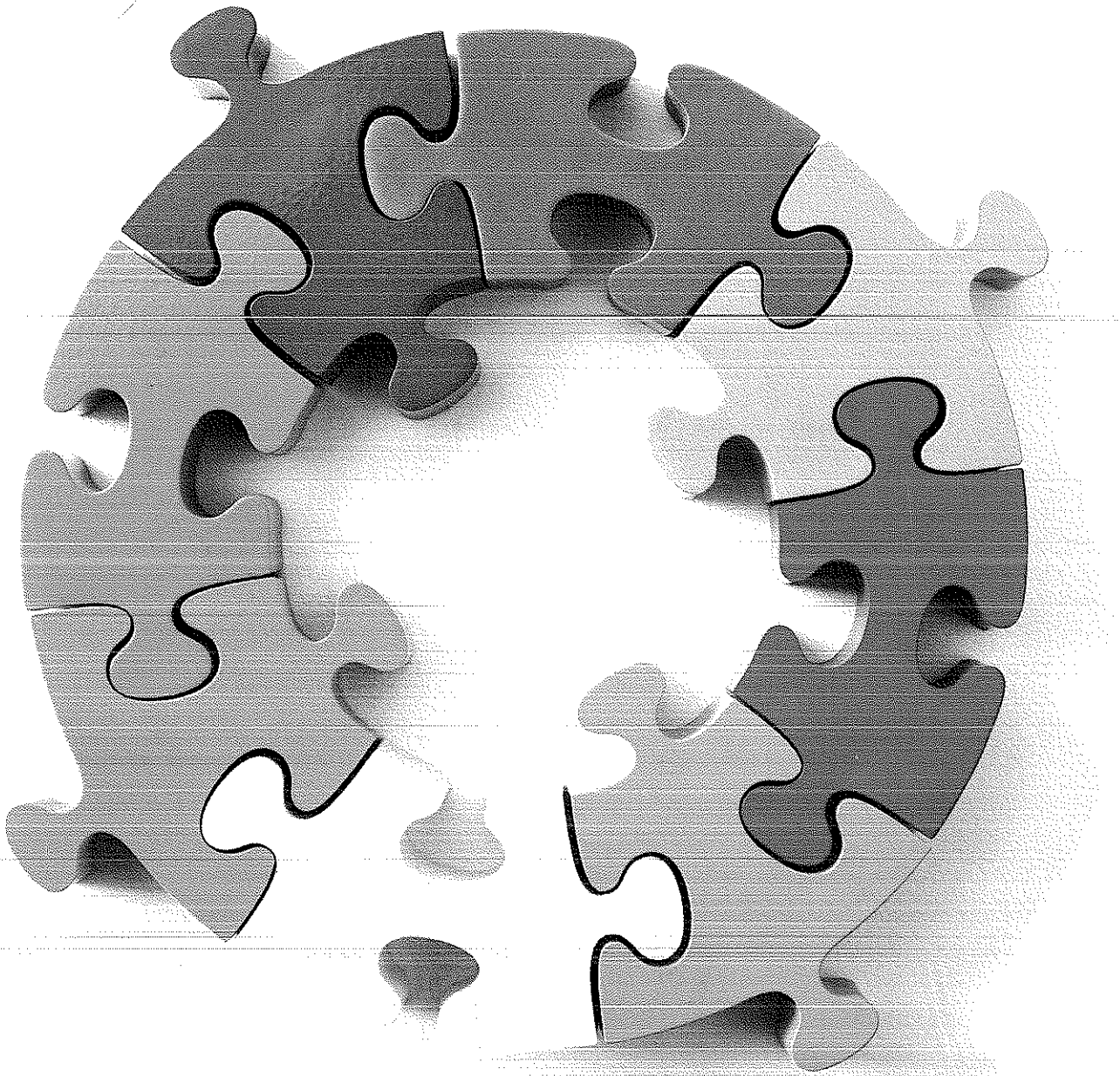


Introducing Human Resource Management

Margaret Foot & Caroline Hook



Appendix 7.1

Company name and logo
Company address
Town
PC1 1XX

Ms C Candidate
1 Named Street
Candidtown
PC1 1XX

1 June 2011

Dear Ms Candidate

I regret to inform you that the selection panel has selected another candidate for the position of Human Resource Assistant. I would like to thank you for the time and effort you put into your application for this post and for your participation in our selection process. The panel was impressed with the calibre of the candidates and had a difficult decision to make.

Please do not hesitate to apply again for any suitable position with Company Name.

Yours sincerely

A Barker

Director of Human Resources

CHAPTER 8

Performance management and appraisal

Objectives

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

- state what is meant by the term 'performance management'
- give examples of techniques used in the management of performance at work
- design a simple performance appraisal system
- discuss some of the key issues of performance management in international organisations.

It is always important for managers and supervisors to get the best performance from their workforce in terms of levels of production and quality of output. Performance management is concerned to get the best performance from the individual, but goes further in that it also aims to get the best performance from the team and from the organisation as a whole. It aims to improve performance in the workplace in order to achieve the organisation's strategic objectives.

Definition of performance management

Armstrong and Baron (2004), in what is now regarded as a classic work on the subject, define performance management as a process which:

contributes to the effective management of individuals and teams in order to achieve high levels of organisational performance. As such, it establishes shared understanding about what is to be achieved and an approach to leading and developing people which will ensure it is achieved.

How organisations actually carry out the performance management process and the methods they use will vary, but ultimately the aim is to motivate everyone in the organisation and ensure that they are all working towards the same strategic objectives.

● Performance management as an integrated and strategic process

As you can see from Figure 8.1, performance management is a process that involves many aspects of people management and each of the topics covered in this book makes a contribution towards it. But simply initiating a new performance management scheme or introducing new HR practices or policies as part of the process will not in itself bring about the desired motivation of workers.

Performance management should be a shared process between managers, individuals and teams in which objectives are agreed and jointly reviewed and in which corporate, individual and team objectives are integrated. All should feel ownership of the process and share a complete understanding of the system (CIPD, 2009). The recent 2009 CIPD survey of 507 HR managers showed they were increasingly aware of this.

This CIPD survey found that demand for effective performance management was even stronger during the recession as HR departments tried to ensure that they achieved the best performance possible so their organisations' strategic objectives were met, while at the same time ensuring fair, objective measurements of performance were used. In the survey most HR managers had continued to use similar processes as part of performance management but had emphasised more strongly its purpose to create and drive a stronger performance culture. They had made clearer the link between individual objectives and strategic objectives and most had used performance management as a way of gaining greater engagement from the workforce.

Because it should also be strategic in nature it should be clearly linked to broad issues and establishing long-term goals. In order to achieve these things managers must ensure that the people or teams they manage:

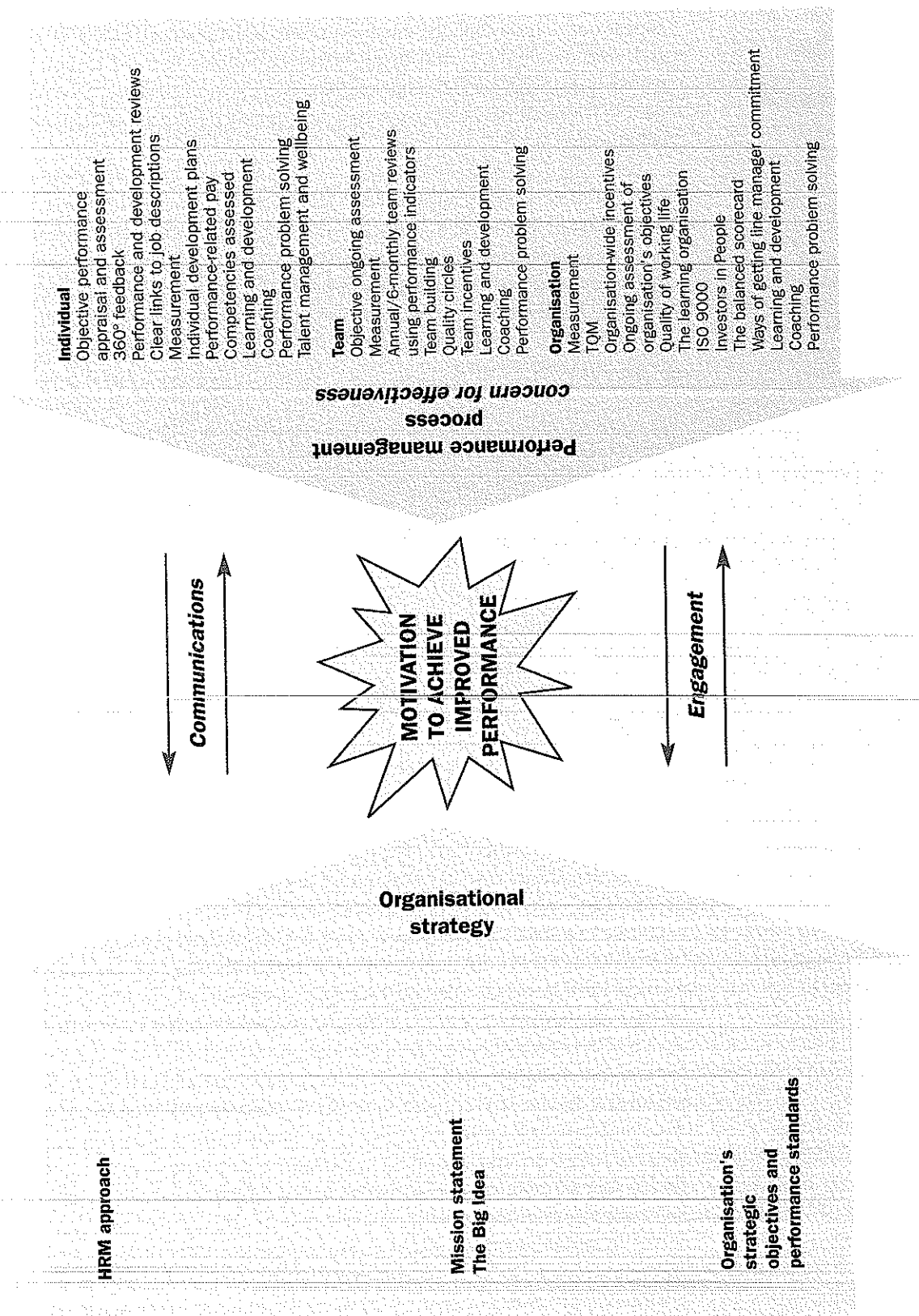
- know and understand what is expected of them
- have the skills necessary to deliver on these expectations
- are supported by the organisation to develop the capacity to meet these expectations
- are given feedback on performance
- have the opportunity to discuss and contribute to individual and team aims and objectives (Armstrong and Baron, 2004).

