PART ONE
The basis of performance management

The concept of performance management

The purpose of this chapter is to define the conceptual framework of performance management, its aims, the principles that influence how it is supposed to work and the requirements for success.

Performance management defined

Performance management is the continuous process of improving performance by setting individual and team goals which are aligned to the strategic goals of the organization, planning performance to achieve the goals, reviewing and assessing progress, and developing the knowledge, skills and abilities of people.

Here are some other definitions:

- 'Performance management is a continuous process of identifying, measuring and developing the performance of individuals and teams and aligning performance with the strategic goals of the organization.' (Aguinis, 2005)

- 'Performance management is the system through which organizations set work goals, determine performance standards, assign and evaluate work, provide performance feedback, determine training and development needs and distribute rewards.' (Briscoe and Claus, 2008)

- 'Performance management is a broad set of activities aimed at improving employee performance.' (DeNisi and Pritchard, 2006)

- 'Performance management is the key process through which work gets done. It's how organizations communicate expectations and drive behaviour to achieve important goals; it's also about how organizations identify

ineffective performers for development programmes or other personnel actions.' (Pulakos, 2009)

- 'Performance management is regarded as a continuous, future-orientated and participative system; as an ongoing cycle of criteria setting, monitoring, informal feedback from supervisors and peers, formal multi-source assessment, diagnosis and review, action-planning and developmental resourcing.' (Shields, 2007)

Managing performance is what line managers do and performance management is supposed to help them do it. Performance management is managing the business. It should be a powerful means of ensuring that the organization's strategic goals are achieved. It should contribute to the achievement of culture change and be integrated with other key HR activities, especially human capital management, talent management, learning and development and reward management. Thus performance management helps to achieve horizontal integration and the 'bundling' of HR practices so that they are interrelated and therefore complement and reinforce each other. An effective system of performance management can play an important part in increasing levels of employee engagement.

The conceptual framework

The theoretical basis of performance management is discussed below under the following headings:

- the meaning of performance;
- the factors affecting performance;
- underpinning theories;
- performance management and the psychological contract.

The meaning of performance

It can be said that if you can't define performance you can't measure or manage it. Bates and Holton (1995) pointed out that: 'Performance is a multidimensional construct, the measurement of which varies depending on a variety of factors.' They also stated that it is important to determine whether the measurement objective is to assess performance outcomes or behaviour or both.

Latham et al (2007) emphasized that an appropriate definition of performance is a prerequisite for feedback and goal setting processes. They stated that a performance theory is needed which stipulates:

- the relevant performance dimensions;
- the performance standards or expectations associated with different performance levels;
- how situational constraints should be weighed (if at all) when evaluating performance;
- the number of performance levels or gradients;
- the extent to which performance should be based on absolute or comparative standards.

There are different views on what performance is. It could just mean outputs – the results obtained. Or it could mean behaviour – how the results were obtained. Or it could be both results and behaviour.

Performance as outcomes

Kane (1996) argued that performance 'is something that the person leaves behind and that exists apart from the purpose'. Bernadin et al (1995) were concerned that:

> Performance should be defined as the outcomes of work because they provide the strongest linkage to the strategic goals of the organisation, customer satisfaction, and economic contributions.

Performance as behaviour

Campbell (1990) explained that: 'Performance is behaviour and should be distinguished from the outcomes because they can be contaminated by systems factors.' Aguinis (2005) was positive that: 'Performance is about behaviour or what employees do, and not about what employees produce or the outcomes of their work.'

Campbell et al (1993) focused on the measurement of performance which they defined as behaviour or action relevant to the attainment of the organization's goals that can be scaled, that is, measured. They suggested that performance is multidimensional and that each dimension is characterized by a category of similar behaviour or actions. The components consist of: (1) job-specific task proficiency, (2) non-job specific proficiency (eg organizational citizenship behaviour), (3) written and oral communication

proficiency, (4) demonstration of effort, (5) maintenance of personal discipline, (6) facilitation of peer and team performance, (7) supervision/leadership and (8) management/administration.

Borman and Motowidlo (1993) suggested the notion of contextual performance, which covers non-job specific behaviours such as cooperation, dedication, enthusiasm and persistence and is differentiated from task performance covering job specific behaviours. As Fletcher (2001) mentioned, contextual performance deals with attributes that go beyond task competence and which foster behaviours that enhance the climate and effectiveness of the organization.

Performance as both outcomes and behaviour

It can be argued that a more comprehensive view of performance is achieved if it is defined as embracing both behaviour and outcomes. When people are said to be performing well it does not solely refer to what results they deliver; it is also concerned with how they deliver them. As Brumbach (1988) put it:

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

Defining performance like this leads to the conclusion that when managing the performance of individuals and teams both outputs (results) and inputs (behaviour) need to be considered. This is the generally accepted 'mixed model' of performance management, which is concerned with both the 'what' and the 'how'.

