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## Performance Management: Chapter 7 in Human Resource Management

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## Chapter Seven

### Performance Management

Gerard McMahon



<http://www.istockphoto.com/stock-photo-15199050-executives-at-conference-table-holding-score-cards-portrait.php>

Caption: Looks like there's no bonus payment again this year for you

#### [A] Learning Outcomes

By the end of this chapter you should be able to:

- Describe the role and value of performance management
- Identify why performance management fails to deliver and what are the common pitfalls
- Explain how performance management review meetings should be conducted
- Appreciate the importance of training all staff on the theory and practice of performance management
- Critically evaluate the most common appraisal or performance management scheme types
- Appreciate the importance of evaluating performance management systems
- Identify how 'underperformance' should be dealt with
- Understand what coaching is and its relevance to the management of performance

## **[A]Introduction**

**Performance management** [KEY TERM: can be described as a process by which organisations set goals, determine standards, assign and evaluate work, and distribute rewards (Varma et al., 2008). In effect, it is used to improve organisational, team and individual performance and development, including activities designed to ensure that goals are consistently being met in an effective and efficient manner] is an on-going activity relating to all scenarios where people meet for the purpose of attaining objectives. Whether it is your favourite sports team, a 'blue chip' corporation, a community\voluntary\religious association or a Government-funded operation, the management of performance, whether formally or informally, is both on-going and essential to the attainment of their goals.

Performance management, for our purposes, involving the assessment and development of people at work, has emerged as one of the most important features of today's effective organisations. In an increasingly competitive work environment, organisations need to get the best out of their human resources if they are to survive and prosper. The failure of so many organisations to do just that raises serious and sensitive questions about general management competence and the absence, or faulty operation, of performance management and appraisal type systems. Accordingly, students of HRM should be fully aware of the practice, potential, pitfalls and prescriptions in respect of performance management and appraisal type systems.

### **[Beginning of boxed feature: Stop and Think]**

What is the purpose of managing performance? Why don't organisations simply allow things to take their own course?

### **[End of boxed feature]**

## **[A]The Role and Value of Performance Management**

The term 'performance management', like many HRM innovations, is a U.S. import that has been a major driver in the increased use of performance appraisal and management type practices across Europe (I.D.S., 2007). The available data indicates that 90 per cent of U.K. organisations formally assess managers via a performance management system, compared with 88 per cent in Greece and

Sweden, 84 per cent in Ireland and 81 per cent in Germany (Brewster *et al.*, 2007; McMahon, 2009). Indeed it has been established that – as with many other H.R. measures, across Europe performance management very much follows the example of U.S. companies (Barzantny and Festing, 2008). The origins of strategic performance management can be traced to the concept and practice of **management-by-objectives** [KEY TERM: A management system in which the objectives of the organisation are explicitly stated, so that management and employees understand their overall or ultimate purpose and the specific implications for their role in the organisation], whereby an employee's objectives are derived or cascaded down from the organisation's overarching goals (Raia, 1974; Price, 2004). In effect then, a key feature of 'performance management' is its integration of the organisation via a system of work targets for individual employees, with objective setting and formal appraisal at the heart of the process (Redman and Wilkinson, 2009). Accordingly, we may conclude that performance management is a relatively new term for an established managerial activity (i.e. management-by-objectives and performance appraisal). Though the terms 'performance management' and 'performance appraisal' are frequently used interchangeably, it can be argued that 'performance management' is more expansive than simply 'performance appraisal'. That is, the former tends to be associated with developments in areas such as coaching, 360 degree feedback, competency-based appraisal, performance pay and (more recently) employee engagement (Mone and London, 2009). Performance management also emphasises the ongoing nature of the staff management process. Related to this Torrington *et al.* (2008) point out that 'performance management' is increasingly seen as the way to manage employee performance, and has incorporated the appraisal\review process.

On this theme Armstrong (2009:9) suggests that performance management is a 'systematic process' for improving organisational performance, via the development of the performance of individuals and teams. That is, within an agreed framework of planned goals, standards and competency requirements it is a means of getting better results, as one manages performance in a manner which focuses on future performance planning and improvement. This process entails the provision of feedback and the assessment of an employee's progress and achievements, so that action plans can be prepared.

## **TABLE 1 - WHAT ARE THE OBJECTIVES OF PERFORMANCE MANAGEMENT SYSTEMS?**

- \* To review employee performance with a view to learning from experience.*
- \* To agree key objectives and explore ideas for the improvement of results achieved.*
- \* To assist job holders in analysing their own strengths and development needs.*
- \* To assist the employee in the identification of training needs and other remedial initiatives and in the assessment and advancement of their potential and career development prospects via the provision of appropriate supports including education, coaching, mentoring, counselling, performance improvement plans etc.*
- \* To secure feedback on how effectively the job holder has been managed or supervised.*
- \* To ensure that the job holder is fully aware of how management view his\her performance and contribution.*
- \* To assist with decisions relating to pay increases or new salary levels.*
- \* To maintain equity in the evaluation and treatment of staff, via usage of a standard performance review and a related appeals system.*
- \* To address the problem of sub-standard employee performance, and to assist with decisions in regard to staff retention. Ultimately this may support the organisation's defence against allegations of unfair dismissal or illegal discrimination.*
- \* To maintain an updated set of personnel records for such purposes as the familiarisation of new managers with the objectives, past performance, special problems or ambitions of 'inherited' staff; the validation of selection techniques and employee retention decisions.*

Source: Adapted from McMahan and Gunnigle (1994:11).

Grund and Sliwa's (2007) review of the practice across Germany confirms, performance management or appraisal is used for a variety of different purposes. The main objectives commonly associated with such systems are listed at Table 1. However from a practical perspective if the ultimate objective of all systems is to improve performance, then the essential, often unspoken, objective of all such systems is *to increase the employee's motivation in the desired direction* arising from their interaction(s) with the manager or 'performance manager'. In this regard it is notable that Houldsworth and Jirasinghe (2006:56) found from their survey of 216 U.K. private and public sector organisations that the systems' 'main driver was perceived to be around motivation'. In fact, when forced to choose between 'motivation' and 'measurement' (e.g. the 'scoring' or 'rating' of employee performance) , 71 per cent of respondents opted for 'motivation' as the more dominant driver behind the performance management process in their organisations.

Performance management systems are now standard in the top organisations in the private sector and right across the public sector around the world. Their value was underlined in a Saville and Holdsworth survey of large organisations operating in Britain, which discovered that sizeable majorities agreed that such systems are 'Very Good\Good' for reviewing past performance, setting individual objectives, improving current performance, determining bonuses, identifying training and development needs and motivating staff (Thatcher, 1996). Armstrong and Baron's (2004) subsequent survey also found that 62 per cent of line managers found such systems to be useful. Subsequently, the C.I.P.D.'s (2005) 'Performance Management Survey Report' found that 75 per cent of surveyed companies agreed that the practice motivated staff. More specifically, and perhaps consequentially, Campbell and Garfinkel's (1996) study concluded that firms that have effective performance management processes in place outperform those without such systems on several critical measures, including profits, cash flow and stock market ratings. Subsequently Bernthal *et al.* (2003) established that organisations with strong performance management systems are 51 per cent more likely to outperform their competitors on financial measures and 41 per cent more likely to outperform their competitors on non-financial measures (such as customer satisfaction, employee retention, and quality of products or services). A separate survey

undertaken by the American Institute Of Management and Administration found that over half of senior managers believe that performance appraisal is strategic to their business (Institute of Management and Administration, 2005).