According to Cannell (2007), the tools typically used in performance management include the following:

- performance and development reviews
- learning and development
- coaching
- objectives and performance standards
- competences and competencies
- pay
- teams
- 360° feedback
- performance problem solving.

The 2009 CIPD on-line survey, mentioned earlier, about performance management asked for opinions about performance management and what it involved in

Figure 8.1 Performance management: a dynamic approach



the respondents' organisations. The actual tools used in performance management appear not to have changed much over time with appraisal, objective setting and review and development still being the most popular. A trend to link performance management with a wider range of HR processes was noted and 69.6 per cent of the sample felt that performance management should be aligned with at least four other HR processes (CIPD, 2009).

There was a great deal of variation about which HR processes it should be linked with but there was general agreement among 85 per cent of the sample that learning and development should form a part of performance management. Other HR processes mentioned included career development, coaching and mentoring, and succession planning and talent management was included by 65 per cent of the participants. Performance management was also in some organisations being integrated with a wider range of HR processes designed to promote well-being, engagement and development of potential.

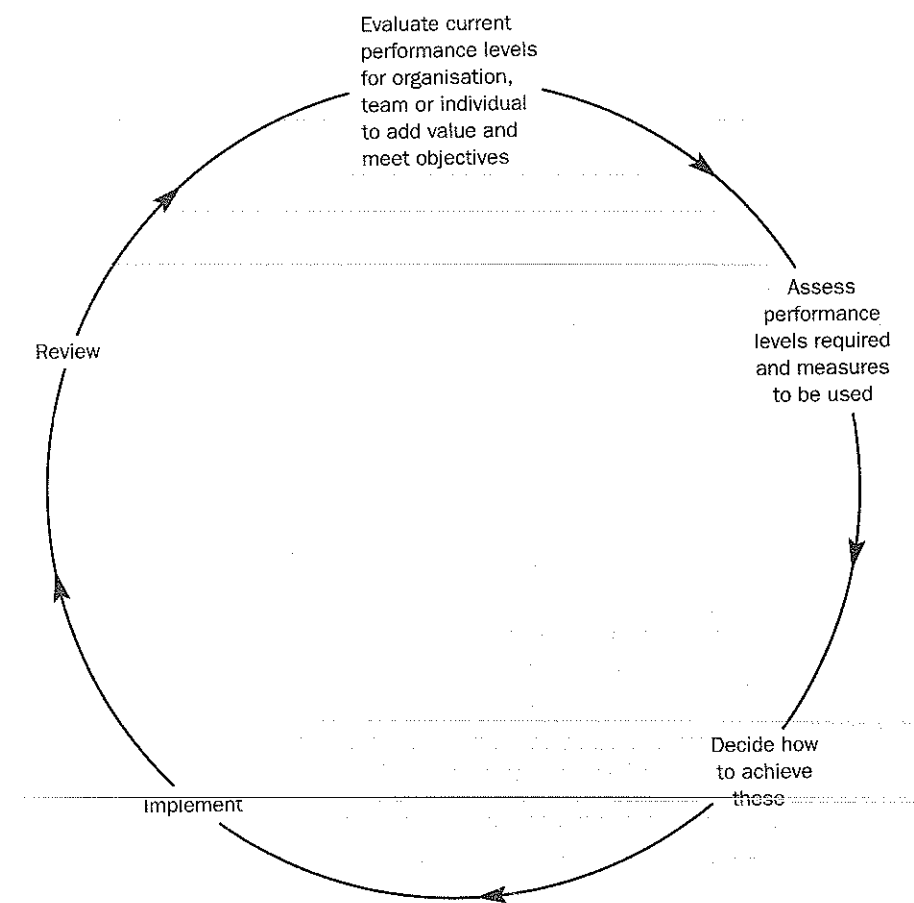
Models of performance

Figure 8.1 shows what we regard as some of the key features of the performance management process but these will vary depending on the strategic objectives and culture of the organisation.

The organisation's strategic objectives need to be expressed in a way that everyone within the organisation understands, in effect by clearly communicating the organisation's vision for the future, or their Big Idea. While the strategic objectives will be primarily formulated by senior management this should be part of a two-way process and the strategic objectives should be agreed after extensive discussion. Involvement and clear communication should mean that everyone in the workforce feels engaged and that they can contribute to the achievement of the organisation's goals or big ideas either individually or as part of a team. The right-hand side of Figure 8.1 lists some of the tools and techniques that can be used as part of the performance management process for individuals, teams and the organisation itself.

While the tools and techniques used in performance management for the individual, the team and the organisation differ slightly, the performance management process itself is very similar for each and can be shown as a cyclical process. Figure 8.2 shows the performance management implementation process in this form. It does not matter whether the focus is on the individual, the team or the organisation as for each the performance management implementation process involves evaluating current levels of performance and assessing them against the desired levels. The aim is to improve performance, add value and contribute to meeting objectives at whatever level. Different techniques will be used in the evaluation and assessment of current levels of performance. Individuals may be assessed against their objectives by using personal development reviews, performance appraisal interviews, or perhaps reports of errors or complaints. For teams or departments the information needed may involve a comparison with team or departmental targets or a summary of faults and complaints for that department. On an organisation-wide basis a great deal of data would need to be collected to indicate the extent to which

Figure 8.2 The performance management implementation process



the whole organisation was meeting objectives and cumulative feedback may be compiled using information from performance appraisals throughout the organisation, or from customer satisfaction surveys. Organisations need individuals to feel engaged in the process and may also conduct surveys to establish the extent to which the workforce feel motivated by various aspects of the performance management process such as the pay and incentives or the learning and development opportunities offered.

In each case the aim is to evaluate the current levels of performance and compare this with the assessment of the performance levels required. These will depend on the organisation's objectives, which in turn feed into departmental objectives, team objectives and individual objectives. In each case it will be necessary to decide whether the aim is to achieve a satisfactory level of performance, whether it is to achieve higher performance levels to add more value to the organisation, or whether the objective is to transform performance levels by encouraging and enabling increasingly new or innovative ways of working.

Once a comparison has been made between desired performance levels and existing performance levels, choices have to be made about how these can be achieved for individuals, teams, departments or organisation-wide. Some of the techniques listed

in Figure 8.1 may be chosen for each category and these then need to be implemented. The process on an organisation-wide basis is likely to take a substantial amount of time.

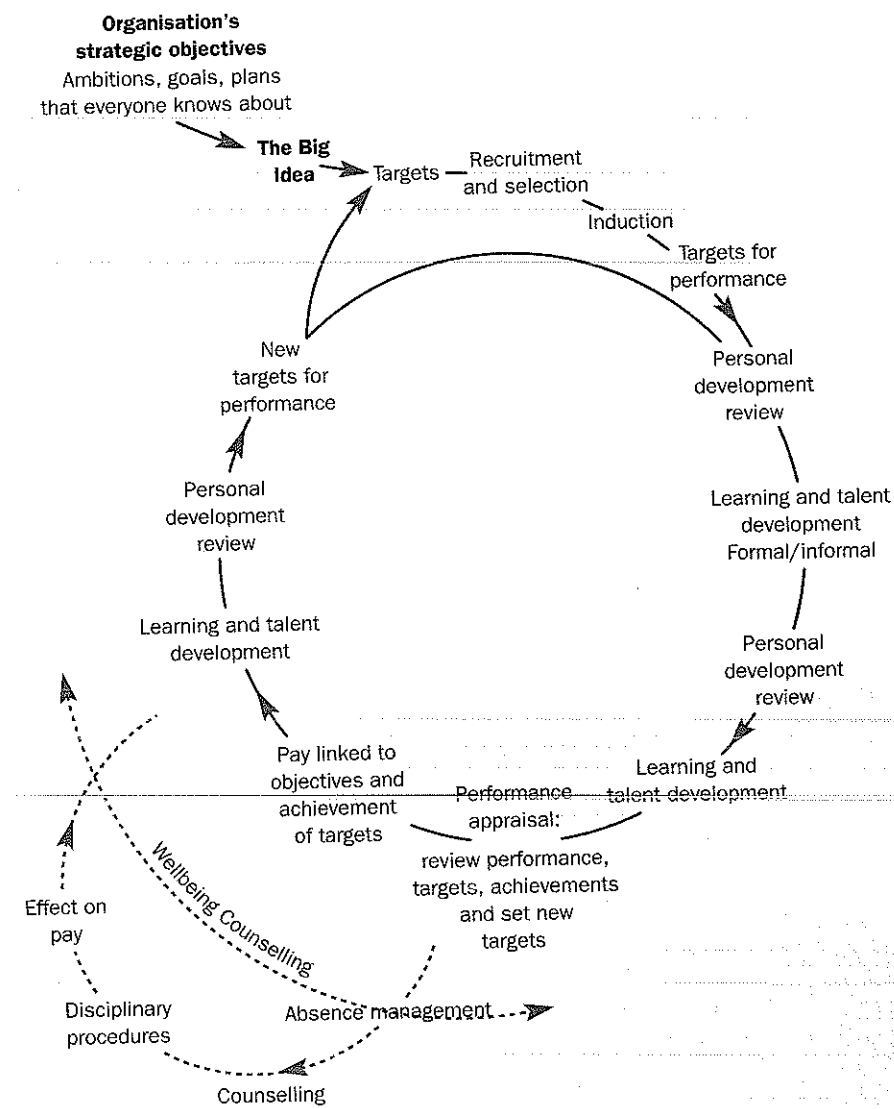
Whatever techniques are chosen as part of the performance management process there should be a review to establish whether or not they have succeeded in meeting the objectives set and this continues into evaluating current performance levels against those required as new objectives are set to meet strategic objectives. Measurement has become increasingly important in assessing whether or not there has been an improvement in performance and according to the CIPD (2010) this should be a continuous process for individuals and teams and it should be integrated into every aspect of running the organisation. The 2009 CIPD survey found that HR managers were in many instances finding it difficult to measure the effects of performance management in isolation from other things that might affect business performance or individual performance. However, HR managers were keen to try to measure performance and were using a wide range of measures such as versions of the balanced scorecard, key performance indicators and measures of level of engagement in employee satisfaction surveys.

