INDIVIDUAL PERFORMANCE MANAGEMENT

THE OBJECTIVES OF THIS CHAPTER ARE TO:

1 CLARIFY THE NATURE AND PURPOSE OF PERFORMANCE MANAGEMENT AND PERFORMANCE APPRAISAL

2 EXAMINE THE STAGES OF A TYPICAL PERFORMANCE MANAGEMENT SYSTEM

3 REVIEW THE IMPLEMENTATION OF PERFORMANCE MANAGEMENT SYSTEMS

4 EXPLORE THE CONTRIBUTION OF 360-DEGREE/ MULTI-RATER FEEDBACK

The treatment of individual performance in organisations has traditionally centred on the assessment of performance and the allocation of reward. Performance was typically seen as the result of the interaction between individual ability and motivation.

Increasingly, organisations recognise that planning and enabling performance have a critical effect on individual performance. So, for example, clarity of performance goals and standards, appropriate resources, guidance and support from the individual's manager all become central.

PERFORMANCE MANAGEMENT AND PERFORMANCE APPRAISAL

Appraisal systems

Traditionally performance appraisal systems have provided a formalised process to review the performance of employees. They are typically designed on a central basis, usually by the HR function, and require each line manager to appraise the performance of their staff, usually on an annual basis. This normally requires the manager and employee to take part in a performance review meeting. Elaborate forms are often completed as a record of the process, but these are not living documents, they are generally stored in the archives of the HR department, and the issue of performance is often neglected until the next round of performance review meetings.

The nature of what is being appraised varies between organisations and might cover personality, behaviour or job performance. These areas might be measured either quantitively or qualitatively. Qualitative appraisal often involves the writing of an unstructured narrative on the general performance of the appraisee. Alternatively, some guidance might be given as to the areas on which the appraiser should comment. The problem with qualitative appraisals is that they may leave important areas unappraised, and that they are not suitable for comparison purposes.

Coates (1994) argues that what is actually measured in performance appraisal is the extent to which the individual conforms to the organisation. Some traditional appraisal was based on measures of personality traits that were felt to be important to the job. These included traits such as resourcefulness, enthusiasm, drive, application and other traits such as intelligence. One difficulty with these is that everyone defines them differently. Raters, therefore, are often unsure of what they are rating, leaving more scope for bias and prejudice. Another problem is that since the same scales are often used for many different jobs, traits that are irrelevant to an appraisee's job may still be measured.

Other approaches concentrate on linking ratings to behaviour and performance on the job. So performance may be reviewed against key aspects of the job or major headings on the job description. Specific methods of linking ratings with behaviour at work have been developed such as behaviourally anchored rating scales (BARS) and behavioural observation scales (BOS) although evidence suggests that these are not widely used (Williams 2002).

Another method of making appraisal more objective is to use the process to set job objectives over the coming year and, a year later, to measure the extent to which these objectives have been met. The extent to which the appraisee is involved in setting these objectives varies considerably. When a competency profile has been identified for a particular job, it is then possible to use this in the appraisal of

performance. Many appraisal systems combine competency assessment with assessment against objectives or job accountabilities.

Lastly, performance may be appraised by collecting primary data via various forms of electronic surveillance system. There are increasing examples of how activity rates of computer operators can be recorded and analysed, and how the calls made by telephone sales staff can be overheard and analysed. Sewell and Wilkinson (1992) describe a Japanese electronics plant where the final electronic test on a piece of equipment can indicate not only faults but the individual operator responsible for them. On another level some companies test the performance of their sales staff by sending in assessors acting in the role of customer (Newton and Findlay 1996), often termed 'mystery shoppers'.

In a recent survey (IRS 2003) 79 out of 96 very large employers appraised all employees. But while performance appraisal has gradually been applied to wider groups of employees, beyond managers and professionals, there are also concerns that appraisal systems are treated as an administrative exercise, are ineffective, and do little to improve performance of employees in the future. A further problem with such systems is the lack of clarity of purpose. The Employment Studies Institute (IRS 2001) suggests that appraisal is a victim of its own expectations, in that it is expected to deliver in too many areas. Systems may focus on development, identifying future potential, reward, identifying poor performers, or motivation. In systems where appraisal results were linked to reward the manager was placed in the position of an assessor or judge. Alternatively some systems focused on support or development, particularly in the public sector. These provided a better opportunity for managers to give constructive feedback, for employees to be open about difficulties, and for plannning to improve future performance. Many systems try to encompass both approaches; for example the IRS survey (IRS 2003) found that 40 per cent of the private sector companies used appraisal for both development and pay. However, as these approaches conflict, the results are typically unsatisfactory.