The merit of the practice was also reflected in an Institute of Personnel Management (I.P.M.) survey undertaken in 1992, which found that many managers agreed that it had made a difference at individual and team level, and in particular adjudged it helpful in interpreting and evaluating their organisational roles (I.P.M., 1992). According to Armstrong and Baron's (1998:208) subsequent British-wide survey, 77 per cent of organisations regarded their systems as effective to some degree, whilst the review of employee and line managers' team leaders' opinions prompted their conclusion that it can significantly enhance people management processes and on the whole was liked - with the phrase 'quality time' frequently recurring. Notably their field research also found much more positive attitudes toward the practice than might be expected from the 'stereotyped views' of performance management as an inconsequential administrative and time consuming chore.

Using the Henley and Hay Group survey of top FTSE companies and public sector respondents Houldsworth (2003) reported that 68 per cent of organisations rate their performance management system's effectiveness as 'excellent'. Thereafter Armstrong and Baron's (2005) extensive U.K. review found that 75 per cent of respondents were in accord with the view that the practice motivates employees. Subsequently, Houldsworth (2007) reported that some 93 per cent of respondents claim to have been motivated to some degree by their last review discussion, which serves to support the motivational impact finding of Armstrong and Baron's earlier surveys (1998 and 2005).

Of course there is also a large and consistent body of research which confirms that setting targets, an integral part of the performance management process, is a powerful way of increasing motivation – and motivation is considered to be an important influence on performance (Bevan and Thompson, 1991; Torrington *et al.*, 2008). For example, many studies indicate that effective objective-setting type appraisals can increase employee goal achievement by as much as 30 per cent, whilst the value of the approach was underlined in an extensive review which



discovered that organisations introducing an appraisal or management-By-objectives system with a high level of senior management commitment, achieved average productivity gains of over 56 per cent, compared with average gains of just over 6 per cent in the case of organisations where such commitment was lacking (Rodgers and Hunter, 1991).

### **[Beginning of boxed feature: Stop and Think]**

Why do so many (voluntary and paid employment-type) organisations manage staff performance poorly?

### **[End of boxed feature]**

### **[A]Performance Management Pitfalls**

Performance management or appraisal type systems have long had their detractors, however. As far back as 1957 McGregor called into question the limitations of appraisers or supervisors 'playing god' and undertaking vague personality assessments (as opposed to focusing on job performance), whilst more recently the 'total quality' guru Deming (1986) described the process as the 'third deadly disease' of management. Indeed one might conclude that managers would drop the process entirely if they didn't have to make decisions about development needs, promotions, pay rises, terminations, transfers and admission to training programmes. U.K.-based surveys have exposed widespread dissatisfaction with such systems, revealing that between 68 and 80 per cent of organisations were unhappy with them (Bowles and Coates, 1993; Fletcher, 1993). Even in the U.S. it is reported that only 3 in 10 workers consider that their system actually improves performance (Osterman, 2005).

Why then do so many managers and their staff have reservations about the capacity of such systems to deliver the goods? In this regard we can identify 'seven deadly defects' commonly associated with the process.

#### Defect No. 1: Managerial Hostility

The reality is that senior staff and line managers who are hostile to their performance management and appraisal system do not fully understand or appreciate its purpose, and as a result don't co-operate in its proper implementation. If top management are

not committed to the system and process, it is hard to see how their line managers would be. In fact the evidence suggests that managers often have differing interpretations of such H.R. policies, as they are frequently ill-defined and the managers themselves are inadequately prepared for their implementation (Renwick, 2003). In practice then it is hardly surprising that Carroll and Schneier's (1982) research found that performance appraisals rank as the most disliked managerial activity.

### Defect No. 2: Staff Hostility

Second only to top management in ensuring the operation of a successful system is the support of the staff and, where appropriate, their representative association or union. This support is vital to both the initial introduction of a successful system and for its maintenance as an acceptable and useful going concern. Ideally staff should view the system as 'theirs'; as a mechanism that is likely to benefit them and requires their active co-operation.

However, according to Armstrong and Baron's (1998:85) study, appraisals are often 'disliked by employees and employers alike'. In the context of staff this is hardly surprising given that, as Price (2004:524) notes, some managers will be 'blunt and brutal' in their approach and may not produce any improvement in the employee's behaviour, but prompt 'sullen resentment and a reduction in quality of performance'. This perspective is reinforced by Marchington and Wilkinson (2005:196), who point out that employees who are disaffected or who have low levels of trust in their managers will not want to participate in the process. Those who feel themselves to be 'continuously observed' will feel that 'trust' is a hollow term. Related to this is the finding from the U.K. Investors in People survey that 'most staff don't trust their bosses' (Seager, 2007:28).

### Defect No. 3: Conflicting And Short-Term Objectives

There is a body of evidence which confirms that performance management encounters difficulties when used to address a number of objectives. For example this defect features in the IRS (2001) survey of such systems, which concluded that 'appraisal' is a victim of its own expectations, in that it is expected to deliver in too many areas. In particular this throws up the assessor\judge versus coach\counsellor

role dilemma experienced by many line managers obliged to address employee development and reward agendas at the periodic review meetings. The conflict in such scenarios arises from the fact that when used for reward related decisions (e.g. pay, promotion) whatever developmental impetus it is intended to have is threatened. Accordingly the reviewer\manager is expected to align the (practically incompatible) judge and counsellor roles at one and the same meeting. In these circumstances the job holder or interviewee is less likely to undertake a comprehensive self-assessment and may deny shortcomings in their performance, blame others or other factors, and\or insist that the shortcoming is of no significance – if the alleged failing threatens to affect pay increase or promotion decisions. Many reviewers will be reluctant to jeopardise their working relationship with a team member. Hence it's little surprise that Jawahar and Williams (1997) – in their review of 22 studies of this process – found that ratings\scores (awarded by managers to their staff under such systems) for administrative purposes (e.g. pay and promotion) were significantly higher than those obtained for research or employee development purposes.

#### Defect No. 4: Inadequate Interpersonal And Interviewing Skills

Problems associated with low-level **interpersonal skills** [**KEY TERM:** skills used by a person to interact in an appropriate manner with others. In the business domain the term generally refers to a manager's or employee's ability to get along with others while getting the job done. They are also described as people or communication skills, involving such techniques as active listening, appropriate questioning, use of empathy and right voice tone, body language and attitude fitting to the circumstances. In essence it is about how well one communicates and behaves or carries oneself.], human judgement and subjectivity are inherent to the performance management process and have long been associated with problematic appraisals (Maier, 1958, McGregor, 1960; Stewart, 1965). Over 40 years ago Kay et al. (1965) concluded that appraisees often see their appraisal meeting as an occasion when they have to accept whatever their appraiser says and then it takes a long time to get over the experience! Related to this, Wingrove (2003) subsequently concluded that appraisals frequently say more about the appraiser than about those appraised. According to Lawler (1994:17) it is an 'unnatural act' for managers, consequently if they are not trained properly it tends to be done rather poorly.

Redman and Wilkinson (2009) also agree that most managers are not naturally good at conducting performance appraisals.

This particular dimension featured prominently in Longenecker's (1997:213) large scale survey / focus group research project in the U.S., where 79 per cent of respondents adjudged 'poor working relationships' to contribute to the failure of their appraisal system, whilst 67 per cent of respondents adjudged 'the (*related*) lack of on-going feedback' to be a contributory factor. De Nisi et al. (2008) concur that across all cultures interpersonal relationships play a key role in the performance management process. In respect of the periodic performance review and developmental meeting, the key question is: was the interviewee more appropriately motivated when leaving the meeting? If the answer is 'Yes', then it's a win: win process. However if the answer is 'No' it is hard to expect improved performance or real development on the interviewee's part. As a result all parties, employee, manager, team\work group and the organisation, lose out.