Levels of individual performance are affected by a number of influences and factors as discussed below.

Factors affecting performance

Four major influences on performance were identified by Harrison (1997):

- *the learner*, who needs the right level of competence, motivation, support and incentives in order to perform effectively;
- *the learner's work group*, whose members will exercise a strong positive or negative influence on the attitudes, behaviour and performance of the learner;

- *the learner's manager*, who needs to provide continuing support and act as a role model, coach and stimulator related to performance;
- *the organization*, which may produce barriers to effective performance if there is no powerful, cohering vision; ineffective structure, culture or work systems; unsupportive employee relations policy and systems, or inappropriate leadership and management style.

These can be analysed into individual, systems and contextual factors.

Individual factors

Vroom (1964) suggested that performance is a function of ability and motivation as shown in the formula: Performance = f (Ability × Motivation). The effects of ability and motivation on performance are not additive but multiplicative. People need both ability and motivation to perform well and if either ability or motivation is zero there will be no effective performance.

A formula for performance was produced by Blumberg and Pringle (1982) that emphasized the importance of the organizational context. Their equation was:

$$\text{Performance} = \text{Individual Attributes} \times \text{Work Effort} \times \text{Organizational Support}$$

A variation on the above was offered by McCloy et al (1994). They proposed that a combination of three factors enables some people to perform at higher levels than others:

1 *Declarative knowledge* (about facts concerning task requirements and goals).
2 *Procedural knowledge* (a combination of knowing what to do and how to do it).
3 *Motivation* (level and persistence of effort).

Research carried out by Bailey et al (2001) focused on another factor affecting performance – participation. They noted that 'organizing the work process so that non-managerial employees have the opportunity to contribute discretionary effort is the central feature of a high performance work system'. (This was one of the earlier uses of the term 'discretionary effort'.) The 'AMO' formula put forward by Boxall and Purcell (2003) is a combination of the Vroom and the Bailey et al ideas. This model states that performance is a

function of Ability + Motivation + Opportunity to Participate (note that the relationship is additive not multiplicative).

These formulas focus mainly on individual performance but systems factors are also important.

Systems factors

Individual performance is influenced by systems factors as well as person factors (Cardy and Dobbins, 1994). Systems theory as formulated by Miller and Rice (1967) states that organizations should be treated as open systems that transform inputs into outputs within the environments (external and internal) upon which they are dependent. Systems theory is the basis of the input-process-output-outcome model of managing performance which assesses the entire contribution that an individual makes within the system in carrying out his or her allotted tasks. Inputs are the skills and knowledge that an individual brings to a job. Process is how people actually perform their jobs. Outputs are the results of performance expressed in quantified terms such as sales volume, income generated or units of production, and outcomes are a visible effect which is the result of effort but cannot necessarily be measured in quantified terms. The input-process-output-outcome model of managing performance is important first, because it provides the basis for measuring performance and second, because all the factors that influence performance, including the system and the context, can be taken into account when assessing it.

It was claimed by Deming (1986) that differences in performance were largely due to systems variations. Gladwell (2008) also argued that success isn't primarily down to the individual, but to his or her context. Coens and Jenkins (2002) made the following comments on the impact of systems.

> An organizational system is composed of the people who do the work, but far more than that. It also includes the organization's methods, structure, support, materials, equipment, customers, work culture, internal and external environments (such as markets, the community, governments), *and* the interaction of these components. Each part of the system has its own purpose but at the same time is dependent on the other parts.

> Because of the interdependency of the parts, improvement strategies aimed at the parts, such as appraisal, do little or nothing to improve the system… Individual performance is mostly determined by the system in which the work is done rather than by the individual's initiative, abilities and efforts.

Because of these effects and the low yield benefit of improving the parts, it makes little sense to design organizational improvement systems around appraisal while the leveraging power of improving the system is ignored… The myopic focus on *individual* improvement equates to a religious dogma that is manifested through the rituals and rites of ranking and rating.

However, Coens and Jenkins also stated that: 'We do not advocate abandoning all strategies aimed at individual improvement, personal development and goal attainment. When combined with serious efforts toward improving the system and work environment, such initiatives can significantly bolster organizational transformation.'

Systems factors include the support people get from the organization and other factors outside the control of individuals. Jones (1995) proposed that the aim should be to 'manage context not performance' and went on to explain that:

In this equation, the role of management focuses on clear, coherent support for employees by providing information about organization goals, resources, technology, structure, and policy, thus creating a context that has multiplicative impact on the employees, their individual attributes (competency to perform), and their work effort (willingness to perform). In short, managing context is entirely about helping people understand; it is about turning on the lights.