The effectiveness of appraisal systems hinges on a range of different factors. Research by Longenecker (1997) in the USA sheds some light on this. In a large-scale survey and focus groups he found that the three most common reasons for failure of an appraisal system were: unclear performance criteria or an ineffective rating instrument (83 per cent); poor working relationships with the boss (79 per cent); and that the appraiser lacked information on the manager's actual performance (75 per cent). Other problems were a lack of ongoing performance feedback (67 per cent) and a lack of focus on management development/improvement (50 per cent). Smaller numbers identified problems with the process, such as lack of appraisal skills (33 per cent) and the review process lacking structure or substance (29 per cent).

We would add that ownership of the system is also important. If it is designed and imposed by the HR function there may be little ownership of the system by line managers. Similarly, if paperwork has to be returned to the HR function it may well be seen as a form-filling exercise for someone else's benefit and with no practical value to performance within the job. More fundamentally Egan (1995) argues that the problem with appraisal not only relates to poor design or implementation, but is rooted deeply in the basic reaction of organisational members to such a concept. There is an increasing body of critical literature addressing the role and theory of appraisal. These debates centre on the underlying reasons for appraisal (*see*, for example, Barlow 1989; Townley 1989, 1993; Newton and Findlay 1996) and the social construction of appraisal (*see*, for example, Grint 1993). This

literature throws some light on the use and effectiveness of performance appraisal in organisations.

Performance management systems

While many appraisal systems are still in existence and continue to be updated, performance management systems are increasingly seen as the way to manage employee performance, and have incorporated the appraisal/review process into this. In the Focus on skills at the end of Part III we consider the performance appraisal interview in the context of either an appraisal or a performance management system. Mabey and Salaman (1995) provide a useful definition when they state that the essence of performance management is:

> Establishing a framework in which performance by individuals can be directed, monitored, motivated and rewarded, and whereby the links in the cycle can be audited.
> (p. 189)

Bevan and Thompson (1992) found that 20 per cent of the organisations they surveyed had introduced a performance management system. Armstrong and Baron (1998a) report that 69 per cent of the organisations they surveyed in 1997 operated a formal process to measure manager performance. Such systems offer the advantage of being tied closely into the objectives of the organisation, and therefore the resulting performance is more likely to meet organisational needs. The systems also represent a more holistic view of performance. Performance appraisal or review is almost always a key part of the system, but is integrated with *performance planning* (linking an individual's objectives to business objectives) to ensure that employee effort is directed towards organisational priorities: support for *performance delivery* (via development plans, coaching and ongoing review) to enable employee effort to be successful, and that performance is *assessed* and successful performance *rewarded and reinforced.*

The conceptual foundation of performance management relies on a view that performance is more than ability and motivation. It is argued that clarity of goals is key in enabling the employee to understand what is expected and the order of priorities. In addition goals themselves are seen to provide motivation, and this is based on goal setting theory originally developed by Locke in 1968 and further developed with practical applicability (Latham and Locke 1990). Research to date suggests that for goals to be motivating they must be sufficiently specific, challenging but not impossible and set participatively. Also the person appraised needs feedback on future progress.

The other theoretical base of performance management is expectancy theory, which states that individuals will be motivated to act provided they expect to be able to achieve the goals set, believe that achieving the goals will lead to other rewards and believe that the rewards on offer are valued. We look at expectancy theory in greater depth in Chapter 14 on leadership and motivation.

Given such an emphasis on a link into the organisation's objectives it is somewhat disappointing that Bevan and Thompson found no correlation between the existence of a performance management system and organisational performance in the

private sector. Similarly, Armstrong and Baron (1998a) report from their survey that no such correlation was found. They do report, however, that 77 per cent of organisations surveyed regarded their systems as effective to some degree and Houldsworth (2003), using the Henley and Hay Group survey of top FTSE companies and public sector respondents, reports that 68 per cent of organisations rated their performance management effectiveness as excellent. So performance management, such as HR systems and processes, still remains an act of faith.

As with appraisal systems, some performance management systems are development driven and some are reward driven. Whereas in the 1992 IPD survey 85 per cent of organisations claimed to link performance management to pay (Bevan and Thompson 1992), Armstrong and Baron found that only 43 per cent of survey respondents reported such a link. However, 82 per cent of the organisations visited had some form of performance-related pay (PRP) or competency-based pay, so the picture is a little confusing. They suggest that a view is emerging of performance management which centres on 'dialogue', 'shared understanding', 'agreement' and 'mutual commitment', rather than rating for pay purposes. While they may feature in more sophisticated systems, Houldsworth (2003) reports a figure of 77 per cent link with pay, and it appears that many organisations are trying to achieve both development and reward outcomes. She also contrasts systems driven by either performance development or performance measurement, finding that the real experience of developmental performance management is that it is motivational, encourages time spent with the line manager, encourages two-way communication and is an opportunity to align roles and training with business needs. Alternatively, where there is a measurement focus, performance management is seen as judgemental, a chance to assess and get rid of employees, emphasises control and getting more out of staff, raises false expectations and is a way to manage the salaries bill.

ACTIVITY 12.1

Think of the performance appraisal or performance management system at your place of work.