As far as the individual is concerned the performance management process could be viewed as starting at the selection stage as individuals are selected because of their skills, knowledge and competencies in order to make a contribution to the achievement of the strategic objectives. When the individual joins the organisation the induction into that organisation will be a way of communicating the organisation's strategic objectives, perhaps in a simpler form of one Big Idea that encapsulates the objectives. It also reinforces the organisation's culture and values. As they find out more about their job they should also discover how they can make a contribution to the performance of the organisation and the achievement of its strategic objectives. Figure 8.3 shows a model of the performance management process for the individual employee.

The induction should also be used as an opportunity to evaluate the individual's skills, knowledge and competencies using a personal development review and to compare these with the organisation's or team's needs. Even though the person has been selected to carry out a specific job they may lack some of the skills, knowledge or competencies needed to work in that job or team. Plans should be made to meet any gaps between the individual's skills, knowledge and competencies and the organisation's or team's requirements for these. Decisions need to be made about the appropriate ways to fill any gaps between the two and this may involve using formal and informal learning and development methods. Individual goals and objectives will be set and the contribution expected by the individual to team or departmental goals and objectives will also need to be discussed. (The topics of induction, and learning and talent development will be dealt with in more detail in the next chapter but they do contribute to the process of performance management.)

In a performance management system there will be regular performance reviews throughout the year and also formal appraisal interviews at regular intervals. Each aims to monitor performance and see how individuals or teams are contributing to and meeting their targets or objectives and they are important in helping to identify learning and development needs. Their aim is to motivate for better performance, but regular reviews could also help to identify poor performance at an early stage. Pay systems are used to reward excellent performance and if performance seems to be slipping below an acceptable standard then counselling, the

Figure 8.3 A model of the performance management process: the individual employee



absence management system or even the disciplinary system may be used. Even when these processes are used the aim should be to make clear what the required standards are and motivate the individual and team to achieve them. Topics such as learning and talent development, pay systems, discipline and absence management will be dealt with in later chapters of this book, while in this chapter we focus on issues relating to the performance management process and some specific techniques which can contribute to it such as performance appraisal and performance reviews.

Many organisations are linking their performance management system to talent management and according to Angela Baron (2009) some of the best practices appeared to be 'where performance management was acting as a portal to talent management'. In these organisations the term talent management was used

in its widest sense, a view endorsed by the authors of this book, so that everyone and not just the chosen few had access to a review process: each staff member's performance was reviewed and they were each helped to find ways to do their job better.

The ACAS model workplace and performance management

In Chapter 1 we referred to the ACAS (2005) model workplace and outlined what ACAS feels are the necessary steps to turn an organisation into an effective high-performing place of work.

The ACAS (2005) model workplace integrates various aspects of HR and emphasises the need for good two-way communication and clear goals that employees can work towards. In essence it demonstrates many of the features of an excellent performance management process and seems to relate well to Armstrong and Baron's (2004) definition, given at the start of this chapter, that stated performance management is a process which 'contributes to the effective management of individuals and teams in order to achieve high levels of organisational performance. As such, it establishes shared understanding about what is to be achieved and an approach to leading and developing people which will ensure it is achieved.'

We have advocated throughout this book the need for policies and procedures so that everyone knows and shares a common understanding of what is supposed to be done and this is clearly a key aspect of performance management. ACAS (2005) says that this is a good start, but that the way things are done is also important. This is an approach we also emphasise throughout this book, as the way organisations manage performance can impact on most of the areas listed in the ACAS (2005) model workplace and consequently can impact on workplace effectiveness.

Pause for thought 8.1 The term performance management is used in a rather different way in a few organisations when they refer to 'performance managing someone out of an organisation' or putting someone on 'performance management'.

Have you heard the terms used like this?

What do you think of this approach to performance management?

Performance management should be about trying to get improvements in performance but, as we showed in Figure 8.3, processes like attendance monitoring or disciplinary procedures are likely to form part of a performance management system. However, organisations that use the term performance management as almost a synonym for disciplining someone have not got the right idea about managing performance and motivating people. Performance management should be about motivating individuals, teams and organisations to make a contribution to the organisation's strategic objectives and should have much more focus on incentives and positive aspects of motivation rather than just focusing on a negative approach to people management as is the case when an organisation thinks that performance management is about 'performance managing someone out of the organisation'. Such a negative approach to performance management is certainly not an approach that we advocate.

The people and performance model

In Chapter 1 we also referred to the research carried out by Professor John Purcell and his team at the School of Management at the University of Bath (Purcell *et al.*, 2003). Their people and performance model also showed the interrelationship of different HR policies. However, while traditional HR policies and procedures were important in this, the other area that they said really made a difference in organisations was 'the way people work together to be productive and flexible enough to meet new challenges'. They found in the organisations they studied that the organisation first had to have strong values and an inclusive culture and, second, have sufficient numbers of skilled line managers to be able to bring the HR policies and practices to life. Both elements fit well with the view of performance management shown in the definition we used earlier from Armstrong and Baron (2004).

Purcell and his team found that in the organisations that were most successful at managing performance, everyone did share common values. There was generally what the researchers called 'a Big Idea' that was meaningful to everyone in the organisation (Purcell *et al.*, 2003). This could be about the importance of customers to the organisation or the pursuit of quality, but in all cases it was an idea that everyone could relate to. Whatever it was, they all shared the idea and then managed the performance of people accordingly.

The people and performance model indicates that it is not just the people management policies and practices that create value to an organisation but that they help form part of the process by creating the building blocks that form the basis of achieving increased performance which Purcell calls ability, motivation and opportunity (AMO) (CIPD, 2007a). This assumes that people have the **ability** to learn new skills and will want to work in organisations where their abilities and skills are recognised and can be developed further. **Motivation** assumes that the organisation will be successful in motivating them to use their abilities in a way that is useful to the organisation in achieving its strategic objectives, while **opportunity** makes the assumption that people will use opportunities to do high-quality work and participate in team activities or problem-solving initiatives if the organisation provides them with opportunities to do this. A successful performance management system, perhaps linked to an inclusive talent management system should certainly help to identify **ability**, **motivate** both individuals and teams and also provide them with **opportunities** to use their skills and abilities.

The role of line managers in performance management

Another important strand in Purcell's effective performance model is line managers. Some traditional appraisal schemes have been accused of being run for the benefit of HR managers or top managers, with many other people in the organisation not really understanding or appreciating what the performance appraisal scheme was trying to achieve. This may have been true of some poorly designed schemes, but is a rather harsh judgement on many excellent appraisal schemes and HR managers and on the contribution they make to their organisations' effectiveness. In order to ensure that performance management does not make the same mistake, there is an increased

emphasis on the role of the line manager and on gaining involvement of teams and individuals.

An early definition of performance management taken from Michael Armstrong (1994) defined performance management as 'a process which is designed to improve organisational, team and individual performance and which is owned and driven by line managers.' It is certainly true that line managers now have increased responsibility for many HR areas in relation to managing their staff, but it is disappointing to note that in some organisations they do not always see the necessity for performance management, or consider that it is not a key aspect of their job.

In a CIPD survey in 2005 it was claimed that in only 16 per cent of the organisations sampled was there complete buy-in from line managers, with them becoming actively involved in the performance management process (CIPD, 2005). However, on a more positive note, it was also discovered that line managers in 62 per cent of the organisations surveyed found performance management to be useful, while 22 per cent of the line managers were totally indifferent to the process and 1 per cent were actively hostile.

This reluctance to get involved in performance management may not be entirely the fault of line managers as they may not have been adequately trained, and the relevance of performance management to them and to the organisation's strategic objectives may not have been made clear. In order to make the performance management process as effective as possible it is vital that line managers are trained properly and that they have been trained thoroughly in skills such as coaching (Cunneen, 2006). They have to understand the relevance of performance management to the performance of their team and that it can make a difference to meeting their targets and improving their team performance. It should not be perceived by them to be just an exercise completed once a year where they tick boxes to satisfy the whims of the HR department but as a continuous process involving coaching and feedback which will make a difference to improving performance and developing the talents in their team. If line managers are to use this process to maximum effect to achieve both their team's and the organisation's strategic objectives then top management also have responsibilities to ensure that they clearly demonstrate the importance and relevance of performance management and that they provide adequate resources and training to support this (Cunneen, 2006).

The 2009 survey conducted by the CIPD found mixed views about the roles of line managers; all the participants felt that performance management was an important tool for line managers and a way of them achieving their work objectives but no-one in the survey felt that by enacting performance management it would create better line managers. Rather the view was held that good line managers would also be good at performance management (CIPD, 2009).

Performance appraisal

A good system of performance appraisal is important as part of the performance management process but many organisations that have not yet developed a strategic viewpoint also use performance appraisal on its own. Performance appraisal systems were developed as a tactical approach to developing people before the more strategic idea of performance management had been thought of. Performance

management as an approach is widely held to have grown out of performance appraisal, and also to have absorbed some of the newer techniques used in performance appraisal such as emphasis on setting objective standards of performance and competence-based appraisals. However, while most performance management systems do use performance appraisal as a central tactical activity in the good management of employees there are still many other organisations which use performance appraisal as a standalone activity so it is important to consider performance appraisal both as a tool in performance management and as a procedure in its own right.

Performance appraisal is one way of giving employees feedback about their performance at work. According to ACAS (2008):

Appraisals regularly record an assessment of an employee's performance, potential and development needs. The appraisal is an opportunity to take an overall view of work content, loads and volume, to look back on what has been achieved during the reporting period and agree objectives for the next.

This definition clearly shows that the employee does get feedback about their past performance, but indicates that in performance appraisal there is the opportunity to assess or judge various aspects of an employee's work performance by looking back at how they have performed in the past and then by looking forward to agree future objectives or workload.