#### Defect No. 5: Lack of Interview Follow Up

Reactions to the performance management system will be significantly influenced by whether agreements made in the course of the periodic review meeting(s) actually materialise. For example, the manager who promises to provide additional resources or some form of personal development option is unlikely to enhance the system's reputation (or their own!) by persistently failing to deliver on his or her part of the agreement. Of course such neglect fits with the widely held belief that the appraisal process is little more than the 'routinized recording of trivialities' (Barlow, 1989:500). Hence reviewers and reviewees go through the motions, sign off the forms and send them to a central H.R. department who simply file them away, rather than utilising the data in any meaningful way. In effect then, parties speedily glide through the process merely to keep the 'bureaucrats' in the HR Department off their back!

#### Defect No. 6: Failure to Evaluate or Review The System

Failure to monitor or review the performance management system and to make the necessary improvements is common. Complacency and comfort in a 'that's the way we've always done it around here' attitude may well prove to be both the system's and the organisation's undoing. Many organisations exist in an environment of rapid

change, where the systems that were adequate yesterday no longer serve their original purposes(s). For example, as Redman and Wilkinson (2009) point out, it would be 'clearly inappropriate' to expect those appraisal schemes operating ten years or so ago to be effective in many organisations today. This is an entirely valid observation given the emphasis in recent years on such practices as coaching, mentoring, 360-degree feedback, competencies, etc. Performance management systems cannot be allowed to remain static and become ritualistic exercises, as they will quickly fall into disrepute and be neglected where possible. Furthermore, some problems that start out small can wreak havoc on an organisation if they are not detected by a review process.

#### Defect No. 7: Complex System\Paperwork

Most managers already feel inundated with paperwork and many resent the further form filling associated with their performance management system. As Torrington *et al.* (2008) scathingly conclude, the forms 'are not living documents', and are generally stored in the archives of the H.R. department, as the issue of performance is neglected until the next round of performance review meetings. Redman and Wilkinson (2009) also allude to this tendency to produce overly bureaucratic systems, requiring participants to fill in large quantities of paperwork, albeit to little practical effect. The stark reality is that in many establishments the forms deployed for performance management purposes represent near 'death-traps' to the all-important manager-employee relationship. That is, they are so extensive that parties feel obliged to record all details of the working relationship, enabling the paperwork to resemble more of a 'lawyer's paradise' than a work-in-progress summary of the key features of an on-going and improving work relationship.

#### **[Beginning of boxed feature: Stop and Think]**

When was the last time you gave somebody feedback on an aspect of their performance or behaviour? What was their reaction? What would you do differently next time?

#### **[End of boxed feature]**

With reference to these deadly defects, Table 2 presents an extensive checklist of the key characteristics associated with successful performance management systems.

TABLE 2: CHARACTERISTICS OF SUCCESSFUL PERFORMANCE  
MANAGEMENT SYSTEMS

- A. *The system is actively supported by top management both in their practices and resource allocations.*
- B. *The system's objectives are clear, compatible, attainable and acceptable.*
- C. *There is consultation with all affected parties in the design and review processes.*
- D. *The system is job-related and fits with the organization's culture.*
- E. *Appropriately customised training programmes are provided for reviewers and reviewees, with refresher and specialised programmes available as required.*
- F. *The system in use incorporates a preparatory or self-assessment scheme type.*
- G. *The on-going performance management process and review meetings involve a joint approach to goal setting and problem solving.*
- H. *Set goals and targets involve both a quantitative and qualitative dimension.*
- I. *Performance is assessed inside an objective and balanced framework.*
- J. *The system is part of an on-going feedback process.*
- K. *The system is characterised by efficiency and results rather than bureaucracy and paperwork.*
- L. *The system is the subject of on-going monitoring and evaluation.*

Source: Adapted from McMahan, G and P Gunnigle (1994:8).

### **[A]The Performance Management Review Meeting**

Though it is ultimately an on-going every day process, performance management normally comes sharply into focus at the periodic **performance management review meeting** [**KEY TERM:** an assessment of an employee's work and/or development, undertaken at a fixed point in time, often used to determine the degree to which stated objectives and expectations have been reached, to set down objectives for the future and frequently bearing some relationship to promotion and/or pay rise\bonus prospects]. It is at this meeting that the employee's past

performance and development, current status, reward package and future work expectations and development or promotion prospects are discussed and a record made thereof, to be added to the employee's file for posterity. Given that this periodic meeting is potentially the most difficult 'interview' that the manager has to conduct it is well worth considering how to make it work. In brief, this meeting should ensure that the employee's motivation level is enhanced in an appropriate manner as a result of this all-important interaction with their manager. Accordingly the following guidelines will prove beneficial to the conduct of this crucial meeting.

### **[B]Before The Meeting**

- Reflect on the meeting's purpose by considering what you are trying to achieve. An appropriate response to this question would be: 'to increase the interviewee's motivation levels, to any extent, in the desired direction'. This is an especially important consideration in France, where it has been found that 'one very important goal in the Performance Management discussion is not to damage the personal relationship' (Barzantny and Festing, 2008: 161).
- Agree a mutually convenient time - and set aside lots of it. As Philp (1990) notes, leaving insufficient time for a proper discussion to take place is one of the most common problems associated with review meetings.
- Encourage the interviewee to prepare for the meeting. It is now common for interviewees to document and submit a self-review or assessment form to their reviewer prior to the meeting.
- Plan a provisional interview structure. This ensures that all relevant matters will be dealt with, whilst allowing appropriate deviations from the 'main road' as required.
- Agree the venue. It may even be appropriate to locate the meeting in the interviewee's office (if they have one) or to avail of a neutral venue.
- Having agreed the venue it is now time to prepare the setting or layout. The manner in which a room is laid out conveys messages to people about such matters as the power relationship between the parties.
- Check the role profile or job analysis documentation, what the job entails in practice (including the required performance standards), form(s) from

previous meeting(s), objective(s) agreed at the previous meeting(s), concrete examples to support the feedback, other (appropriate and substantiated) views, what training/development has, and/or can be provided and potential objectives for the next period.

### **[B]During The Meeting**

- Establish rapport. This entails nothing more complex than 'breaking the ice', as the reviewer tries to relax the interviewee.
- Outline the objective of the interview and the proposed agenda for the meeting.
- Take notes. A vital part of the performance review process is recalling what the reviewee said after the meeting is over. Memories are notoriously unreliable, not only do most people forget quite quickly but they also tend to remember selectively.
- Start the interview proper by giving the appropriate positive feedback. The value of positive reinforcement for the maintenance of desired behaviour is a long and widely accepted fact. As Grant (2006:47) confirms 'research reveals that optimal functioning normally involves a 4.5:1 ratio' of positive comments to negative. This recommendation is supported by Swinburne (2001) who advises a balance of 80 per cent positive feedback to 20 per cent negative (i.e. constructive criticism).
- Get the interviewee to self-review and prescribe for themselves - as much as possible. The effective application of this technique is the real key to success.
- Listen as much as possible. A good reviewer can spend up to 85 per cent of the review meeting listening. By asking appropriate open (e.g. why? what? how?) and probing questions, inside the agreed agenda, the reviewer can still direct the discussion to the most relevant issues, whilst clarifying and reflecting are also useful techniques for getting the interviewee to elaborate as required.
- Don't prejudge or argue over issues. By prejudging or making your mind up without looking for the other side of the story - you are in breach of the principles of natural justice. That is, the reviewee has every right to state their case or side of the story.