- To what extent does it focus on development and to what extent does it focus on reward?
- How, and how well, are each of these purposes achieved? Explain why this is.
- What would you do to improve the system, and what impacts would these actions have?

There are many different definitions of performance management and some have identified it as 'management by objectives' under another name. There are, however, some key differences. Management by objectives was primarily an off-the-peg system which was bought in and generally involved objectives being imposed on managers from above. Performance management tends to be tailor-made and produced in-house (which is why there are so many different versions), with an emphasis on mutual objective setting and on ongoing performance support and review. The term,

Table 12.1 Characteristics of performance management systems

- Top-down link between business objectives and individual objectives (compared with performance appraisal where there may be no objectives, or objectives not explicitly linked to business objectives)
- Line manager driven and owned (rather than being owned by the HR function, as typically with performance appraisal)
- A living document where performance plans, support and ongoing review are documented as work progresses, and prior to annual review (rather than an archived document retrieved at appraisal time to compare achievement with intentions)
- Performance is rewarded and reinforced

therefore, remains beyond precise definition, and rightly so, as it is critical that the system adopted fits with the culture and context of the organisation (*see*, for example, Audit Commission 2000; Hendry *et al*. 2000). As well as the right sort of culture, the right sort of leadership is needed together with a focus on the right priorities. Interestingly, though, Williams (2002) notes that performance management can be used as a tool of culture change. (*See* Table 12.1.)

STAGES IN A PERFORMANCE MANAGEMENT SYSTEM

Figure 12.1 shows a typical system, including both development and reward aspects, the main stages of which are discussed below.

Business mission, values, objectives and competencies

There is an assumption that before it is able to plan and manage individual performance the organisation will have made significant steps in identifying the performance required of the organisation as a whole. In most cases this will involve a mission statement so that performance is seen within the context of an overriding theme. Bevan and Thompson (1992) found that performance management organisations were more likely than others to have an organisational mission statement and to communicate this to employees. In addition many organisations will identify the strategic business objectives that are required within the current business context to be competitive and that align with the organisation's mission statement.
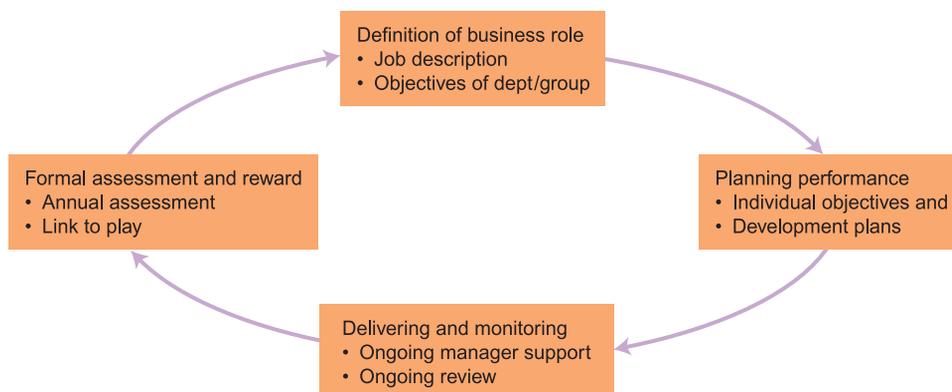
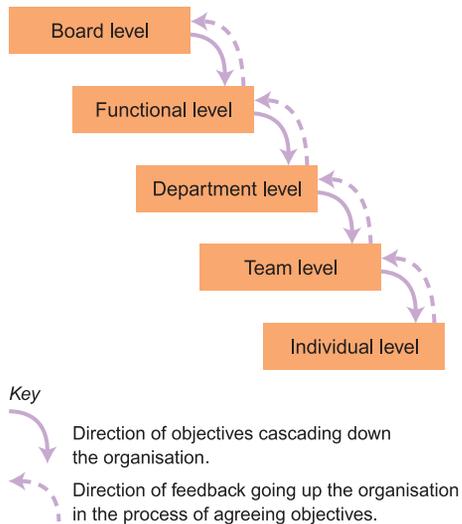**Figure 12.1** Stages of a typical performance management system

Figure 12.2 An objective-setting cascade

Many organisations will also identify core values of the business and the key competencies required. Each of these has a potential role in managing individual performance. Organisational objectives are particularly important, as it is common for such objectives to be cascaded down the organisation in order to ensure that individual objectives contribute to their achievement (for an example of an objective-setting cascade, *see* Figure 12.2).

