it at the time but you have not yet spoken to her about it seriously.

You have found out that other offices in the company have adopted what you regard as a reasonable performance standard for filing, which you would like her to accept and achieve. This is to the effect that all information required for future reference is filed in an appropriate file within five working days, such information to be readily retrievable when required.

## **Brief for Secretary**

You are Secretary to the Finance Director and have been in the job for six months. It was quite difficult at first because your boss is often out of the office and, consequently, you have to use your initiative and think on your feet. You enjoy the work and get on well with your boss, although he is a bit fussy about the filing – once or twice recently you could not put your hands on papers he wanted immediately and he got quite upset. You know that other secretaries have agreed to a performance standard that requires all documents to be filed within four or five working days, but this seems to you to be a piece of bureaucratic nonsense – there are more important things to do in a busy office.

# Appendix I

## Performance management attitude-survey questionnaire

Please indicate how you feel about performance management by recording your reactions to the following statements. Indicate: A if you fully agree, B if you partly agree, and C if you disagree.

- 1 I am quite satisfied that the objectives I agreed were fair.
- 2 I feel that the meeting to agree objectives and standards of performance helped me to focus on what I should be aiming to achieve.
- 3 I have received good feedback from my manager on how I am doing.
- 4 My manager is always prepared to provide guidance when I run into problems at work.
- 5 The performance review meeting was conducted by my manager in a friendly and helpful way.
- 6 My manager fully recognized my achievements during the year.
- 7 *(Do not score this question if no criticisms were made.)* If any criticisms were made during the review meeting, they were acceptable because they were based on fact, not opinion.
- 8 I was given plenty of opportunity by my manager to discuss the reasons for any of my work problems.
- 9 I felt generally that the comments made by my manager at the meeting were fair.

- 10 The meeting ended with a clear plan of action for the future with which I agreed.
- 11 I felt motivated after the meeting.
- 12 I felt that the time spent in the meeting was well worthwhile.

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