- By maintaining eye contact and giving appropriate positive feedback (verbally and non-verbally), the reviewer displays an interest in the interviewee and encourages them to talk (and open up).
- Take time and don't be afraid to use silence when appropriate.
- Focus on facts relating to job performance, not personality.
- Review past performance and S.M.A.R.T. (i.e. Specific, Measureable, Agreed, Realistic and Timed) objective(s), and set new S.M.A.R.T. objective(s) for the coming review period.
- As with any important meeting it is advisable to summarise the key (incl. the action) points at the end. However it may prove enlightening to encourage the interviewee to summarise first - and then get them to focus on their crucial omission(s), if any.
- If it hasn't been done during the meeting, complete the form, or make appropriate arrangements with the interviewee in respect of this task. One option is for the reviewer to complete the form after the meeting. This allows them to reflect on what was agreed and to find the appropriate wording to reflect it, before passing the form to the interviewee for their approval or signature.
- The reviewer should look for feedback on him or herself.
- Conclude on a positive note. If the reviewer adheres to these guidelines they should have reason to.

### **[B]What Should You Do After The Meeting?**

- The reviewer and reviewee should be satisfied that the completed form is a fair and accurate reflection of the meeting. If so, the relevant form can be signed off.
- Both parties should endeavour to do what they said\agreed they would do.
- Complete the diary in regard to follow-up reviews or agreed actions, including those areas that warrant monitoring over the review period. The link with the pay review is also worthy of consideration at this stage. Whilst performance rewards are normally given through a separate process from that of the performance reviews, the message at both meetings should be consistent.
- Ensure that the interviewee and other authorised parties sign and secure copies of the form or that the designated on-line computerised facility is utilised appropriately.

### **[Beginning of boxed feature: Stop and Think]**

When was the last time you received feedback on an aspect of your performance or behaviour? What was your reaction? Why? What would you do differently next time?

### **[End of boxed feature]**

### **[A]Feedback**

Feedback is the most effective way for the employee to learn more about her\himself and the effect that their behaviour has on other people. On receipt of such feedback the reviewee can assess its value, the consequences of ignoring/using it and decide what to do, if anything, as a result of it. If they are not open to it and do not receive it, their scope for learning and development is significantly impaired. Having set down the essential best practices associated with the provision of feedback above, the following guidelines pertain to the reviewee's receipt of feedback:

- Listen carefully to the feedback, rather than immediately rejecting or arguing with it. Whilst it may be uncomfortable to hear, the reviewee is better off knowing what the other person thinks.
- Ensure accuracy in the receptivity of feedback. To protect against misinterpretations or inaccuracy, it is useful to paraphrase and comment on the relevant observation(s) - rather than jumping to conclusions or becoming defensive.
- Take time to consider a response.
- Ask others – especially associates or friends that can be trusted to 'talk straight', as opposed to those who will say what they think you might like to hear.
- The reviewee can now decide whether they agree or disagree with the feedback and respond accordingly.
- Ask for feedback. Feedback is so crucial that if you are not getting it, it is entirely appropriate to ask for it. This applies to seeking feedback on all work and developmental issues of relevance or importance to the employee. Feedback is an important part of learning.

As part of the preparatory work for the review meeting it will also be beneficial for the employee to consider the following questions:

- What is the overall objective of my work?
- Why does my job exist?
- What are my key task or result areas?
- What are the key competency requirements for my job?
- Does the job description and/or role profile accurately capture the demands of my job?
- Is the way my job is designed in need of any revision?
- What did I contribute to the team\section\department\division\organisation during the year?
- Did I achieve my objectives? How?
- What were my successes or achievements? What did I learn from them?
- Had I any difficulties in achieving my objectives or meeting the performance standards?
- What were they and what should be done to address them?
- Did the agreed training plans materialise? Why?
- What skills did I acquire/strengthen over the review period?
- Is maximum use being made of my skill set? If not, what should be done?
- What aspects of my job gave me most satisfaction?
- What will my job and its objectives be in the coming year?
- Are these objectives prioritised and S.M.A.R.T.?
- What can I contribute to the team\section\department\division\organisation? What exactly needs to be achieved?
- How well is it being achieved?
- How could things be improved?
- What do I want to achieve for my personal development? What are my ambitions? What are my future plans? How do I want to develop my career?
- What will I do to develop it? What can my manager\the organisation do?
- What support and/or training do I need?
- Are there any other issues I want to discuss?
- Have I any suggestions to improve the way my job is done?
- Have I any suggestions to improve the way other jobs are done?

- In what way could my performance be improved? Can I or my manager assist in this regard?

### **[A]Training for Effective Performance Management**

The provision of a professional training programme is recognised as central to the attainment of a successful performance management system (Davila and Elvira, 2008). The value of training is reflected in the fact that American and British surveys have found a correlation between successful or effective systems and the provision of management training in the area (Special Correspondent, 1990). Furthermore, an extensive review of research in this area indicates that proper training can be highly effective in reducing the extent to which appraisers fall into the most common traps (e.g. arising from inadequate interviewing skills) and in bringing substantial improvements to the level of objectivity in the process (Latham and Latham, 2000).

If the appraisal process is to be seen as more than a form-filling exercise effective training for the competent provision and receipt of feedback and the procurement of commitment to objectives and future plans is crucial. Well resourced, designed and conducted training programmes give reviewers confidence in their ability to address issues and to handle the tricky scenarios which present themselves at review meetings and in the course of standard manager-employee interactions under the performance management system. Hence the importance of the training intervention for those managers identified by Bowles and Coates (1993) as having a strong task or work orientation but poor people skills. The equally important matter of the training of reviewees is frequently overlooked (McMahon, 2009). In this regard the value of informing staff as to the system's objectives and mechanics, their role therein, best practice in the receipt of feedback and the case for the use of relevant assertiveness skills in their interactions with management should not be underestimated.

### **[A]The System's Design\Re-Design**

According to Redman and Wilkinson (2009:180) performance management systems cannot be 'simply 'borrowed' from one organisation and transplanted in another'. Having reviewed international practices, DeNisi et al. (2008:260) agree that what is important is that organisations do not copy something that has worked somewhere

else. They elaborate that visitors to India will find that the menu at McDonalds does not include its 'classic hamburger' – instead the chain sells vegetable burgers. This 'Indianization' of the hamburger is exactly the approach prescribed in respect of performance management systems. That is, it is not a case of 'one size fits all'. Each organisation's system should be designed to cater for its unique characteristics and culture (e.g. the system's objectives, the organisation's sector\business, employee roles\categories, the employment sector, jurisdiction).

Too often systems flounder due to a failure to adequately define appropriate objectives, to consult and involve the affected parties in the conception, design\re-design and implementation phases and to market the practice as a worthwhile activity. At the design\re-design and introductory phases care must be taken to ensure that all relevant views are elicited, helping ensure that the proposed system fits with the organisation's culture. Consultation with all parties on the proposed system helps in this regard and proves invaluable in gaining acceptance of - and adherence to - the final product, whilst ensuring that it fits the corporate culture. All reviewers, reviewees, sections or divisions with responsibility for acting on any of the outcomes of the process (e.g. training, payments) should be provided with the opportunity to make an input to the design (or redesign) process, either en masse or via a representative sample of their cohort.

A practical option in this regard is the formation of a representative working group with terms of reference and responsibility to make specific proposals in respect of:

- Objectives: What should the system's objectives be?
- Coverage: Exactly who is to be covered by the system(s)?
- Scheme Type(s): What performance management or appraisal scheme or combination of schemes should be used?
- Variation By Category: Should there be different objectives and scheme types for different staff categories?
- Assessment Criteria: Exactly what will be assessed\appraised?
- Frequency: How often should interviews be conducted?
- Paperwork\Format: What documentation (i.e. form(s) and explanatory booklet) should be prepared and in what format (i.e. 'soft' or 'hard' copy)?