Planning performance: a shared view of expected performance

Individual objectives derived from team objectives and an agreed job description can be jointly devised by manager and employee. These objectives are outcome/results oriented rather than task oriented, are tightly defined and include measures to be assessed. The objectives are designed to stretch the individual, and offer potential development as well as meeting business needs. It is helpful to both the organisation and the individual if objectives are prioritised. Many organisations use the 'SMART' acronym for describing individual objectives or targets:

- Specific
- Measurable
- Appropriate
- Relevant
- Timed

It is clearly easier for some parts of the organisation than others to set targets. There is often a tendency for those in technical jobs, such as computer systems development, to identify purely technical targets, reflecting the heavy task emphasis they see in their jobs. Moving staff to a different view of how their personal objectives contribute to team and organisational objectives is an important part of the performance management process. An objective for a team leader in systems development could be:

To complete development interviews with all team members by end July 2005. (written March 2005)

Clearly, the timescale for each objective will need to reflect the content of the object-ive and not timescales set into the performance management system. As objectives are met, managers and their staff need to have a brief review meeting to look at progress in all objectives and decide what other objectives should be added, changed or deleted. Five or six ongoing objectives are generally sufficient for one individual to work on at any time.

The critical point about a *shared* view of performance suggests that handing out a job description or list of objectives to the employee is not adequate. Performance expectations need to be understood and, where possible, to involve a contribution from the employee. For example, although key accountabilities may be fixed by the manager, they will need to be discussed. Specific objectives allow for and benefit from a greater degree of employee input as employees will have a valid view of barriers to overcome, the effort involved and feasibility. Expressing objectives as a 'what' statement rather than a 'how' statement gives employees the power to decide the appropriate approach once they begin to work on the issue. Incorporating employee input and using 'what' statements are likely to generate a higher degree of employee ownership and commitment. However, difficulties have been experienced with purely 'what' objectives as there may be appropriate and inappropriate ways of achieving an objective. For example, a manager with an objective to ensure that another department agrees to a plan of action could achieve this in different ways. The manager may pressure susceptible members of the other department and force agreement through without listening to the other department's perspective. This may alienate the other department and damage future good relations. Alternatively the manager could adopt a collaborative approach so that the needs of both departments are met, providing a sound basis for future cooperation between the departments. More sophisticated systems now incorporate the 'how' as well (*see* IDS 2003).

Planning the support, development and resources necessary for employees to achieve their objectives is imperative. Without this support it is unlikely that even the most determined employees will achieve the performance required.

Concerns have been expressed over restricting the objectives to those which specify output targets, and there is now evidence of increasing use of input targets, such as developing a critical competency which is valued by the organisation and relevant to the achievement of objectives. Williams (2000) argues that as individuals cannot always control their results it is important to have behavioural targets as well as output targets. It is also recommended that there is a personal development plan which would again underpin the achievement of objectives.

Delivering and monitoring performance

While the employee is working to achieve the performance agreed, the manager retains a key enabling role. Organising the resources and off-job training is clearly essential. So too is being accessible. There may well be unforeseen barriers to the agreed performance which the manager needs to deal with, and sometimes the situ-ation will demand that the expected performance needs to be revised. The employee

may want to sound out possible courses of action with the manager before proceeding, or may require further information. Sharing 'inside' information that will affect the employee's performance is often a key need, although it is also something that managers find difficult, especially with sensitive information. Managers can identify information sources and other people who may be helpful.

Ongoing **coaching** during the task is especially important. Managers can guide employees through discussion and by giving constructive feedback. They are in a position to provide practical job experiences to develop the critical skills and competencies that the employee needs, and can provide job-related opportunities for practice. Managers can identify potential role models to employees, and help to explain how high achievers perform so well.

Although it is the employee's responsibility to achieve the performance agreed, the manager has a continuous role in providing support and guidance, and in oiling the organisational wheels.

ACTIVITY 12.2

Do managers actively support employee performance in your organisation? If they do, by what means do they do this and how effective is it? If they do not, why not, and what is the impact of this?

or

Think of any organisation in which you have had some involvement:

- How has individual performance been supported?
- How effective was/is this?
- How would you improve the way in which performance was/is supported?

Ongoing review is an important activity for employees to carry out in order to plan their work and priorities and also to highlight to the manager well in advance if the agreed performance will not be delivered by the agreed dates. Joint employee/manager review is essential so that information is shared. For example, a manager needs to be kept up to date on employee progress, while the employee needs to be kept up to date on organisational changes that have an impact on the agreed objectives. Both need to share perceptions of how the other is doing in their role, and what they could do that would be more helpful.

These reviews are normally informal, although a few notes may be taken of progress made and actions agreed. They need not be part of any formal system and therefore can take place when the job or the individuals involved demand, and not according to a pre-set schedule. The purpose of the review is to facilitate future employee performance, and provide an opportunity for the manager to confirm that the employee is 'on the right track', or redirect him or her if necessary. They thus provide a forum for employee reward in terms of recognition of progress. A 'well done' or an objective signed off as completed can enhance the motivation to perform

well in the future. During this period evidence collection is also important. In the Scottish Prison Service (IDS 2003) line managers maintain a performance monitoring log of their team members' positive and negative behaviours in order to provide regular feedback and to embed the practice on ingoing assessment. Employees are expected to build up a portfolio of evidence of their performance over the period to increase the objectivity of reviews and to provide an audit trail to back up any assessment ratings. It is also during this part of the cycle that employees in many organisations can collect 360-degree feedback to be used developmentally and as part of an evidence base.