Fletcher and Williams (1985) went further than this in their definition of appraisal, saying that the assessment of people is not the only thing that we do when we appraise a person's work performance. They feel that there are in fact two conflicting roles involved in appraisal – those of judge and helper. We shall consider each of these facets of appraisal in turn.

First, we all act as judges when we make informal judgements about the way people talk, what they wear and how they behave. These informal judgements may be objective or subjective and we may not even be aware that we are making them. They may not have much effect on people in everyday life, as we don't normally have any right to try to change these things in others, and we don't usually have any power to influence the way people behave. If we start to judge people in a work situation in this informal way with regard, for example, to the way they dress, we are likely to be accused of being too subjective and we might, quite rightly, be accused of treating people unfairly according to our own whims and prejudices. This sort of appraisal is not likely to encourage people to feel motivated about work. In this sense the term 'appraisal' means judging the worth, qualities or value of something, and in a work situation especially it is important that any judgements are fair and are based on objective job-related criteria.

Second, the term 'appraisal' is also used in another way, as Fletcher and Williams (1985) have indicated. When we appraise people in the work situation, we not only judge them but we usually also try to help them to improve aspects of their performance. We may suggest alternative ways of behaving, or suggest training courses or provide developmental opportunities in order to help employees improve their performance and assess their own career developmental needs.

Performance appraisal is therefore about giving feedback to the employee, but also involves the appraiser in being both judge and helper to an individual employee. The performance appraisal interview represents the organisation's provision of a formal opportunity in which to give feedback and be both judge and helper to that employee.

Performance appraisal schemes may be used for a wide range of reasons, some of which may conflict with each other, but the main reasons are likely to include the following:

- to improve current performance
- to provide feedback
- to increase motivation and retention
- to identify potential
- to identify training needs
- to aid career development
- to award salary increases
- to solve job problems
- to let individuals know what is expected of them
- to clarify job objectives
- to provide information about the effectiveness of the selection process
- to aid in career planning and development
- to provide information for human resource planning
- to provide for rewards
- to assess competencies.

Randell *et al.* (1984) suggest that for most employers there are three main uses for appraisal reviews: **performance**, **potential** and **reward**. That is to say that organisations want to assess an individual's past performance; they may also want to identify their potential for future roles in the organisation and any development necessary to achieve this and they may want to use the appraisal interview as a means of allocating rewards for good or excellent performance. ACAS (2008) agree with this view and say that the three main uses of reviews are a **performance review**, a **review of potential and development needs** and a **reward review**. All the reasons listed above fall into one of these three categories but there could be conflicts between the various approaches. For example, if the organisation uses performance appraisal as a means of allocating rewards then it is likely that individuals will be much less likely to discuss any developmental needs in case this prevents them getting a bonus. As was shown earlier in this chapter it is becoming increasingly common in organisations to use reviews of potential and development needs as a part of the talent management process. Many organisations try to get too much from one appraisal scheme, and try to use one scheme to fulfil all three purposes. This is unlikely to work, and usually results in the scheme falling into disrepute.

Consequently organisations that use performance appraisal as part of a performance management system will usually conduct the performance appraisal on an annual or biannual basis but will separate these from the personal development reviews which they will organise at various times throughout the year. In this instance the development reviews would be used to discuss development issues while the performance appraisal might be used as part of the process for identifying reward for excellent work.

Personal development review

There may also be more regular separate personal development reviews which in some organisations are referred to as 'one-to-ones' as they provide an opportunity for the line manager to have a one-to-one discussion at regular intervals with individual members of their teams. These are often used alongside performance appraisals, either as standalone tools or as part of the strategic performance management process. Performance appraisal interviews usually happen just once or twice a year but personal development reviews are likely to happen much more frequently than this and to start during the induction period, when the line manager is able to have a one-to-one discussion with the individual team member to identify any gaps in knowledge and skills which need to be developed for them to become an effective team member. Cannell (2007) emphasises the constructive nature of personal developmental reviews and the need to use a variety of techniques to encourage the individual to participate fully and to do most of the talking.

Regular personal development reviews will result in each individual having an individual development plan designed to give detailed goals and provide for activities to enable that individual to achieve their goals. This should start at induction although some aspects of the individual development plan may have been identified as early as the selection stage and then this continues throughout their career. The plan is jointly designed by the manager and the employee, and the manager will provide support and coaching to help the employee to meet their goals. Once again this can form a part of the performance management process.

Objectives or competencies

There are basically two different approaches that can be used by employers when assessing performance. The first is concerned with outputs from the employee: it uses objectives and sets targets for the employee to work towards. The alternative approach is to examine the input that the employee makes to the organisation and determine the level of competence that the employee must achieve in their job.

In organisations where job descriptions based on competence are used, and where staff are used to working towards the achievement of NVQs, the second approach is likely to be favoured. Whichever approach is used there will still be a need to develop a method of assessing the employee's performance using some form of rating scale.

If the first of these approaches (using objectives) is to work well, then clearly the organisation needs to have 'ambitious goals and plans that employees know about and understand' – point 1 of the ACAS (2005) model workplace. They also need 'managers who genuinely listen to and consider their employees' views' – point 3 of the ACAS (2005) model workplace. The management by objectives approach to performance appraisal interviews, discussed later in this chapter, is likely to be preferred in this type of organisation.

If the focus is on the employee's level of competence, then 'people will need to feel valued so they can talk confidently about their work and learn from both successes and failures' – point 6 in the ACAS (2005) model workplace. Competency concerns the behaviour that a worker must have or gain in order to be able to contribute to the achievement of high levels of performance so is about the worker. Competence on

the other hand relates to a system of occupational standards with specified levels of achievement so is job related. Hogg (2010) says:

Although in the 1980s and 1990s HR professionals drew a distinction between 'competencies' and 'competences', now the two terms are often used interchangeably. 'Competency' is more precisely defined as the behaviours that employees must have, or must acquire, to input into a situation in order to achieve high levels of performance, that is a focus on the person, while 'competence' relates to a system of minimum standards or is demonstrated by performance and outputs, so 'competences' focus on the job.

Employees need to be able to operate in a competent way and to possess behavioural competencies that reinforce their technical skills. Competency frameworks have increased in popularity and the CIPD (2007b) survey of learning and development found 60 per cent of organisations in their sample had competency frameworks in place. They also found that the most popular use, by 56 per cent of their sample organisations, was as part of performance reviews and appraisals. When an organisation adopts this approach then competence will be measured and this gives a useful way of comparing actual levels of competence with required levels. This can obviously provide a useful tool for measurement of performance and consequently for the performance management process and it is not surprising that it has grown in popularity.

Problems

A number of problems may prevent the appraisal schemes from being as effective as they should be as not all organisations follow the ACAS model and some try to create an appraisal scheme that does not fit with the normal culture of their organisation. These problems include:

- the organisation not being clear about the purpose of the appraisal system and consequently trying to use the appraisal scheme to fulfil too many different purposes
- links with pay preventing open discussion of problems or of areas where improvement could be made
- keeping information secret from the employee
- the appraiser attacking the appraisee's character
- being too subjective in judgements
- using appraisal as part of the disciplinary process.

Lack of clarity

We have already shown that most appraisal schemes fall into one of three categories, i.e. they are concerned with performance, potential or reward. An organisation should not attempt to use one appraisal scheme to fulfil all three categories. The particular objectives of an appraisal scheme should be clarified before the scheme is designed in detail, and should have been discussed with employees and other workers, trade unions and managers in order to take account of their views and to gain their commitment to the new appraisal scheme. Everyone should then be clear what the

Did you know?

It is often suggested that as many as two-thirds of all appraisal schemes are abandoned or altered substantially within two years of their creation. This, to a very large extent, is due to organisations not being aware of, or not paying enough attention to, a range of problems that can be avoided with sufficient forethought and planning, and trying to make one scheme serve too many incompatible purposes.

particular scheme is trying to achieve. Any scheme, however good the design, is unlikely to succeed if the managers and the workforce are suspicious of the reasons for its introduction and are opposed to making it work effectively.

While there are good reasons why employers should seek to appraise performance potential or give rewards to good employees, problems can also occur if employers try to achieve too much from their performance appraisal scheme. It is difficult, if not impossible, to devise a scheme that will appraise successfully all three areas, and there is a grave danger

that the performance appraisal scheme will be rejected if it fails to live up to all that is claimed for it. This can easily happen if the scheme is poorly designed or if the managers show a reluctance to impart critical assessments, or if people are not trained properly in the appraisal process.

Linking appraisal with pay

It is quite common for appraisal-related pay to be part of the performance management process and if done well this can be effective and of benefit to both employers and employees. It is generally introduced in order to emphasise a clear link between achieving high standards of performance in jobs and increased pay and is used as a motivational tool (ACAS, 2005). However, there are also problems associated with its introduction: in particular, it is difficult to imagine that a person being appraised is likely to admit to any developmental need, or be willing to accept any help in their performance, if their salary increase depends on a good appraisal. It is therefore recommended that employers should in general try to keep reward considerations separate from the other areas of performance review.

In spite of this advice and research evidence which suggests that performance-related pay (PRP) does not always motivate everyone in a workforce, many employers think that the offer of an incentive or reward is the only way to motivate employees to work harder, and this is often their main reason for introducing performance appraisal. The motivational aspects of pay will be discussed in more detail in Chapter 10, but the important point here is that great care needs to be taken if appraisal systems are linked to pay. It will be especially important to ensure that the criteria being appraised are objective and free of unfair bias, and that there are genuine opportunities for all employees to be rewarded for their efforts. Some employees may be motivated by other things such as increased holiday or more flexible benefits so appraisal-related pay may not motivate them to work harder.

In many organisations financial constraints mean that the number of people who are awarded PRP is severely restricted and there is a serious danger that if the vast majority of the workforce does not feel they have any opportunity to receive a reward, they may feel much more demotivated than they did before the appraisal scheme was introduced. Only the select few who receive the reward will then feel positive about the experience and about the organisation, and even they will not necessarily be motivated to work harder.