- Access: Who should have access to what documentation?
- Appeals: Is there to be an appeals system?
- Responsibility: Who will have responsibility for follow-up actions arising from the review meetings?
- Monitor: Who will monitor the system to ensure that it's 'alive'?
- Pay Link: How will the system relate to the organisation's remuneration system?
- Training: Who will training be provided for? (i.e. reviewers and/or reviewees?)
- What will the duration and content of the training be?
- Pilot\Trial: Should the proposed system be introduced on a pilot or trial basis?
- Title\Name: What should the system be called?
- Reviewer(s)\Reviewee(s): Who reviews whom?
- Legal Status: Will the system stand up to legal challenge(s)?

### **[A]Scheme Types**

There is a wide range of performance management or appraisal type schemes to choose from. The options selected will certainly influence the mechanics and success or otherwise of the whole system. Consequently the selection decision should be taken after a detailed consideration of the merits and demerits of the various schemes available (see McMahon, 2009). The most commonly used scheme types are objective setting, rating scales, self-appraisal and competency-based assessment, whilst 360 degree feedback type systems are notable, albeit less widely applied. These scheme types are explained below.

Objective setting technique entails the assessment of staff based upon whether agreed goals and objectives have been met. As a performance management scheme type it is derived from the Management-By-Objectives (M.B.O.) system, through which the organisation attempts to ensure that its overall performance is managed systematically via the linkage of organisational, divisional\departmental, team and individual employee goals. Research indicates that this is the most popular of scheme types, with one review of British practice reporting that 89 per cent of their respondents measured employee performance against objectives or goals (IRS, 2005). In 1979 Latham and Locke concluded a 14-year research

programme into goal setting as a motivational technique. Arising therefrom they asserted that the level of production in the companies they surveyed had increased by an average of 19 per cent. Shortly thereafter Locke et al. (1981: 145) concluded that the beneficial effect of goal setting on task performance is 'one of the most robust and replicable findings in psychological literature', with 90 percent of studies finding positive effects arising from the process. The value of this approach was also reflected in another extensive review which discovered that organisations introducing an appraisal cum Management-By-Objectives system, with a high level of senior management commitment, achieved average productivity gains of over 56 per cent, compared with average gains of just over 6 per cent in the case of organisations where such commitment was lacking (Rodgers and Hunter, 1991).

Rating scales take a variety of forms, though the basic model involves furnishing the reviewer with a list of job qualities or characteristics upon which they then evaluate staff. It is the reviewer's job to assess the degree or level to which the employee displays these qualities. Typical qualities or characteristics to be rated include work quantity and quality, ability to learn new duties, initiative, co-operation, judgement and acceptance of change. There is no evidence that any single approach to the rating scale technique is superior to any other. For example, after a review of 200 studies on the matter Landy and Farr (1983) concluded that all the different formats were equally good or equally bad! That is, no one approach is clearly superior to another. Chief amongst the criticisms of this scheme type is 'leniency' in its application (i.e. the award of high ratings) (McMahon, 2009 and 2012).

Self-appraisal normally requires the appraisee to complete a self-appraisal or assessment report, addressing a range of questions about their work performance and development needs. It is normally undertaken prior to the review meeting with the supervisor. Research into 'best practice' on this scheme type has found that self-appraisal should be a feature of any well-designed system (Fletcher, 2004).

Competency-based appraisal is a mechanism that allows for staff to be appraised on the competencies or observable skills or abilities that are most important to job success. The key competencies associated with high performance may also be incorporated into the organisation's selection, training and development systems.

Though competency based appraisal does provide some scope for comparing people, its real strength is in analysing the progress of the individual and in directing attention to those areas where skills can be improved. That is, this scheme type helps employees recognise their strengths and development needs and is valuable for evaluation and management development purposes. The evaluation of competencies that are central to effective job performance provides a good focus for evaluating an employee's progress on the job and directing attention to those areas where there is scope for improvement. However it is a costly scheme type to design, implement and update, and is geared more toward development – and recruitment and selection - than actual performance assessment.

360-Degree appraisal takes a variety of forms. It is also known as multi-rater or multisource feedback, with the feedback provided by peers, supervisors customers, suppliers and/or other interested stakeholders. It can also entail 'upward feedback', where managers are given feedback by their direct reports. The results from 360-degree feedback are most commonly used for training and development purposes, though some use them for administrative decisions, such as pay or promotion (Toegel and Conger, 2003).

### **[A]System Evaluation**

Performance management systems are often accorded little priority in the organisation once they have been introduced. That is, having implemented the system and (perhaps) provided the relevant training, the system is allowed to 'sink or swim'. Yet the introduction of a system may well prove to be a backward step, unless it is constantly monitored, nurtured and reviewed or redesigned. Few organisations make any formal attempt to monitor or measure the success of their systems. For example, it has been estimated that less than half of U.S. based organisations undertake a formal evaluation (Milkovich and Wigdor, 1991). Likewise Armstrong and Baron's (1998) survey of British practices found that less than half of their respondents claimed to formally evaluate their systems. To exacerbate the problem, most of these used informal verbal methods, prompting the researchers to call into question the validity of the feedback. In contrast, it is recommended that a consultative review undertaken by a representative working group – charged with responsibility to review and redesign the system - is more appropriate. The three



main evaluation techniques used for the purpose of assessing the operations of the performance management or appraisal system are the analysis of written reports (i.e. the periodically completed forms), interviews (with reviewers and reviewees) and the administration of questionnaires to these participants (see McMahon, 2009). Any combination or variation of these can also be deployed.

## **[A]Coaching And Underperformance**

**Coaching** [KEY TERM: the practice of supporting an individual through the process of achieving a specific personal, professional or work-related result] is based on the premise that we all have talents and abilities that are unrealised. It is primarily a training and development function whereupon skills and knowledge are imparted. The structure, styles and methodologies of coaching are numerous, but are predominantly facilitating in style; that is the coach mainly asks questions and challenges the individual to find answers from within himself/herself based on their values, preferences and unique perspective. The need for coaching can arise from formal or informal performance reviews, but can also feature as part and parcel of normal day-to-day activities across a range of work and leisure time activities (e.g. in sport). The surge in coaching practice has been driven by a range of organisational and societal trends, such as the globalisation of business and rapidly changing and increasingly competitive marketplaces (de Geus and Senge, 1997). Research confirms that coaching is now a popular management tool, due to its capacity to deliver results (Bresser and Wilson, 2006). It is estimated that between 70 and 80 per cent of U.K. employers now use coaching in their workplace (Hall, 2009). Reflecting its growth, Cunneen (2009) points out that there are at least 10,000 external coaches at work in the U.S., whereas the figure stood at 2,000 in 1996. Of course, central to the success of the process is acceptance of the fact that 'the quality of the coaching relationship is the single most important determinant of success in coaching' (Howe, 2008).

Given workplace realities, coaching for improved performance normally arises and focuses upon the employee(s) whose performance has fallen below the minimum acceptable standard for the role. As Howe (2008) highlights, based on U.K. evidence, coaching is used predominantly by line managers for remedial purposes

(in 74 to 80 per cent of cases). The process is initiated by line managers and supported by the Human Resources function, whilst occasionally availing of the organisation's Employee Assistance Programme's expertise. In many organisations it takes effect when the underperformance is prolonged (e.g. consequent to a series of unsatisfactory quarterly reviews or an unsatisfactory annual performance review meeting). Whilst all cases are individually assessed, the most common product in such circumstances is some form of Performance Improvement Plan (P.I.P.), commonly scheduled to take effect over a 3-month period. The P.I.P. process normally entails:

- Getting the employee's agreement that a performance problem exists.
- Mutually generating and discussing possible solutions.
- Evaluating and agreeing actions steps.
- Ensuring that the individual understands that improvement is his/her responsibility and the consequences of failure to give effect to the agreed solutions.