Formal performance review/assessment

Regular formal reviews are needed to concentrate on developmental issues and to motivate the employee. Also, an annual review and assessment is needed, of the extent to which objectives have been met which may well affect pay received. In many organisations employees are now invited to prepare an initial draft of achievement against objectives, for example Microsoft and AstraZeneca (IDS 2003). Some organisations continue to have overall assessment ratings which have to conform to a forced distribution. So if there were a five-point rating scale percentages would be set requiring each team/department to have, say, 10 per cent of employees on the top point, 20 per cent on the next point, and so on. AstraZeneca does not encourage its managers to give an overall rating to staff as its research suggested that this was demotivating (IDS 2003). Research by the Institute for Employment Studies (IRS 2001) found that review was only seen as fair if the targets set were seen as reasonable, managers were seen to be objective and judgements were consistent across the organisation.

Some organisations encourage employees to give upward feedback to their managers at this point in the cycle. For further details of this stage in the process *see* the Focus on skills at the end of Part III.

Reward

Many systems still include a link with pay, but Fletcher and Williams (1992) point to some difficulties experienced. Some public and private organisations found that the merit element of pay was too small to motivate staff, and sometimes seen as insulting. Although performance management organisations were more likely than others to have merit or performance-related pay (Bevan and Thompson 1992), some organisations have regretted its inclusion. Armstrong and Baron (1998a) report that staff almost universally disliked the link with pay, and a manager in one of their case study companies reported that 'the whole process is an absolute nightmare' (p. 172). Mabey and Salaman (1995) provide a good discussion of the problems with the pay link and we include a detailed discussion of performance related pay in Chapter 28.

There are other forms of reward than monetary and the Institute of Employment Studies (IRS 2001) found that there was more satisfaction with the system where promotion and development, rather than money, was used as a reward for good performance.

WINDOW ON PRACTICE

AstraZeneca performance management principles

AstraZeneca had in place several different approaches to performance management from the time that Astra and Zeneca merged in 1999, and from that time these approaches have been developed on an ongoing basis. The company is now working to define a globally consistent approach which will apply to its 60,000+ employees.

Performance management is defined as the process by which objectives are agreed, progress towards objectives is reviewed, individuals are supported and developed through the year, *and performance (which includes 'what' and 'how') is reviewed at the year end.*

There are four principles that will govern the structures, processes and systems and behaviours for performance management, and the following is a selective summary of these:

1 **Aligned Objectives** – individual, department/function and team objectives are cascaded and aligned with current business objectives so that everyone is working towards the same overall objectives in the most effective manner.

This enables everyone in AstraZeneca to know what is expected of them and how this helps to deliver overall business objectives. Individual, departmental/functional and team objectives are regularly reviewed and updated as business need or individual circumstances change. Managers are accountable for ensuring that individual and team objectives are clear, relevant, measurable, and documented. The way in which delivery against objectives will be reviewed throughout the year will also be agreed. Managers will encourage and support managed risk-taking, creativity, innovation and challenge when agreeing an individual's objectives.

2 **Joint Responsibility** – individuals, managers, and project leaders are jointly responsible for the effectiveness of the performance management process.

Managers are accountable for creating a challenging and supportive environment in which all individuals are able to give *of their best performance, and for ensuring a reasonable total workload for individuals.* Individuals, managers and project leaders must have an equal commitment to the objectives set, including agreeing the means by which to achieve them. In addition to meeting their own objectives, individuals are expected to support others in delivering outstanding team performance.

3 **Constructive Conversations** – there is open and honest dialogue between individuals, managers and project leaders.

Individuals, managers and project leaders need to have frequent, clear, open and fair conversations with each other about the level of performance they are achieving and also how they work together. There should be clear, open and honest conversations

about learning and development needs, and about aspirations and opportunities for growth and development, and plans agreed to meet these needs. Where an individual's performance and/or behaviour are not to the required standards, the manager will discuss this promptly with the individual and will work with him/her to address this.

4 **Reviewing and Rewarding Performance** – everyone in AstraZeneca is given the opportunity to understand the link between their performance and their reward and recognition.

Managers will communicate openly Performance Management and Global Remuneration principles. Managers and project leaders will demonstrate capability to carry out their performance management and reward responsibilities. There will be a demonstrable link between an individual's performance and the level of reward and recognition they achieve. AstraZeneca will deliver higher rewards to higher-performing *individuals, and also reward contribution to team performance*.

Source: Summarised from AstraZeneca (2004) *AstraZeneca Performance Management Principles*, AstraZeneca.