When appraisal-related pay is introduced as a part of the performance management system there will be also be other regular development reviews or performance reviews which provide opportunities for discussion of both good and bad performance. These reviews are normally kept separate from the review at which pay is

discussed. Consequently they do not provide such an immediate deterrent to discussion of any weaknesses or aspects of poorer performance since their focus should be on past and future performance and the development needs of the individual. However, although this approach does weaken any direct link between pay and performance and learning, it would be foolish to think that it breaks the connection entirely. Employees may still feel reluctant to fully discuss their development needs unless they feel confident it will not affect their pay, even if that review is held at a different time of year. On the other hand, they may take the view that discussion of areas of their performance in which they have done less well are worthwhile if this means that they gain access to more learning and development opportunities which may ultimately result in them getting more pay or being more employable.

Keeping information secret from the employee

Appraisal involves, as we have already said, being both a judge and helper for an individual employee. In order that we can help the individual it is also important that they know about the judgements that have been made about them and that they receive feedback about these. Therefore, if people are to be helped to develop, there must be discussion about problem areas, and any judgements made about employees should not be kept secret from them. Obviously the appraisal interview and reports of it do need to be confidential from other employees, but not so confidential that they are a secret from the employee concerned.

Subjectivity or attacks on the appraisee's character

If the person doing the appraising feels insecure about their own performance, there could be a tendency to try to ensure that the employee being appraised doesn't become a threat to them by focusing solely on the aspects of the job that have not been handled well and failing to show recognition for jobs that have been done well. In some cases, subjective judgements may be made because there are no clear criteria on which to appraise the employee, and the appraiser may resort to attacking aspects of the person's character that the person cannot do anything about. In the past many appraisal schemes were based on assessing personality traits that were thought to be important to a particular job, but that in fact were very broad categories that could only be judged subjectively. These included personality traits such as enthusiasm, application, intelligence and resourcefulness.

Pause for thought 8.2 How would you feel if one of your tutors said that you lacked integrity or that your intelligence was inadequate?

We imagine that you would not feel very happy with comments about your lack of integrity or poor level of intelligence, and would want to know on what criteria these comments were based.

If appraisal schemes are to be credible to employees, great care must be taken that judgements made are objective and have some basis that can be discussed with the employee. Integrity is likely to mean slightly different things to different people, and judgment of a person's integrity is likely to be fairly subjective. Rather than focusing on subjective topics such as this or on aspects of an individual's personality

which they cannot alter, it is better to examine aspects of the job that the person actually does, and make an objective judgement about the person's effectiveness at carrying out each aspect of the job or their success in meeting their objectives.

Appraisers should also concentrate on seeking to help to bring about an improvement in areas of the employee's work where the appraisee can do something to make an improvement. Criticising someone for not being intelligent enough is similar to criticising them for being too short. There is really not much that they can do about it, so it is pointless to judge them on it and impossible to help them to change.

The relationship between appraisal and the disciplinary process

We have already said that appraisal is partly about making judgements about an employee's performance, and that areas where performance is not as effective as it should be need to be discussed. However, this does not mean that disciplinary matters should be saved for several months to be dealt with at the appraisal interview. If a disciplinary offence occurs, then it should be dealt with immediately and not saved for discussion at the time of the appraisal interview. The appraisal interview should be about seeking to motivate employees, not an opportunity to discipline them, although as we shall show later dealing with poor performance should be part of the performance management process.

The role of the line managers in performance appraisal

We have already emphasised the role of the line manager in performance management and traditionally the people who are most likely to be involved at the tactical level in the appraisal process are the person who is to be appraised and their immediate manager. This has the advantage that the managers or supervisors should know their subordinates and should also know about each subordinate's job and the way in which the subordinate carries out their duties. Managers and their subordinates will see each other every day but may be too busy to discuss performance. The performance appraisal interview provides the time for the individual and the manager to sit down together to discuss the individual's progress. This should enable the manager to feel that they are helping the career of one of the staff, and prove to be a motivating experience for the employee, who has the undivided attention of the manager listening to their views and focusing attention on their development.

There can, however, be some disadvantages in having the employee's immediate manager carry out the appraisal, especially if there is a conflict of personalities or if the manager perceives the employee to be a threat and is therefore unwilling to look for positive aspects of the employee's performance. If the appraisal scheme allows a high degree of subjectivity in comments made by the manager, then there is a danger that more will be learnt about the manager's attitudes to work and managing employees than about the employee's performance. Training in performance appraisal techniques is obviously extremely important here.

While it is always important that the line manager is involved in the process of performance management there are others who could be involved in performance appraisal.

performance requirements in a job are generally getting harder and that people do not want to work even longer to achieve them, he then draws a parallel with lifting a heavy load using a lever and explains that this becomes easier if one uses a longer lever. He says that for managers, using performance appraisal and working on the managing and leading element of their job is the equivalent of using a longer lever. It is about working smarter and not harder.

CASE STUDY 8.1 Performance appraisal



Joan Bywell is a busy manager in an insurance company, heading the life insurance division. She has worked with the company for six years and has always enjoyed organising the work to reach targets and implementing new ideas to improve sales and streamline the processing of policies.

The company has now introduced a performance appraisal system so that managers can formally evaluate their staff on a regular basis. Angela Jones, the HR manager, sees this partly as a preliminary step to introducing performance-related pay for administrative staff within the next five years. Angela has devised a form for managers to use to evaluate their staff, and she has distributed these to managers with instructions to complete the evaluation within four weeks and return the forms to the personnel office, to be held on the employees' personal files.

Joan is reluctant to waste valuable managerial time on this process, but she duly fills in the forms for her administrative staff. She decides not to waste more time on endless discussions with her staff, so she gives each employee the completed form and asks them to sign it to confirm they have seen the evaluation and return it to her the next day. She suggests that if they wish to discuss any points, they should make an appointment to speak to her.

George has been with the company for three years. He feels that he works hard and he is hoping he will be considered for a supervisory post when one of the unit supervisors retires next year. George is incensed when he looks at his evaluation and sees that his performance has been graded as 'satisfactory' on a number of criteria such as 'initiative', 'reliability', and 'amount of work completed'. He would have expected a grading of very good or excellent.

George storms into Joan's office and says: 'I know you said we could talk to you if we had any queries about this so-called performance appraisal, but if this is what you think of me, I do not see any point. I think my best plan is to look for a job with a company that will appreciate hard work.'

Joan actually thinks quite highly of George and is perturbed at this turn of events.

Question

Comment on what is wrong with this performance appraisal system and make suggestions for improvement.

Discussion of case study 8.1

This disastrous appraisal nearly ended with the loss of George, a good worker, and is the result of several factors. First, the HR manager Angela Jones has not actually consulted with or involved anyone in the organisation in the design of the appraisal forms or in conducting the appraisal interview and no one has received any training

in how to use them. Consequently managers such as Joan are not aware of how important an issue performance appraisal is for motivating her team, identifying talent and improving her team's performance.

Joan is also typical of many of the supervisors described earlier who are very good at the aspects of the job which they see as important, such as achieving targets. However, she does not realise that managing people is an equally important part of her job. If Angela Jones had explained how the performance appraisal process could help Joan achieve her targets and had given her training to this effect then she would have viewed the process in a much more positive light and would have spent time on it.

The performance appraisal form is designed badly so that employees and their supervisors are being asked to rate the individual against criteria which may have nothing to do with their jobs. The amount of work is probably much less important than the quality of the work done and this should be broken down to consider various aspects of the job or to specific objectives or competencies needed. Initiative could be difficult to assess and may not be particularly useful in a job where perhaps there is very limited scope to exercise initiative. Reliability is also a rather vague term as it does not describe the circumstances in which reliability is needed. Angela Jones needs to consult more widely about the criteria that would work on a performance appraisal form and needs to tailor the forms to objectives, job descriptions or competencies required. She then needs to provide training for both managers and subordinates so that everyone is clear about the purpose of the performance appraisal scheme before it is introduced into the organisation. The next section discusses the design of the documentation and Table 8.2 gives an example of documentation using objectives.

Design of documentation

In most appraisal systems it is necessary to have some type of documentation to record what has been agreed. At its simplest this could just be blank sheets of paper for both the appraiser and appraisee, on which they both assess the performance of the appraisee. This provides a means for jotting down ideas and views on performance which can then be used as a basis for discussion at the time of the performance appraisal interview. The disadvantage of this system is that there may be little basis for agreement about the topics to be discussed.

In order to provide for a systematic and consistent approach to performance appraisal, many organisations design an appraisal form. In this case, the manager and the person being appraised both complete a form prior to the appraisal interview. They then exchange forms and at the interview use both the forms as a basis for discussion. This has the advantage of both parties having focused on similar topics and saves time at the interview, as both should have already done quite a bit of preparation for the interview. When designing such a form, there should be clear guidelines explaining what is meant by each section, and the points already discussed in the section on problems must be borne in mind. The criteria to be appraised should not be subjective and should be fair. They should relate to things that employees could

improve, and there should be opportunities for the employee to see the appraiser's comments and a section in which to respond to those comments. There should also be a right of appeal. The guidelines should indicate what should then happen to the appraisal forms. Where will they be kept? Who will ensure that action is taken on key points?

The actual content of such a form will be influenced by the type of appraisal scheme adopted by the organisation. This will now be discussed.

Types of performance appraisal

Management by objectives (MBO)

We have already said that appraisal schemes are most likely to succeed if the criteria to be appraised can be assessed objectively rather than subjectively, and that the appraisal of aspects of a person's personality should be avoided. One way of achieving this is to set clear objectives for the employee to achieve before the next appraisal, and then to focus the discussion at the appraisal interview on the extent to which these objectives have been achieved. An appraisal interview also provides an opportunity to look forward, so the next stage would be to set and agree objectives for the next review period.

One way in which to achieve this would be to look first at the job description and then agree specific objectives for each of the main tasks. This has the additional advantage that the objectives can be linked very clearly to the organisation's strategic goals, so that the individual can see exactly what to do to help the organisation meet its objectives. A sample form for this type of performance appraisal is shown in Figure 8.4.

In this example there is an opportunity to look at past objectives and consider the extent to which they have been achieved, and also a chance to look forward and agree future objectives. Here the appraisee has an opportunity to write comments, as do the manager and countersigning manager. This type of appraisal can also link with overall organisational objectives, and is often used as part of a performance management system, as we shall show later.

