

Going through the motions: Performance management

From 360-degree appraisals to the annual pay review, performance management can all too often become a box-ticking exercise, neglecting those all-important business objectives. Verity Gough asks, what are we really trying to achieve?



When it comes to managing staff performance, HR can often have a battle on their hands. The universally hated performance review or appraisal can strike fear into the hearts of employees and leave staff feeling stressed. And with the recent furor over city bankers' unwarranted bonuses, the importance of performance management has been brought even sharper into focus. But why has something that, when fully realised, can be an holistic process unifying the many elements of successful people management, become such a thorn in HR's side?

A business issue?

Performance management became fashionable around 10 years ago, when it was seen as something that successful organisations did, and it soon caught on. However, as the emphasis on people as a business commodity has grown, so has the acceptance that performance management can be a good way to ensure that everyone is on target, and hopefully, tied into the company's strategic goals.

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Angela Baron, CIPD

Richard Doherty, vice president of solutions consulting at Jobpartners, thinks that companies need to stop seeing performance management as falling solely within HR's remit: "It's become a real business issue," he says. "People are beginning to understand that they need to have a well-aligned, high performance culture, all pulling in the same direction and their objectives aligned with the corporate objectives."

Angela Baron, adviser, organisation and resourcing, at the Chartered Institute of Personnel and Development (CIPD) agrees: "Performance management is a process; there is a much greater deal of integration with people and development now so it has become a much less bureaucratic exercise and much more of an ongoing way to manage our talent."

And in the current economic climate this need for HR to have its finger on the pulse of the organisation becomes paramount. As Baron points out, HR needs to make sure that none of the employees' efforts are being wasted, that staff are constantly in touch with the company's core purpose and that they are motivated and energised. "This prompts staff to be innovative and look for new ways to generate business or look for new opportunities, because in a recession it's the organisations that are more agile and adaptable that survive," she enthuses.

How often should they be conducted?

The question of how often appraisals should be carried out seems to vary from business to business and while some manage to find a happy medium, many organisations struggle to know just how often they should be conducting them. While it is a given that the 360-degree appraisals are usually done on an annual basis, performance appraisals seems to be a whole different ball game.

Brendon Walsh, managing director of performance management specialists, Bowland Solutions, thinks that rather than holding the dreaded yearly appraisal, managers should be having regular conversations with employees. Not only does this take the pressure off by making it less formal, but it becomes a more natural process. "If you've done it right, the annual appraisal is a summary while

the weekly conversations with your manager is the time to discuss how things have gone and gives an opportunity for feedback," says Walsh.

In fact, as Doherty points out, his clients in the Netherlands refer to appraisals as a 'dialogue'. "They see it as an ongoing thing that has both informal and formal elements that need to be documented – particularly from a compliance point of view," he says. Doherty suggests that HR looks at implementing a three-step process that is spread out over the year. "You start with objective setting at beginning of the year, then mid-year, you review them. This is the time to assess whether you need to change them. Has the business focus changed, am I struggling to achieve them and are there any learning needs that have been identified to help me close the gap? Then at the end of the year you have the full review," he explains.

Performance-related pay (PRP)

Yet when the question of pay is introduced into the appraisal process, everything changes. "I am not a fan of performance-related pay," says Baron. "There are some forms of PRP that work really well, particularly when they are related to a profit share scheme. John Lewis operates one where by the employees share the profits between them and that, they report, is very motivating." However, Baron stresses that providing bonuses can only work if they are related to long-term success.

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"The trouble with the city bonuses is it has been so focused on short-term success," she explains. "The minute that you build pay into the process, and people know that their individual performance is linked to money, they are more focused on the thing that will give them a pay rise rather than the things that will help the company stay in business."

Walsh agrees: "Pay has become the elephant in the room. We have got so used to the appraisal being linked to performance-related pay but it has not always been the case for a lot of organisations; it still isn't," he says. "As long as you are robust in the way you do performance appraisal, the link to pay doesn't add that much and causes as many difficulties as it solves."

Getting the training right

One aspect of performance management that can all too often set the process back a few steps is the poor delivery of feedback. And while managers should naturally be good communicators, there is certainly an art to telling employees they need to pull their socks up without reducing them to tears.

"What you need is training on how to give feedback. We run a number of sessions where it is quite clear that people have never been given training on this," says Walsh. And while he believes that the system, whether online or paper-based, is an enabler, it should never take the place of a good conversation.

"HR needs to put its energy into making sure the managers are having fantastic conversations – the system can help and guide but fundamentally they need the feedback training. It's the same with 360, it's the debrief conversation that matters," he adds.

Baron believes that training should also incorporate the 'whys' as much as the 'hows': "Managers need to be trained not just in how to carry out an appraisal but also why they are doing it. If individuals perform better, go the extra mile, that should translate into organisational performance and that will hopefully raise business performance," she says. "So managers need to be able to communicate that to people and explain how this fits into the business process and the strategic priorities of the organisation."

Whether HR decides to implement an all-singing, all-dancing piece of performance management software that coordinates everything, there will never be a better way to manage employees' development than a good relationship with their manager. As BT has been reminding us for years, it's good to talk.

Performance appraisal timeline:

- **Beginning of the year:** An ideal point to set objectives for the next 12 months and also an opportunity to identify any training needs to help HR plan their budget
- **Mid-year:** A good time to review objectives and ensure they are still linked in with the organisation's strategic priorities
- **End of year:** Often the point at which the full review takes place including performance-related pay and 360-degree appraisals
- **Ongoing:** Monthly regular feedback sessions to address any issues, revisit objectives and provide an opportunity to give praise or pointers on areas that need improving, so that the annual appraisal is a well-informed chronology of the employee's efforts over the entire year.

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