Implementation and critique of performance management

Performance management needs to be line driven rather than HR driven, and therefore mechanisms need to be found to make this happen. The incorporation of line managers alongside HR managers in a working party to develop the system is clearly important as it not only takes account of the needs of the line in the system design, it also demonstrates that the system is line led. Training in the introduction and use of the system is also ideally line led, and Fletcher and Williams (1992) give us an excellent example of an organisation where line managers were trained as 'performance management coaches' who were involved in departmental training and support for the new system. However, some researchers have found that line managers are the weak link in the system (*see*, for example, Hendry *et al*. 1997). The Department of Trade and Industry (DTI) (*see* IRS 2001) notes that any system is only as good as the people who operationalise it. See case 12.1 on the website which deals with the introduction of a performance management system.

WINDOW ON PRACTICE

Fletcher and Williams (1992) report on a scheme that was introduced by training a series of nominated line manager coaches from each department of an organisation. They had then to take the message back to their colleagues and train them, tailoring the material to their department (Personnel/Training providing the back-up documentation). These were serving line managers who had to give up their time to do the job. Many of them were high-flyers, and they have been important opinion leaders

and influencers – though they themselves had to be convinced first. Their bosses could refuse to nominate high-quality staff for this role if they wished, but they would subsequently be answerable to the Chief Executive. This approach was taken because it fits with the philosophy of performance management (i.e. high line-management participation), and because it was probably the only way to train all the departmental managers in the timescale envisaged.

Source: Summarised from C. Fletcher and R. Williams (1992b)
Performance Management in the UK: Organisational Experience. London: IPM, p. 133.

Bevan and Thompson (1992) found incomplete take-up of performance management, with some aspects being adopted and not others. They noted that there was a general lack of integration of activities. This is rather unfortunate as one of the key advantages of performance management is the capacity for integration of activities concerned with the management of individual performance. This problem is still apparent. Hendry *et al.* (1997) reported the comments of Phil Wills from GrandMet, that there is still little understanding of what an integrated approach to performance management means. While alignment is critical, some organisations do not understand whether their HR processes are aligned or pulling in different directions. Williams (2002) suggests that there is still confusion over the nature of performance management.

Performance management seems to suffer from the same problems as traditional appraisal systems. Armstrong and Baron (1998a) report, for example, that over half the respondents to their survey feel that managers give their best ratings to people that they like (p. 202), and over half the managers surveyed felt that they had not received sufficient training in performance management processes (p. 203). They also report (1998b) that the use of ratings was consistently derided by staff and seen as subjective and inconsistent. Performance ratings can be seen as demotivating, and forced distributions are felt to be particularly unfair. Yet Houldsworth (2003) found 44 per cent of the Henley and Hay Group survey sample did this.

In terms of individual objective setting linked to organisational performance objectives, there are problems when strategy is unclear and when it evolves. Rose (2000) also reports a range of problems, particularly the fact that SMART targets can be problematic if they are not constantly reviewed and updated, although this is a time-consuming process. Pre-set objectives can be a constraining factor in such a rapidly changing business context, and they remind us of the trap of setting measurable targets, precisely because they are measurable and satisfy the system, rather than because they are most important to the organisation. He argues that a broader approach which assesses the employee's accomplishments as a whole and their contribution to the organisation is more helpful than concentrating on pre-set objectives. Williams (2002) also notes that there is more to performance than task performance, such as volunteering and helping others. He refers to this as contextual performance; it is sometimes referred to as collegiate behaviour.

A further concern with SMART targets is that they inevitably have a short-term focus, yet what is most important to the organisation is developments which are complex and longer term, which are very difficult to pin down to short-term targets (*see*, for example, Hendry *et al.* 1997). In this context systems which also focus on

the development of competencies will add greater value in the longer term. Armstrong and Baron (1998b) do note that a more rounded view of performance is gradually being adopted, which involves the 'how' as well as the 'what', and inputs such as the development of competencies. There is, however, a long way to go adequately to describe performance and define what is really required for organisational success.

For an in-depth example of performance management in the Scottish Prison Service *see* case 12.2 on the website.

360-DEGREE FEEDBACK

360-degree feedback, which is a very specific term used to refer to multi-rater feedback, is increasingly being used within performance management systems and as a separate development activity.

The nature of 360-degree feedback

This approach to feedback refers to the use of the whole range of sources from which feedback can be collected about any individual. Thus feedback is collected from every angle on the way that the individual carries out their job: from immediate line manager; peers; subordinates; more senior managers; internal customers; external customers; and from individuals themselves. It is argued that this breadth of feedback provides superior feedback to feedback from the line manager's perspective only, since the latter will only be able to observe the individual in a limited range of situations, and Atwater and his colleagues (2002) suggest that 360-degree feedback provides a better way to capture the complexities of performance. Hogetts *et al.* (1999) report that more than 70 per cent of United Parcels Service employees found that feedback from multiple sources was more useful in developing self-insight than feedback from a single source. Individuals, it is argued, will find feedback from peers and subordinates compelling and more valid (*see*, for example, Borman 1998 and Atwater *et al.* 2001), and Edwards and Ewen (1996, p. 4) maintain that:

> No organizational action has more power for motivating employee behaviour change than feedback from credible work associates.