Rating scales

This is another form of performance appraisal scheme that seeks to encourage objectivity by focusing on aspects of the employee's job and then indicating by graded statements how successfully the employee has fulfilled each of the main duties listed in their job description. The statements would be linked to the job description with a statement for each category of the job description, indicating levels of performance or level of competence required in that duty, ranging from excellent to poor. The appraiser would discuss the person's performance using these scales during the appraisal interview, and would then tick the statement that they and the appraisee agreed best summed up the appraisee's performance or which matched their level of competence.

Figure 8.4 Sample form for performance appraisal using management by objectives

NAME	JOB TITLE
DATE OF APPRAISAL	DEPARTMENT/SECTION
JOB DESCRIPTION (To be agreed with employee)	
REVIEW PERIOD	
<ol style="list-style-type: none"> Objectives agreed for this last review period. (This should include special tasks, personal training and development.) To what extent have these objectives been achieved? Were there any other major achievements? Were there any obstacles which prevented achievement of agreed objectives? What steps need to be taken to overcome these obstacles? What training, development and education were undertaken during the review period? 	
NEXT REVIEW PERIOD	
<ol style="list-style-type: none"> What specific objectives have been agreed for the next review period? What training, development and education should be undertaken during the next review period? What follow-up action is needed? 	
COMMENTS OF APPRAISER	
Signed (Appraiser)	
COMMENTS OF APPRAISEE	
Signed (Appraisee)	
COMMENTS OF COUNTERSIGNING MANAGER	



ACTIVITY 8.2

Do you remember the job description which we gave in Chapter 6? The main duties for this are listed in Figure 8.5. For each of these duties, write a series of statements to indicate the possible degrees of success of someone who is working in this job. It is intended that these statements will form the basic information with which the individual's performance in that job is compared by the appraiser. We have started this for you by suggesting some graded statements for the first row.

Figure 8.5 Job rating

Name of job holder:

Job title: Receptionist

Date of appraisal:

Main duties	Appraiser's comments	A (Well ahead of standard performance)	B (More than satisfactory, slightly above job requirements)	C (Less than satisfactory, needs slight improvement)	D (Requires constant supervision)
Greet walk-in visitors and ascertain purpose of their visit. Handle or redirect queries as appropriate		Always quick to greet visitors and ascertain purpose of visit, dealing with queries extremely rapidly and effectively so visitors are always highly satisfied	Greets visitors, ascertains purpose of visit and deals effectively with queries	Normally greets visitors promptly and ascertains purpose of their visit; sometimes slow to redirect queries	Slow to notice walk-in visitors, does not always greet them promptly, and is not always able to deal with queries or redirect them to the appropriate place
Answer phone queries as above					
Answer all initial queries about receipt of payments using the online payment receipts system					

Figure 8.5 Continued

Main duties	Appraiser's comments	A (Well ahead of standard performance)	B (More than satisfactory, slightly above job requirements)	C (Less than satisfactory, needs slight improvement)	D (Requires constant supervision)
Open and sort incoming post by department. Organise delivery of post by assistant receptionist					
Perform clerical tasks assigned by department in agreement with the Office Services Manager					
Supervise assistant receptionists and delegate work as appropriate					
Perform other duties as assigned by the Office Services Manager or other authorised manager					

Comments of appraiser

Signature (Appraiser)

Comments of appraisee

Signature (Appraisee)

Comments of countersigning manager

Signature (Manager)

Discussion of Activity 8.2

This gives a simple way of rating the employee's behaviour in the job that is clear and easy to use, as the appraiser simply ticks the box containing the comment that most nearly reflects the actual performance of the employee. It also means that there is a common standard which all appraisers would use when appraising a person doing that job. In this case, examples of four types of behaviour had to be provided for each aspect of the main duties listed in the job description. This was because many appraisers tend to rate employees as average just to avoid upsetting people or to avoid giving too much praise: by not allowing a middle category, they are encouraged to be more decisive. There may still be a tendency to go for the middle two boxes (and for many employees this will be highly appropriate), but appraisers must be encouraged by training to use the full range of categories if and when this is needed.

In this Activity you were the only person to choose the descriptions for the criteria to be rated, so there could still be some degree of subjectivity involved, as you may have described the performance of each duty in a different way to other people. It would be more usual to involve a team of people to provide the descriptors for each main duty and to get consensus about the descriptors to be used.

Behaviourally anchored rating scales (BARS)

If this appraisal system were to be introduced in a large organisation, it would not rely on just one person's ideas of a suitable range of categories. In the first section of the ratings exercise we have used the following terms as descriptors of the first of the major duties listed in the job description:

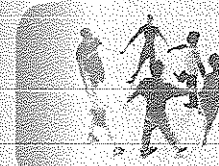
- Always quick to greet visitors and ascertain purpose of visit, dealing with queries extremely rapidly and effectively so visitors are always highly satisfied.
- Greets visitors, ascertains purpose of visit and deals effectively with queries.
- Normally greets visitors promptly and ascertains purpose of their visit; sometimes slow to redirect queries.
- Slow to notice walk-in visitors, does not always greet them promptly, and is not always able to deal with queries or redirect them to the appropriate place.

These were purely our own subjective choices, and we had not checked whether or not other people would describe this aspect of the job in the same way. You could find other descriptors that may be more effective than these. We may have chosen terms to describe each level of performance that are different from the way in which other people would describe the same task.

One way to try to get round the subjectivity of having just one person writing the descriptions of behaviour is to use a newer technique, known as behaviourally anchored rating scales. In this case a group of other raters would also be asked to suggest descriptions for a range of behaviour for each aspect of the main duties, so that a wide range of behavioural examples could be collected.

These descriptions are then collated and returned to the sample raters, but this time there is no indication of the scale point for which they were suggested. The sample raters are asked to indicate a scale point from A to D, where A represents excellence and D represents bad work, to which they think each descriptor most aptly relates. The descriptors that are consistently located at the same point of the scale are then used in the final version of the behaviourally anchored scale. This is intended

to remove the subjectivity inherent in the simpler rating method and ensure that descriptions used are likely to mean the same thing to most people.



ACTIVITY 8.3

What do you see as the main advantages and disadvantages of this system of behaviourally anchored rating scales? Make a list.

Discussion of Activity 8.3

Compare your list of advantages and disadvantages with the following list.

Advantages

- Objective rating of each of the main duties listed in job description.
- Agreement over suitable descriptors for each category of behaviour.
- Easy to use.
- Useful if lots of people have the same job descriptions so that the amount of time involved in designing the system will be repaid.

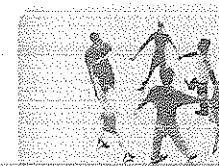
Disadvantages

- Time-consuming, as it takes a long time to get agreement on descriptors for each job.
- Only takes account of existing job performance; does not allow for discussion of future potential.

Behavioural observation scales (BOS)

These form another way of rating performance in a job. These scales are also developed as a result of lengthy procedures, and indicate a number of dimensions of performance with behavioural examples for each. Job analysis is used to identify the key determinants of performance and the performance dimensions are once again related to the job description, but in this case the appraiser is asked to indicate a point on a scale by a numerical value.

An example of such a scale in relation to selected aspects of a lecturer's job is given below. The appraisers simply circle the number that they think relates most closely to the usual behaviour of the appraisee.



ACTIVITY 8.4

You can try this for yourself by selecting a lecturer you know well and assessing them on this scale. Circle the number that most closely relates to the lecturer's normal behaviour.

- 1 Provides clearly structured lecture that is easy to follow
Almost never 5 4 3 2 1 Almost always
- 2 Provides up-to-date and interesting material in lectures/tutorials
Almost never 5 4 3 2 1 Almost always

3 Explains to students exactly what is expected of them when they complete written work	Almost never	5	4	3	2	1	Almost always
4 Is willing to give advice and guidance	Almost never	5	4	3	2	1	Almost always
5 Gives detailed and helpful feedback concerning written work that students have completed	Almost never	5	4	3	2	1	Almost always

Discussion of Activity 8.4

We hope that you were fair in your assessment and were not influenced by personality or past grades given to you! In this case you were assessing the lecturer from the position of a student, and you are likely to have a very different view of their work performance to the lecturer's manager or the human resource manager. You may not, however, be able to assess all aspects of the lecturer's job such as their ability to carry out research, or an individual's administrative capabilities, but this exercise is similar to assessment by a person's subordinates which we mentioned earlier. It has the same type of limitations that we discussed then, but it gives you some idea of the way in which different points of view can be important and shows that if this were combined with appraisal from other perspectives, as in a system such as 360-degree appraisal, it could contribute to developing a full picture of a person's effectiveness and provide valuable feedback.

Critical incidents

This involves keeping a record of positive and negative behaviour during a specified period of time. This record of critical incidents is the basis for the appraisal interview although the appraiser would normally be expected to also give feedback on both positive and negative critical incidents as and when they happened. This method does have some benefits as it does not just rely on annual reporting and has the benefit of giving immediate feedback but according to ACAS (2008) the main disadvantage is that it is also very time-consuming.

Narrative report

Using this method the appraiser describes the behaviour of the individual being appraised in their own words in either an essay or report style, as preferred, but without the use of any form for a prompt or for structure. For a narrative report one could start with just a blank sheet of paper as this form of recording is a flexible format which can be adapted to varying circumstances. However, for some appraisers this lack of structure and choice of approach will be too vague and they may have difficulty choosing which aspects of performance to focus on. It also requires the appraiser to have good writing skills and the subjectivity of this format also makes it very difficult to compare levels of performance. There could be accusations of too much subjectivity particularly if there is any link to pay involved.

The appraisal interview

Interviews have already been discussed in some detail in Chapter 7, and the points made there with regard to selection interviews also apply to appraisal interviews. Preparation, privacy and confidentiality, good questioning technique, avoidance of bias, good records and attention to the style of interview will also be important in the appraisal interview.

Preparation

There is a need, as we explained in Chapter 7, for careful preparation before any interview and employees should be given adequate notice of the date of the appraisal interview to allow them time to prepare. In the appraisal interview this is also likely to mean that care needs to be taken with the layout of the room, so that the person being appraised will not be intimidated by a formal set-up with barriers such as a big desk, and so that they feel comfortable and at ease. There is also a need to avoid interruptions and to ensure that telephone messages are taken elsewhere and that there are no unnecessary distractions.