In reality the link between the performance management system and coaching most commonly materialises in 'underperformance' type scenarios, though it can also be applied to high potential staff that perform short of their potential. In such settings, the G.R.O.W. model has attracted much attention. Indeed this model has been central to 'best practice' coaching for some time, recommending that answers be given to the following questions:

Goal(s) – What is it that the employee really wants? What are the goals for future performance?

Reality – Where are they now? What is the reality in respect of current performance?

Options – What could they do? What are the options for closing the gap?

Will – What will they do? Is there a will to commit to a relevant action plan?

To maximise the benefits of the G.R.O.W. model it is advisable that the:

1. Feedback take place privately and as quickly as possible after the event.
2. Employee be encouraged to do the talking.

3. Relationship is based on trust. For example, in the feedback session a partnership approach should be adopted, showing that the coach is on the employee's side, trying to help and support them. In problem performer cases the mindset saying: 'We've got a problem' is preferred to the one saying 'You've got a problem'.
4. Diagnosis precedes the prescription, via active listening and trying to understand.
5. Session is guided toward action points.

In fact many of the skills outlined in the Performance Management Review Process section are integral to the G.R.O.W. model and effective coaching practice.

### **[A]Conclusion**

The search for the perfect or infallible performance appraisal or management system goes on – and will continue to do so. However given the merit associated with the practice (as noted at Table 1 above), there is good reason to continue this search. The range of obstacles to the effective operation of performance management in practice and how they might be overcome is detailed in the Performance Management Review Process section. The application of those characteristics associated with successful systems (set down at Table 2 above) should help in this process. Of course the key determining factor of a system's success is the capacity (and preparedness) of individual managers or reviewers to apply appropriate interpersonal skills, serving to build and maintain manager:employee trust levels and to translate this into a motivational work environment. In brief, the real 'acid test' of the good performance management manager is whether arising from their interactions with staff – especially the periodic review meeting – employees leave more motivated than they arrived! In acknowledgement of this reality, the Performance Management Review Process and Feedback sections offer a host of practical guidelines for reviewers and reviewees, enabling them to get the best from their periodic interactions under the performance management system. Given that the necessary skill-set associated with such interactions does not come naturally to all players in the process it is notable that there is a correlation between the provision of appropriate training and successful systems.

Of course the priority and consequent resources that the system is accorded by the organisation is also of considerable importance. In an environment of rapid change

the system should not become distorted or fall into disuse over time. The extent to which parties manage, monitor and modify it as required is also a key consideration. Even in the case of on-going organisational stability, checks may be required to ensure that managers have not become complacent about their people or performance management duties.

Despite extensive consultation and training, and the cultivation of a supportive attitude amongst participants, many practical problems will continue to surface. The ability to anticipate, prepare for and deal with such problems via on-going monitoring and evaluation constitutes a key ingredient in the attainment of the successful system. And yet the practical reality is that effective or successful performance management entails 'informal' performance management, with on-going feedback and discussion proceeding on a continuous basis as quite simply 'the way we do things around here'. The importance of this mindset is particularly pronounced in an uncertain or hostile economic environment, where underperformance cannot be tolerated and effective coaching (and mentoring) enables staff to adapt to on-going changes and to rise to the range of challenges (and opportunities) now confronting them. Allied to the range of progressive human resource management practices outlined in this text, performance management can make an immense contribution to this process.

### **[A]Chapter Review Questions**

1. Your HR Director is unhappy with the organisation's system for 'the management of underperformance'. She believes that in the event of persistent unsatisfactory 'performance reviews' there should be a formal system for tackling the problem. Advise her.
2. Why should the Human Resources Manager consider re-designing or modifying her\his organisation's performance management system?
3. What relevance has the practice of 'coaching' to a performance management system? What are the key contributors to the art of effective coaching?
4. Your organisation's performance appraisal or performance management system is currently in disrepute with both management and staff. In your capacity as the Human Resources Manager detail how you would proceed with an evaluation and redesign of the existing system.

5. You have been asked to address your organisation's board\executive on the subject of: 'The Case For Introducing Performance Management To Our Organisation'. Outline the key points that you will make in your address in support of this case.

6. You have been asked to address your organisation's board\executive on the subject of: 'Why Does Performance Management Fail'. Outline the key points that you will make in your address in support of this case.

### **[A]Further Reading**

McMahon, G., (2009) *SUCCESSFUL PERFORMANCE MANAGEMENT: EFFECTIVE STRATEGY, BEST PRACTICE AND KEY SKILLS*, Liffey Press: Dublin. This source provides a wide range of practically-oriented aids associated with the pursuit of successful performance management. It is especially strong on the 'nuts and bolts' of annual (incl. pay) review meetings and the conduct of coaching sessions.

Varma, A., Budwhar, P. and DeNisi, A., (2008) *Performance Management Systems: A Global Perspective*, Routledge, London and New York. This source provides an impressive review of performance management and a host of associated practices, as deployed (with varying degrees of success and moderating factors) across different international and cultural contexts.

Houldsworth, E. and Jirasinghe, D., (2006) *MANAGING AND MEASURING EMPLOYEE PERFORMANCE*, Kogan Page, London. This is a useful body of work that serves to effectively strike a balance (and integrate) the range of theoretical and practical considerations associated with performance management.

Toegel, G. and Conger, J. (2003) "360-degree feedback: time for reinvention", *Academy of Management Learning and Education*, Vol. 2, No. 3, pp. 297-311. This journal article provides valuable insights as to why 'good ideas' don't always translate into 'good practice', the pertinence of the 'human' factor and considerations associated with successful performance management practices.

## **Useful Websites**

<http://www.opm.gov/perform/plan.asp>

This website is maintained by the U.S. Office of Personnel Management. It provides an extensive and comprehensive series of linkages or guides to the practice of setting performance expectations and goals for groups and individuals, to enable them to channel their efforts toward achieving organisational objectives. It also includes sample measures to be used for determining whether expectations and goals are being met. In this regard much emphasis is placed upon the process of involving employees in the planning, helping them understand the goals of the organization, what needs to be done, why it needs to be done, and how well it should be done.

<http://www.tbs-sct.gc.ca/tou/pmc-dgr/intro-eng.asp>

This website is maintained by the Treasury Board of Canada Secretariat. It constitutes a comprehensive source of practical information on all of the key features associated with performance management, including the approach to the practice, its application to probationers, its role in dealing with underperformance and its relationship to the disciplinary process\procedure.

<http://www.pmia.org.au/>

This website is maintained by the Performance Management Institute of Australia. The Institute's mission – as reflected in the extensive range of information and tools provided on the site - is to promote the 'World's Best Practice' in 'Employee Performance Management' to Australian businesses, corporations, not for profit and government organisations. The site provides up to date research, news and information on the state of Performance Management around the world.

<http://hrweb.berkeley.edu/performance-management/tools>

This website is maintained by the Human Resources Department at the University of Berkeley, California. It offers visitors an impressive array of tools and resources designed to help managers and supervisors to engage effectively with the performance management or evaluation process. In addition to the practically-oriented toolkit, it offers guidance on the planning, checking and assessing phases of the performance management cycle, together with sample forms, rating scale descriptors and an outline training programme.