Such all-round feedback enables the individual to understand how they may be seen differently (or similarly) by different organisational groups, and how this may contrast with their own views of their strengths and weaknesses. This provides powerful information for the development of self-awareness. While 360-degree feedback may be collected using informal methods, as shown in the Window on practice box on Humberside Tec, the term itself is a registered trade mark, and refers to a very specific method of feedback collection and analysis which was devised in the United States (*see* Edwards and Ewen 1996, p. 19), and they suggest that 'simplistic, informal approaches to multi-source assessment are likely to multiply rather than reduce error'. However, informal approaches to 360-degree feedback are sometimes used quite successfully as an alternative to a survey questionnaire and statistical analysis.

WINDOW ON PRACTICE

Using an informal approach to 360-degree feedback at Humberside Tec

Storr (2000) reports on a 360-degree feedback process which is quite different from the survey approach. It is a process which has gradually been built up from upward appraisal for team leaders, has been piloted, and has gradually become standard. The process is owned by the appraisees, and is different because it is carried out face to face rather than using a paper system, and by all raters at the same time in a group-based approach for 90 per cent of individuals. It is a dialogue rather than a survey, and the only rule is that every individual must carry out at least one per year. The purpose of the system is to 'improve performance and enable people to learn and grow' (p. 38). Each group has a trained facilitator who supports both appraisers and appraisees. Different individuals have reacted differently to the approach, as might be expected: one individual said that they see it as empowerment, and many found that there was a great advantage in seeing the world from other people's point of view. Storr reports on one individual who received similar feedback from the group to that which she had received previously, from her manager, but hearing it from the six members of the group had a much stronger effect on her. Individuals often used their first experience of the process in a general way to ask the group what they should start doing, stop doing, continue doing or do differently. Over time, however, individuals began to ask more specific questions.

Source: Summarised from F. Storr (2000) 'This is not a circular', *People Management*, 11 May, pp. 38–40.

ACTIVITY 12.3

Think of your current or previous role, in paid employment or any other capacity, and:

1 Identify one or two critical incidents (such as making a presentation or attending an important meeting for the first time).

2 Identify a longer-term activity you have been involved in (such as a project group or working party).

For both of these identify who could have provided you with constructive feedback, and why, and what specific questions you would have asked of them.

Now think ahead. What plans can you make to incorporate feedback into an upcoming one-off or longer-term activity?

The formal process is a survey approach which involves the use of a carefully constructed questionnaire that is used with all the contributors of feedback. This questionnaire may be bought off the peg, providing a well-tested tool, or may be developed internally, providing a tool which is more precisely matched to the needs of the

organisation. Whichever form is used, the essence is that it is based on behavioural competencies (for a more detailed explanation of these *see* Chapter 17), and their associated behaviours. Contributors will be asked to score, on a given scale, the extent to which the individual displays these behaviours. Using a well-designed questionnaire, distributed to a sufficient number of contributors and employing appropriate sophisticated analysis, for example specifically designed computer packages which are set up to detect and moderate collusion and bias on behalf of the contributors, should provide reliable and valid data for the individual. The feedback is usually presented to the individual in the form of graphs or bar charts showing comparative scores from different feedback groups, such as peers, subordinates, customers, where the average will be provided for each group, and single scores from line manager and self. In most cases the individual will have been able to choose the composition of the contributors in each group, for example which seven subordinates, out of a team of 10, will be asked to complete the feedback questionnaire. But beyond this the feedback will be anonymous as only averages for each group of contributors will be reported back, except for the line manager's score. The feedback will need to be interpreted by an internal or external facilitator, and done via a face-to-face meeting. It is generally recommended that the individual will need some training in the nature of the system and how to receive feedback, and the contributors will need some training on how to provide feedback. The principle behind the idea of feedback is that individuals can then use this information to change their behaviours and to improve performance, by setting and meeting development goals and an action plan.

Reported benefits include a stronger ownership of development goals, a climate of constructive feedback, improved communication over time and an organisation which is more capable of change as continuous feedback and improvement have become part of the way people work (Cook and Macauley 1997). Useful texts on designing and implementing a system include Edwards and Ewen (1996) from the US perspective and Ward (1998) from the UK perspective. A brief 'how to do it guide' is Goodge and Watts (2000).

Difficulties and dilemmas

As with all processes and systems there needs to be clarity about the purpose. Most authors distinguish between developmental uses, which they identify as fairly safe and a good way of introducing such a system, and other uses such as to determine pay awards. There seems to be an almost universal view that using these data for pay purposes is not advisable, and in the literature from the United States there is clearly a concern about the legal ramifications of doing this. Ward (1998) provides a useful framework for considering the different applications of this type of feedback, and reviews in some detail other applications such as using 360-degree feedback as part of a training course to focus attention for each individual on what they need to get out of the course. Other applications he suggests include using 360-degree feedback as an approach to team building, as a method of performance appraisal/management, for organisation development purposes and to evaluate training and development. Edwards and Ewen (1996) suggest that it can be used for nearly all HR systems, using selection, training and development, recognition and the allocation of job assignments as examples.