If the person has been appraised in the past, then the last appraisal record will need to be read to check what objectives, if any, were agreed for the current appraisal period. The individual's job description will also need to be checked and the training and development records examined to discover what training and development has occurred since the last interview. In some cases, if the person who is to be appraised works for several people, it may also be necessary to obtain information from other managers, or in the case of other types of performance appraisal, from subordinates or peers.

As stated earlier it is also useful for both parties in the appraisal to prepare for the meeting, and both the appraiser and appraisee need to have received training so that they know what to expect in order that they can both skilfully handle what is potentially a difficult interaction. A constructive approach used by many organisations is to give both the appraiser and appraisee a form to complete prior to the appraisal interview. In some organisations these are then exchanged, and this has the advantage of focusing the attention of appraiser and appraisee on common issues. In other organisations these forms are simply used as an *aide-mémoire* for the individuals concerned, but if they are exchanged prior to the interview, they can help to clearly identify areas where there is broad agreement so that more time can be allowed to discuss other topics where there are differences of opinion.

Privacy and confidentiality

We have already indicated that the appraisal is an important way of giving feedback to the employee about their work performance. In the past some organisations did not allow the appraisee to see the records of their appraisal, but we feel that this misses a valuable opportunity for providing feedback from which the employee could learn. On the other hand, the appraisal form and interview have to be kept confidential from other people as there will probably be very personal

information on the form, and no one who feels that half the department can hear every word of the conversation is likely to feel willing to discuss their performance openly.

● Good questioning technique

The appraisal interview has, as we have already said, much in common with all other types of interviews. Once again the type of questions asked will be important. As this is an opportunity to provide feedback to the employee there will perhaps be slightly more opportunity for the interviewer to do more talking than in some other forms of interview, but this should be treated with caution. It is certainly not the time for the appraiser to do all the talking.

There should be an introductory phase where the interviewer tries to put the person being appraised at ease. It is generally better to follow this with a discussion of the employee's strong points and then try to get information, especially about any areas of perceived weakness, from the employee by asking open questions and teasing out the information. Areas of weakness need to be raised and discussed fully, and open questions are important here. If the interviewer uses closed questions that merely need yes or no answers, they will end up doing most of the talking. Leading questions, which put words in the appraisee's mouth or indicate what the appraiser wants them to say, should also be avoided.

Appraisers should also take great care not to be unduly influenced by a high assessment in one particular area, and should not allow this to cloud their judgement so that they rate all other areas of the employee's performance highly, even though these may not deserve such a high rating. This is known as the 'halo' effect. Similarly, care should be taken to avoid being unduly influenced by one very poor assessment. This is known as the 'horns' effect.

● The contingency approach to interviews

While it is fair to say that the style of interview that is generally recommended for appraisal interviewing is a joint problem-solving approach which involves the appraiser and appraisee equally, it is also possible that some other styles of interview may be appropriate in certain circumstances. For example, if the person being appraised is new to the department they may have less to say than someone who has been there longer and so it may be appropriate for the appraiser to do a little more of the talking. If, on the other hand, the person being appraised is very experienced and has worked for the organisation for many years then they may hold many views about their own performance and have clear ideas for improving it. In this case it is possible that the person being appraised might be allowed to do slightly more of the talking. The contingency approach means that the most appropriate style of interview will depend on the circumstances at the time: the approach will be contingent on the circumstances.

The choice of style depends on factors such as the manager's own style, the organisation's culture and the behaviour of the appraisee themselves. In an autocratic organisation where people are not used to having their views considered, there may be a high degree of suspicion if at the time of the appraisal interview the manager

suddenly adopts a joint problem-solving approach and actually asks for the views of the employees. This can be a problem for many organisations, because if the organisation normally conducts its affairs in such a way that the employees don't trust the managers to treat them fairly, then it is going to be extremely difficult, if not impossible, for the employees suddenly to start trusting the person who is conducting their appraisal, and to talk in an open and honest way to them. This shows that appraisals should not be used just as an isolated technique to try and motivate the workforce. They need to be an integral part of the way the organisation treats people, and fundamental issues such as the culture of the organisation and its normal style of management also need to be addressed.

Information technology and performance management

Increasingly organisations are using information technology as a part of their performance appraisal or performance management system. This is not just about record-keeping although some organisations do use their intranet site for this and also to explain procedures and for online training for appraiser and appraisee. Some organisations even complete the initial stages of the performance appraisal system online and both appraisee and appraiser can complete online forms and exchange these prior to meeting for a face-to-face interview where they discuss the contents, focusing particularly on differences in their views of performance. In *People Management* there are increasing numbers of IT systems which claim to help with performance appraisal and Google UK lists over one and a half million online references to providers for 360-degree feedback so this is clearly an area where IT is providing a great deal of support (Coomber, 2006).

The opportunity to complete performance appraisal questionnaires online is particularly useful when 360-degree appraisal is used. Getting forms completed using pen and paper from several sources is arduous and collecting and collating the information from a range of sources manually can be very time-consuming. Using online resources has made the use of 360-degree appraisal much easier and may be partially responsible for the increase in its popularity. Online forms can also benefit from being interactive so that the appraisee can even elect to receive feedback on specific aspects of their competence or performance. According to Coomber (2006), other benefits of online collection of appraisal information include improvements in confidentiality and accuracy. It is also much easier and requires much less administration to collate the information from several appraisers into an easily accessible format using graphs and charts.

International issues in performance management and performance appraisal

Performance management and performance appraisal can be difficult to get right but when organisations succeed in this they do create a motivating experience for workers and help to improve performance. In a global organisation operating across many countries and several cultures this is especially difficult to achieve. In some cultures it is

difficult to introduce 360-degree appraisal as subordinates may feel reluctant to criticise their immediate manager, because in that culture it is unthinkable to criticise one's superior. In other cultures it may also be difficult for the appraiser to make any comments that would improve the work of someone who was older in years than themselves. Some cultures prefer openness and transparency in the performance management process so individuals know who is responsible for comments about their performance, while in other cultures individuals would be unwilling to comment on performance if they thought the appraisee would know the source of comment.

Organisations have to make choices about the extent to which they take account of different cultures and decide whether to operate different performance management systems in each country or whether they try to get something that will be acceptable to all by adapting the host country's performance management scheme as standard.

One organisation which faced this problem was Kimberly-Clark, probably best known for its Andrex toilet paper, the Andrex puppy and for Kleenex tissues. They operate in 68 countries but did not have a standard approach across all. Their competencies approach was interpreted in differing ways in different countries, resulting in problems when moving staff from one part of the organisation to another, or from one country to another. While their sales and share price were doing badly the performance ratings of their employees still seemed very high as individuals were reluctant to give a below average rating to anyone, even for a below average performance.

In 2003, Tom Falk, the chief executive of Kimberly-Clark, launched a global business plan designed to increase the emphasis on talent management and development of a high-performance culture. The performance management system was a key part of this and in order to get global buy-in from everyone an international project team was appointed representing all regions so that regional and cultural issues were addressed. A system of 360-degree feedback was agreed upon but because of the concerns expressed by workers in some parts of the world, particularly Korea, South America and Asia, it was decided that this feedback had to be anonymous and, while this didn't entirely suit all Western countries, this was the approach adopted. The performance management scheme was web-based but was also translated into the languages of all the countries where the group was based and training was also given in the languages of each country. This meant that each part of the organisation in each country felt increased ownership for the scheme and the amount of effort put into consultation, translation and training seemed to be worthwhile, as in a survey conducted by the company a year after the launch of the new performance management system, 95 per cent of the workforce said that they were confident about its use (Arkin, 2007).

Conclusion

Performance management derives from the human resource management approach as a strategic and integrated approach to the management and development of people and it uses many HR techniques. It emphasises the important role of line managers to take responsibility for the management of the performance of the people in their department. With its emphasis on the need for continuous performance review,

performance management also relates clearly to the ideas of continuing talent development and learning. It uses the techniques of performance appraisal but prefers to use the more objective types, such as setting objectives. It does, however, go further than performance appraisal as what is appraised is clearly derived from the strategic plan and both individuals and teams are involved in setting objectives for themselves and in evaluating their success in achieving these objectives.

Line managers play an important part in reviewing the performance of individuals and teams and have responsibility to review progress and development throughout the year, not just at the time of the annual appraisal interview. Both individual and team objectives are clearly derived from the corporate strategic objectives, and everyone is aware that management of performance is the concern of all in the organisation, and not just HR management or the senior management team. Performance management is, above all, a process for sharing an understanding about what needs to be achieved, and then managing and developing people in a way which will facilitate this so that excellent communications, in all directions, are achieved, particularly in global organisations – and employee involvement and engagement are also extremely important.

Improvements in online performance appraisal schemes are helping to increase the use of 360-degree appraisal and can also be particularly useful in international organisations where it may be very time-consuming to collect information from participants who work in different parts of the world. Performance appraisal and performance management are important tools that can contribute not only to an organisation's effectiveness, but they can also help ensure that it becomes a high-performance workplace.



REVIEW QUESTIONS

You will find brief answers to these review questions on pages 492–4.

- 1 Discuss the reasons for line managers' apparent reluctance to get involved in performance management and suggest ways to convince them of the value of this process to them.
- 2 What are the main advantages and disadvantages of using 360-degree appraisal?
- 3 Performance appraisals are intended to motivate employees towards greater productivity and improve communication/relations between managers and their team members. Explain why performance appraisals often fail to achieve this goal, and comment on the skills that managers need to make performance appraisal work.
- 4 Performance management is described by Armstrong and Baron (2004) as a process which 'contributes to the effective management of individuals and teams in order to achieve high levels of organizational performance.'
 - (a) Describe the key stages in the performance management implementation process.
 - (b) List the different HR techniques that could be used as part of performance management in relation to the organisation, the team and the individual.
- 5 Describe three different approaches to performance appraisal and comment critically on the benefits to be gained from these systems.



SELF-CHECK QUESTIONS

Answer the following multiple-choice and short-answer questions. The correct responses are given on page 494 for you to check your understanding of this chapter.