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[Start of boxed feature: HRM in the News]

## **PERFORMANCE APPRAISAL IS NOT DOING THE BUSINESS**

If the content of two recent press reports is anything to go by, the status and merit of performance appraisal or management initiatives is now under real pressure.

Firstly, Bayt.com has revealed a trend towards inadequate and irrelevant performance appraisals in Middle Eastern workplaces. A series of polls across the Middle East reveals that despite the fact that 71% of all workers received either a quarterly, half-yearly or yearly performance appraisal, exactly half of them stated that they got no real feedback on how they were doing, while 14% stated that though they had an informal meeting with their boss, 'that was it!' The polls - undertaken across the Middle East over the 2008\2009 period - found that 43% of respondents felt that appraisals served no purpose. This contrasts with the 35% of respondents who thought that their company's system was effective - while 22% believed that some changes in the process were required.

Notably this chastening verdict was reached despite the fact that the majority believed that regular performance appraisals were important to help supervisors evaluate employee performance factually and objectively.

Reflecting on the data set, Amer Zureikat, Regional Manager, Bayt.com. explained that: "Performance appraisals are a hugely important element of career development and progression and can go a long way in addressing an employee's individual issues or concerns about the workplace, and can act as a tool for both employer and employee to address such issues and deal with them head-on".

In a separate survey, undertaken by H.R. consultants Watson Wyatt, only three out of ten American workers agree that their company's performance management system did what it 'says on the tin' (i.e. improve performance). To make matters worse, the same source reports that only two out of ten workers agree that their company helps poorly performing workers to improve.

The American survey of 1,190 workers (in 2004) found that nearly two-thirds of employees felt that their appraisal assessment was accurate. However, only 30% gave the system good marks for its capacity to help them to improve performance. It is also disconcerting to note that less than 40% concurred that their system established clear performance goals, generated honest feedback or capitalised on technology to streamline the process.

Having analysed the data set, Dr. Scott Cohen (Watson Wyatt's National Director for Talent Management) concluded that: "The survey results clearly indicate that corporate America's performance management systems need fixing ... unfortunately, too many organizations view their performance management programs as 'organizational wallpaper.' They exist in the background and aren't expected to add value".

**Sources:** <http://www.bayt.com/en/press-release-article-3441/>

<http://www.watsonwyatt.com/render.asp?catid=1&id=13032>

#### **Questions:**

1. What are the main pitfalls or problems associated with performance appraisal or management systems?
2. What are the most appropriate means of addressing these pitfalls or problems?

**[End of boxed feature]**

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## **PERFORMANCE APPRAISALS DON'T SERVE ANY PURPOSE, SAY 43% OF JOB SEEKERS**

Bayt.com has revealed a trend towards inadequate and irrelevant performance appraisals in the region's workplaces, following a series of polls carried out on employees across the Middle East. Interestingly, despite 71% of all workers receiving either a quarterly, half-yearly or yearly performance appraisal; 50% stated that they had no real feedback on how they were doing, while 14% stated they had had an informal meeting with their boss, but 'that was it'.



What's more the polls found, 43% said that performance appraisals served no purpose, compared to 35% of respondents who thought that their company's system was effective, while 22% believed that some changes in the process were required. The performance appraisal online poll series conducted by Bayt.com sought to gauge the levels of employee satisfaction towards their workplace's appraisal system.

According to the poll, the respondents didn't believe that appraisals in their company necessarily led to improved performance, with 46% stating that it didn't, and 31% said that appraisals occasionally do. This is set against a backdrop of the majority of employees who believe that regular performance appraisals were important to help supervisors evaluate an employee's performance factually and objectively, compared to 11% who said that it made no difference.

"Performance appraisals are a hugely important element of career development and progression and can go a long way in addressing an employee's individual issues or concerns about the workplace, and can act as a tool for both employer and employee to address such issues and deal with them head-on," stated Amer Zureikat, Regional Manager, Bayt.com.

"It is well known that performance appraisals are an intrinsic part of employee development, and in the Middle East's dynamic work places, employers can gain a competitive edge by nurturing and mentoring their staff, through regular discussions and meetings about their progress. The fact that 28% of employees do not receive an appraisal - especially in today's economic climate - seems unthinkable. This kind of data can be very useful for HR professionals and industry stakeholders, by serving as a relevant indicator of what employees really think about something as simple as an appraisal," he added.

The polls additionally looked at the reasons why employees have changed or will change their jobs. Interestingly, the majority at 26% cited that they quit their last job for a better salary, and 28% said they would change their current job in search of better wages.

"The discussion about salary is a highly important part of the performance appraisal, so this data suggests that better, more frequent and more relevant discussions about salary in terms of performance, may encourage less workers to seek different employment if they're clear about what benefits and raises they can look forward to in the future, if their performance improves," commented Zureikat. 'Bad management' and 'to gain more career development opportunities' also featured highly as main reasons why people do and will continue to change jobs.

Despite the present economic situation or perhaps because of the resulting uncertainties, when asked how long they intend to stay in their current jobs, the majority of respondents at 37% said they would like to move in the coming 12 months and another 11.5% indicated they expect to remain between 1 to 2 years only. Only 20% indicated they expect to remain in their current jobs "indefinitely".

By contrast, a separate poll that asked respondents what is the maximum length of time they "expect to stay with any company" saw the vast majority, 32.5% of respondents, indicating that they expect to stay "indefinitely". Another 25.5% indicated they expect to stay "at least 5 years". This data suggests that while professionals ideally aspire to long-term positions, they are not satisfied in current roles and are not finding the combination of variables, circumstances and conditions they need to settle down in their roles for the long term. Zureikat explained the relevance of the data. He said: "These figures can be of huge benefit to all employers, HR practitioners and recruitment websites, as it offers a general overview of what companies can or should be doing better to not only develop and train their employees, but also to retain them at the company. In the future, this could mean the difference between having high attrition rates within an organisation, and having a loyal workforce that are ready to stay for the long-term."

Data for the performance appraisal series of polls was collected online between the period of 27th October 2008 and 4th January 2009.

Source: AMEinfo.com – The Ultimate Middle East Business Resource  
[www.ameinfo.com](http://www.ameinfo.com), Wed. Jan. 28<sup>th</sup>, 2009.

**Questions:**

1. What are the main pitfalls or problems associated with performance management systems?
2. What are the most appropriate means of addressing these pitfalls or problems?

**[End of boxed feature]**

**[Start of boxed feature: Building Your Skills]**

1. Select anyone that you are associated with on an ongoing basis. Ask them if they would like to talk with you about a specified aspect of their performance or behaviour. If they agree, plan your approach to the provision of this feedback. Apply it. What went well? What could have gone better? What would you do differently if you were approaching this subject again?
2. Select anyone that you are associated with on an ongoing basis. Ask them if they would give you feedback on a specified aspect of your performance or behaviour. If they agree, plan your approach to the receipt of this feedback. Apply it. What went well? What could have gone better? What would you do differently if you were approaching this subject again?

**[End of boxed feature]**

**[Start of Boxed feature: Active Case Study]**

**PERFORMANCE APPRAISAL AT THE COOL CALL CENTRE LTD.**

The Cool Call Centre Ltd. has been in operation for the past 15 years. It is located in New York in a large multi-storey building, with 350 hourly paid employees spread over 5 floors. Its purpose is to receive and transmit a large volume of requests by telephone, providing product support and dealing with information inquiries from consumers. Outgoing calls for telemarketing, product services and debt collection

are also made. In addition it operates a 'contact centre' where there is collective handling of letters, faxes, live chat and e-mails for a wide range of clients.