As well as clarity of purpose, confidentiality of raters is very important with most approaches to 360-degree feedback, and this can be difficult to maintain with a small

team, as Hurley (1998) suggests. Thus raters may feel uncomfortable about being open and honest. The dangers of collusion and bias need to be eliminated, and it is suggested that the appropriate software systems can achieve this, but they are of course expensive, as are well-validated off-the-peg systems. Follow-up is critical and if the experience of 360-degree feedback is not built on via the construction of development goals and the support and resources to fulfil these, the process may be viewed negatively and may be demotivating.

London *et al.* (1997) report concerns about the way systems are implemented, and that nearly one-third of respondents they surveyed experienced negative effects. Atwater and his colleagues (2002) found some negative reactions such as reduced effort, dissatisfaction with peers who provided the feedback and a lower commitment to colleagues. Fletcher and Baldry (2001) note that there are contradictions in the results from 360-degree feedback so far, and they suggest that further research is needed on how feedback affects self-esteem, motivation, satisfaction and commitment. The DTI (2001) suggests that sufficient resources need to be devoted to planning a system and that it should be piloted before general use. Clearly, 360-degree feedback needs to be handled carefully and sensitively and in the context of an appropriate organisational climate so that it is not experienced as a threat. The DTI (2001) suggests that there needs to be a climate of openness and trust for 360-degree feedback to work. Atwater *et al.* (2002) suggest that to counteract any negative effects it is important to prepare people for making their own ratings and on how they can provide honest and constructive feedback to others, ensure confidentiality and anonymity of raters, make sure the feedback is used developmentally and owned by the person being rated (for example they may be the only person to receive the report), provide post-feedback coaching and encouragement and encourage people to follow up the feedback they have received.

WINDOW ON PRACTICE

Johnson (2001) reports on the merger between two pharmaceuticals companies – UniChem from the UK and Alliance Sante from France to form Alliance UniChem. In an attempt to focus managers from diverse cultures on a single vision the HR department concentrated on all aspects of performance management, in particular 360-degree feedback which was felt to be a pragmatic and practical tool. Four key values were identified, excellence, service, innovation and partnership, and competencies were drawn up to reflect these. The process had to be introduced very sensitively as 360-degree feedback was virtually unheard of in three countries covered by the company – Italy, Spain and Portugal, and in France it was seen very much as an American tool and regarded with considerable suspicion.

The most senior managers went through the process first, and it was then piloted in different countries. The tool was developed to be used in five different languages, and the customised package adopted came with development activities for each competency, and coaching sessions to ensure that feedback was not interpreted without analysis and support. The whole process formed part of a self-development programme.

Source: Summarised from R. Johnson (2001) 'Doubled entente', *People Management*, Vo. 7, No. 9, 3 May, pp. 38–9.

SUMMARY PROPOSITIONS

12.1 Performance management systems incorporate appraisal activity, but include other aspects such as a link to organisational objectives, an emphasis on ongoing review, motivation, coaching and support, and reinforcement/reward for performance achieved.

12.2 There is a conflict in many appraisal and performance management systems as managers frequently have a dual role as assessor and developer.

12.3 Current trends in sophisticated appraisal systems include greater employee ownership, emphasis on the how as well as the what, emphasis on evidence collection from both manager and employee, upward feedback to the line manager as well as downward feedback to the employee.

12.4 360-degree feedback is increasingly being used to provide individuals with a basis for changing behaviour and improving performance. It is important to use this process developmentally rather than linking it directly to pay awards.

GENERAL DISCUSSION TOPICS

1 In what ways is the concept of performance management different from the way in which management has been traditionally practised? What are the advantages and disadvantages for employees and employers?

2 360-degree feedback may have many advantages, but there is the argument that it can never really work because of the built-in biases, such as marking a boss well because you're due for a pay rise; marking yourself low so that you can be happily surprised by others' evaluations; marking peers down to make oneself look better. Discuss as many built-in biases as you can think of, and suggest how they might be tackled and whether substantive improvements could be made.

FURTHER READING

Neary, D. (2002) 'Creating a company-wide on-line performance management system: A case study at TRW Inc', *Human Resource Management*, Vol. 41, No. 4, Winter, pp. 491–8
An interesting example of an IT-based system across 100,000 employees based in 36 countries. Explains the design and implementation of the system.

Swinburne, P. (2001) 'How to use feedback to improve performance', *People Management*, Vol. 7, No. 11, 31 May, pp. 46–7
Short but extremely helpful and full of practical detail. Excellent guidelines on the dos and don'ts of giving feedback and some very useful tips for receiving feedback.

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An extensive range of additional materials, including multiple choice questions, answers to questions and links to useful websites can be found on the Human Resource Management Companion Website at **www.pearsoned.co.uk/torrington**.