- Which of the following is stated in this chapter as being least likely to contribute to an organisation becoming an effective workplace?
 - Policies and procedures that everyone knows about and understands.
 - Effective health and safety policies and procedures.
 - Line managers who perceive performance appraisal as totally separate from the realities of their business cycle and their business objectives.
 - Line managers who perceive performance appraisal as an important aspect of their job that they need to spend time on so they develop their staff and then meet their business objectives.
 - An organisation with a 'Big Idea' that everyone knows about and understands.
- Which of the following acronyms is used in Purcell's (2003) People and Performance Model?
 - AMO
 - AMP
 - IMP
 - AMA
 - IMO.
- In this chapter we said that when we appraise someone there are three key, but sometimes contradictory, roles. Which of the following are the three roles to which we referred?
 - Giving feedback and being friend and helper.
 - Giving feedback and being judge and source of discipline.
 - Giving feedback and being judge and helper.
 - Giving a subjective assessment of performance and being judge and helper.
 - Giving feedback and being judge and critic.
- Which of the following is a good reason for organisations to introduce a performance appraisal scheme?
 - to improve current performance
 - to provide a check on their staff's integrity
 - to check on the honesty of their employees
 - to clarify the employee's contract
 - to discipline individuals.
- Appraisal schemes may not be as effective as they should be because of a number of problems. Which of the following is not one of the problems associated with the introduction of performance appraisal schemes?
 - The organisation is not clear about the purpose of its appraisal scheme.
 - The performance appraisal scheme is too objective in the judgements made.
 - Information is kept secret from the employee.
 - The performance appraisal scheme is too subjective in the judgements made.
 - Appraisal is used as part of the disciplinary process.
- Which of the following best describes what is meant by the term 'performance management'?
 - A process which contributes to the effective management of individuals and teams in order to achieve high levels of organisational performance.

- A process which contributes to the effective management of the HR department in order to achieve high levels of departmental performance.
- A process which contributes to the effective management of teams in order to achieve high levels of team performance.
- A process which contributes to the effective management of individuals in order to achieve high levels of individual performance.
- A process which contributes to the effective management of individuals and teams in order to improve the personnel department's performance.

HR IN THE NEWS

FT


FT Report – Digital Business 2007: Tools help staff see the effects of effort

By Sam Hiser

Securing the services of the best available candidates is at the heart of e-recruitment systems. But once the new recruits are on board, technology now plays a big part in helping to monitor, incentivise and manage them.

Performance management software tools are maturing, taking advantage of the internet and replacing custom-grown solutions to help managers more effectively monitor and offer incentives to staff.

Also known as business intelligence (BI) or business performance management (BPM), e-performance management is a growing field.

Oracle, through its Peoplesoft and Hyperion acquisitions, SAP, Cognos and Business Objects are some of the big software providers helping managers collect, organise and massage data coming in from across finance, back office, manufacturing, production, sales and compensation business processes.

A growing list of smaller players, too, provides targeted services in a variety of niches. In the sales performance management (SPM) arena, for example, sales personnel and managers need a clear view of objectives and sales plan rules. They also need real-time visibility on their compensation statements and incentive goal sheets as well as performance comparisons versus prior periods.

A dashboard screen on a desktop, laptop or smartphone allows them to absorb this information by showing up-to-the minute sales and compensation statistics and integrates incentive plan information.

In any sales organisation where the compensation plan drives the business, there is a need for everybody to be connected to central goals and respond quickly.

'You want to turn the business rules into compensation. With a centralised book, you can cascade strategic changes in the call plan,' says Leslie Stretch, senior vice-president of global sales, marketing and on-demand business at Callidus Software. The implications penetrate to the bottom line.

Mr Stretch says integrated software permits incentive compensation to be awarded faster and targeted with precision, while slowness and inaccuracy can demoralise a sales force.

Callidus, for example, is establishing a de facto standard for sales performance it calls the 'true performance index', that a professional can use to monitor the effects of their efforts. They can take this statistic with them – possibly to different employers. For heavily unionised customers, such as telecoms companies, Mr Stretch reports fewer disputes, due partly, he claims, to trust in the Callidus data.

e-performance management tools are making a difference in operations management, too. A UK software and consulting group, eg Solutions, offers straightforward technology and advice which seeks to identify processes and tasks, assign roles, groups, teams and skills, and match desired outcomes with human activity. The business-intelligence gathering mechanism is embedded in the process, which means data input is not segregated from the work itself.

Elizabeth Gooch, eg's chief executive, says: 'It's like driving a car, first in manual and then in automatic.' The key is to make people autonomous optimisers by showing them the results of what they do.

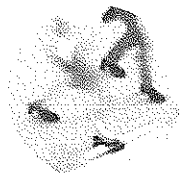
Employees are said to appreciate sharper e-performance management tools and thrive because they feel a greater sense of accomplishment when their efforts are connected with results.

(*Financial Times*, 7 November 2007, © Sam Hiser. Reproduced with permission.)

Questions

- 1 What do you think are the main advantages of using performance management software?
- 2 What in your view are the disadvantages?

Now that you have read this introductory chapter on performance appraisal and performance management, and have completed all the exercises, you may feel ready to progress further. If you would like more opportunities to test your own learning on this subject then you can go to the student website that accompanies this book: www.pearsoned.co.uk/foothook.



WHAT NEXT?

If you feel ready to examine this subject in more depth then there have been several research studies that could help you to further your understanding of how organisations achieve improvements in performance.

A study from the research team at the University of Bath examines case study organisations and how they achieve success when times are difficult:

Hutchinson, S., N. Kinnie, J. Purcell, J. Swart, B. Rayton (2003) *Understanding the People Performance Link: Unlocking the Black Box*, CIPD.

You can also find a free interactive tool on the ACAS website at www.acas.co.uk which can help those of you who work in organisations to assess your organisation's performance against the ACAS model workplace.

A similar diagnostic tool is available from the CIPD (2010) at www.cipd.co.uk and is called Developing performance management. This can be used to help organisations assess and improve the performance management processes in their organisation.

Read the following longitudinal research study about organisation performance which aims to advance thinking and practice by generating debate and which also seeks to provide some practical advice for organisations.

Miller J. and C. McCartney with contributions from A. Baron, J. McGurk and V. Robinson (2010) *Shaping the future*, CIPD (www.cpd.co.uk/shapingthefuture accessed 12.8.2010).

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Further study

Books

Advisory, Conciliation and Arbitration Service (2008) *Employee Appraisal*, ACAS.

An excellent, clear guide to performance appraisal.

Armstrong, M. and A. Baron (2004) *Managing Performance: Performance Management in Action*, CIPD.

This has become a classic text on the subject of performance management.

Articles

Arkin, A. (2007) From soft to strong, *People Management*, 6 September, Vol. 13, No. 18, 30–33.

An overview of how Kimberly-Clark, a multinational, introduced performance management into its companies across the world.

Cunneen, P. (2006) How to improve performance management, *People Management*, 12 January, Vol. 12, No. 1, 42–3.

A short article that makes suggestions about getting the best from a performance management system.

Fielder, R. (2006) How to unlock discretionary behaviour, *People Management*, 12 October, Vol. 12, No. 20, 44–5.

Another brief article that explains how to energise and motivate staff to work at peak performance.

Table 8.2 People involved in the performance appraisal process

People who may be involved in the appraisal process	Advantages	Disadvantages
The appraisee's manager's immediate manager	Often used as well as the appraisee's manager to check that the manager is being fair. When used as sole appraiser there is the possible advantage of being more objective about employee's work and of not being directly threatened by their success.	Not likely to know the appraisee well and likely to have to obtain information about the individual's performance from their immediate manager.
The HR manager	Often used as a check that the manager is being fair and as a monitor of consistency of approach throughout the organisation. HR managers are sometimes used as sole appraiser for reasons of fairness and consistency and because they are not perceived to be a threat to the manager.	Not likely to know the appraisee well and likely to have to obtain information about the individual's performance from their immediate manager.
Colleagues	This can be especially useful where teamwork is important or in an enterprise with a matrix organisation structure where the individual may report to more than one manager. The main advantage is that colleagues are likely to have a clear idea of how effective the individual is at working with them and the views of several people are likely to provide a balanced perspective.	The colleagues concerned may not know about all aspects of the individual's job. They may be reluctant to express an honest opinion about a colleague, and may be influenced by whether they have a good or poor relationship with that person, or by jealousy or rivalry.
Subordinates	People who work for the individual who is being appraised will certainly have a different view of that individual's abilities and performance and can therefore provide valuable information about the person's performance.	They may be too frightened to express their real opinion if they feel that their manager might hold this against them at some future date. The person being appraised may be reluctant to accept the views of their subordinates.
Self-appraisal	Often used as part of the appraisal process, as in many systems the appraisers and the appraisee complete forms independently of each other and then use them as the basis of discussion. The individual will have more detailed knowledge of the standard of their own work performance than their manager. Since individuals should be encouraged to take a great deal of responsibility for their own development, this increased self-awareness will be useful.	Some people may find it difficult to analyse their own work performance and may have unrealistic views of how well they have actually done. They may not be willing to admit to weaknesses, although in many cases the opposite is true, and people are more critical of themselves than their manager would be.
360-degree appraisal (not actually a person, but gathers information from all the people mentioned so far)	This form of appraisal gathers information from all the above sources to gain an all-round view of the person's performance. This is extremely thorough and will provide information on different aspects of the individual's performance so that it is possible to compile a total picture of the person's job performance. This may also include those outside the organisation, such as clients or customers who may be able to provide very valuable insights into how an individual is performing.	It can be very time-consuming to collect information from so many people, and may not always be cost-effective. It is also subject to all the disadvantages listed above. If it uses customers or clients it may prove particularly difficult to organise as customers or clients may not wish to spend time participating in questionnaires and cannot be coerced into doing so. Many employers will also be hesitant to use this approach as they may not wish to give their clients or customers any cause to think that they, or any of their employees, might ever provide a less than perfect service or product.

Table 8.2 Continued

People who may be involved in the appraisal process	Advantages	Disadvantages
Assessment centres (not actually a person, so you may not have included assessment centres in this list, but we include them as they form yet another important way of assessing performance)	Individuals undertake a battery of tests to measure: aspects of personality; verbal, numerical and reasoning skills; and ability to lead and work in a team. This provides an all-round view of the person's talents and abilities. Particularly useful when assessing future potential and in the appraisal of potential supervisors or managers.	Expensive and time-consuming to carry out for all employees.