The company operates a performance management or appraisal system for all staff. It is primarily a rating scale system, where managers score workers on a scale of 1-10 under 10 criteria:

- Quantity of Work
- Quality of Work
- Attendance
- Expertise
- Telephone\Communication Skill
- Teamwork
- Initiative
- Reliability
- Determination & Flexibility
- Honesty\Integrity

The assessments entail a face-to-face meeting between each staff member and his/her manager or team leader twice per annum. Arising therefrom the maximum score available per employee under the system is 200. The score attained at these meetings by each employee is the main determinant of their annual bonus payment. Naturally all of the employees push for the award of the highest score at these meetings. Some managers comply with this and some do not. Notably the exclusive focus of these meetings tends to be the scores awarded. Frequently the meeting descends into a negotiation process between the two parties, as the reviewer tries to reduce the scores being awarded whilst the reviewee tries to increase the scores being awarded. This process is compounded by the nature of some of the criteria being assessed.

As a result the Human Resources department applies a 'calibration' technique which serves to 'average out' the scores across the company. It does this by collecting the scores awarded for each employee, calculating the company-wide average and the average for each section therein. It then adjusts the individual scores awarded for

each employee in each section by the requisite amount to bring it into line with the company average. As a result, if the section's average was 180 and the company average was 150, each employee in the section would have his/her average reduced by 30 points. Likewise if the section's average was 150 and the company average was 180, each employee in the section would have his/her average increased by 30 points. Accordingly the bonus payments are awarded based upon the revised scores.

In the first couple of years of the system's operation, the scores awarded were so high that the company board had to intervene to reduce the total bonus allocation by nearly 33 per cent. At that time the system operated on the basis that the higher the score the higher the overall company bonus pay-out. Under the current (revised) version of the system the board decides on the total amount available annually for bonus purposes, which is then allocated on the basis of the revised scores.

As a result of the various revisions, the performance management or appraisal system is held in very low regard by both employees and their managers or team leaders. The feeling amongst managers is that there's no point in giving accurate assessments, and the higher the score they award the better for staff: management relations. However the scores they award seem to bear little resemblance to the eventual bonus pay outs. Likewise the employees are very frustrated with the system. This was one of the reasons that the employees sought permission for the formation of a staff association nearly two years ago. This request was denied.

Alongside this frustration, there is also a strong feeling amongst top management that the incidence and extent of underperformance in the company is unacceptably high.

In your capacity as a Human Resource management consultant you have been asked by the company to advise on the best way to proceed, enabling the Cool Call Centre Ltd. to benefit from an acceptable and effective performance management system. Advise them.

**[End of boxed feature]**

## **CASE STUDY ANALYSIS**

The primary objective of this case study is to alert students to the fact that there is no one 'best' system of Performance Management or Appraisal. Accordingly if a system is to be introduced or redesigned, it should fit the context and key requirements of all parties – that is, be jointly designed, monitored and reviewed. So to get the best out of the process from all perspectives, a joint approach is most appropriate. The mechanics and issues for consideration are set out hereunder.

For the purpose of designing an appropriate system it is recommended best practice that having decided at top management level on the 'business case' for a system, a consultative or working Group, with minimal, yet appropriate, representation of all parties to be affected by the system, be established. It is appropriate that the people who have to work the system should make an input to its design. This helps to ensure their commitment to the system, and that it is constructed in line with the organisation's culture and context. This representative and participative approach enables the alignment and integration of the business, human resources, reward and related strategies right across the organisation.

The relevant group should be given specific terms of reference (and a deadline) for the (re)design and implementation of the performance management system, and the organisation of the appropriate training to enable the system to be given effect. In the event that there is already in system 'in situ', it is appropriate that the existing system be reviewed and a representative sample of staff views be elicited as part of this process. This is an effective means of ensuring that the consultative group is aware from the outset as to what 'is' and 'is not' working (i.e. that the 'baby is not thrown out with the bathwater').

The consultative or working group's terms of reference could be:

That the Working Group propose to the Managing Director\Chief Executive Officer of ---XYZ--- on an appropriate performance management system, by .....

The composition of the working or consultative group should be small to facilitate the efficient conduct of business, yet at the same time, it should be representative of all of the main parties to be affected by the system. Ideally these representatives would also have a nominated 'substitute', who would be available to attend the group's meetings in the event of their absence. The identity of the substitute should be agreed at the outset to ensure that any such 'substitutes' (like the representative's constituents) are fully briefed and up-to-date on the work-in-progress of the group. Accordingly the group will be in a position to progress from meeting to meeting, without having to re-examine past decisions for the purpose of accommodating the 'substitute'.

This group may include an:

- External Facilitator\Specialist, to co-ordinate and direct the group's proceedings, assist in the resolution of any difficulties encountered and provide specialist back-up (e.g. expertise in the subject area being a prerequisite).
- H.R. specialist (who may be given ultimate responsibility for driving, monitoring and initiating follow-up actions in respect of the system).
- A member of the very top management group, to convey the wishes of this group and to underline the importance attached to the initiative. This input should also serve to ensure the system's relevance to organisational/business/stakeholder needs.
- Middle management representative(s) – as indicated above, this representative's role will be to convey the wishes of this group and to emphasise the importance attached to the initiative.
- Staff\Trade Union representative(s)

In effect, the Working or Consultative Group should be required to address all of the following issues, and to make specific proposals to the Managing Director\Chief Executive Officer in respect of same:

- \* What should the system's objectives be and how will their attainment or otherwise be measured?
- \* Exactly who is to be covered by the system(s)? Is it mandatory? What are the implications for non-participants?
- \* What performance management or appraisal scheme or combination of schemes should be used?
- \* Should there be different objectives and scheme types for different staff categories?
- \* Exactly what will be assessed\appraised i.e. what performance criteria - personality? -performance? - achievement of objectives? - competencies?
- \* How often should interviews be conducted?
- \* What documentation should be prepared? (i.e. what should the form look like in terms of content and lay-out\face impact? Should there be an explanatory booklet? What should be in it?).
- \* Who should have access to what documentation?
- \* Is there to be an appeals system? If so, what form should it take?
- \* Who will have responsibility for follow-up actions arising from the review meetings?

- \* Who will monitor the system to ensure that it's 'alive' (i.e. that the meetings are being convened and the forms are signed off and submitted)?
- \* How will the system relate to the organisation's remuneration system? Is there a performance-pay link? How will it work in practice?
- \* Who will training be provided for? (i.e. reviewers and/or reviewees?)
- \* What will the duration and content of the training be? Will there be 'refresher' courses?
- \* Should the proposed system be introduced on a pilot or trial basis? Who will be the 'guinea pigs' for the pilot? When and how will the pilot be assessed?
- \* What should the system be called (i.e. what should its formal title be?)
- \* Who reviews whom?

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 -----FIGURE 1: APPROPRIATE STAGES IN THE DESIGN OF A PERFORMANCE MANAGEMENT SYSTEM  
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STAGE 1 *Set up a representative consultative/working group. This also entails procedures for dealing with absence(s) (e.g. by having substitute reps.), the scope for constituents to make submissions to the consultative group and arrangements for keeping all affected parties up-to-date on the group's progress.*

STAGE 2 *Decide upon the system's objectives and how their attainment or otherwise are going to be measured.*

STAGE 3 *Decide on the scheme type(s), procedures and processes to meet the agreed objectives.*

STAGE 4 *Draft explicit and simple documentation and decide who will have access to it.*

STAGE 5 *Communicate with the affected management and staff by the various means available, to both market and test the proposals.*

STAGE 6 *Provide adequate and appropriate training for all affected staff.*

STAGE 7 *Implement and monitor the progress of the system, subsequent to a pilot test.*

STAGE 8 *Validate/Evaluate the system for further improvements at least every 3 years, via communication with the participants.*



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