Contextual factors

Systems operate within the context of the organization. Nadler and Tushman (1980) commented that:

The manager needs to understand the patterns of behaviour that are observed to predict in what direction behaviour will move (particularly in the light of management action) and to use this knowledge to control behaviour over the course of time. Effective managerial action requires that the manager be able to diagnose the situation he or she is working in.

This point should be extended to include the people managers manage – they equally want to know and are entitled to know the situation *they* are working in.

The situation or context in which people work and the way performance can be measured can be described in terms of systems theory as described earlier. More specifically, the context includes the organizational culture, the

employee relations climate, the people involved and the internal environment in terms of the organization's structure, its size and its technology and working practices.

Organizational culture

Organizational culture is the pattern of shared beliefs, norms and values in an organization that shape the way people act and interact and strongly influence the ways in which things get done. From the performance management viewpoint one of the most important manifestations of organizational culture is management style. This refers to the ways in which managers behave in managing people and how they exercise authority and use their power. If the prevailing management style in a command and control type structure is autocratic, directive, task-orientated, distant and tough, then a 'caring and sharing' philosophy of performance management is not likely to work, even if it were felt to be desirable, which is unlikely. Alternatively, a non-directive, participative and considerate style is more likely to support a 'partnership' approach to performance management, with an emphasis on involvement, empowerment and ownership.

It is vital to take account of cultural considerations when developing and implementing performance management. The aim must be to achieve a high degree of fit between the performance management processes and the corporate culture when the latter is embedded and appropriate. However, performance management is one of the instruments that could possibly be used in a cultural change programme where the focus is on high performance, engagement, commitment and involvement. But it needs to be effective performance management and many commentators (see Chapter 16) believe that there is not very much of that about.

Employee relations climate

The employee relations climate of an organization represents the perceptions of employees and their representatives about the ways in which relationships between management and employees are maintained. It refers to the ways in which formal or informal employee relations are conducted and how the various parties (managers, employees and trade unions or staff associations) behave when interacting with one another. The climate can be good, bad or indifferent according to perceptions about the extent to which:

- the parties trust one another;
- management treats employees fairly and with consideration;

- management is open and honest about its actions and intentions;
- harmonious relationships exist; management treats employees as stakeholders;
- employees are committed to the interests of the organization;
- what management does is consistent with what it says it will do.

Clearly, a good climate will be conducive to the design and operation of effective performance management processes as long as these are developed jointly by the stakeholders and take account of the interests of all involved. An improved employee relations climate may also result from pursuing the development and implementation of performance management in accordance with the ethical principles set out later in this chapter.

People

Performance management processes will vary in accordance with the composition of the workforce. For example, a firm employing mainly knowledge workers is likely to adopt a different approach than a manufacturing firm. Within the organization, approaches may vary between different groups of employees. In the Victoria and Albert Museum, for example, it is recognized that the way in which objectives are agreed by a curator will be different from how the standards of performance are agreed for security guards.

Structure

A hierarchical or functional organization structure with well-defined layers of authority is more likely to support a directive, top-down approach to setting objectives and reviewing performance. A flatter, process-based structure will encourage more flexible participative approaches with an emphasis on teamwork and the management of performance by self-directed teams.

A structure in which responsibility and authority are devolved close to the scenes of action will probably foster a flexible approach to performance management. A highly centralized organization may attempt to impose a monolithic performance management system, and fail.

Technology and working practices

There is no conclusive evidence that advanced technology and working practices are associated with advanced approaches to performance management. But it is reasonable to assume that high technology firms or sophisticated organizations are more likely to innovate in this field. Another aspect of work

practices is the extent to which the work is computer or machine controlled, or routine. Computerized performance monitoring (CPM) provides an entirely different method of measuring performance that is related directly to outputs and/or errors. As Bates and Holton (1995) noted as a result of their research, this can have detrimental effects by transforming a helpful supervisory style into one that is more coercive.

But research conducted by Earley (1986) found that employees trusted feedback from a computer more than feedback from a supervisor. He claimed that CPM could have a greater impact on performance because of higher self-efficacy (ie the individual's self-belief that he or she will be able to accomplish certain tasks).

Bureaucratic methods of working may also affect the design and operation of performance management. Organizations that function as bureaucracies, appropriately or inappropriately, are more likely to have a formalized performance management system. The system may be centrally controlled by HR and the emphasis will be on the annual appraisal carried out in accordance with strictly defined rules. The appraisal may be a top-down judgemental affair referring to personality traits. Performance and potential will be rated.

Organizations which work flexibly with an emphasis on horizontal processes and teamwork are more likely to have a less formal process of performance management, leaving more scope for managers and teams to manage their own processes in accordance with agreed principles.

Size

Research carried out by Beaver and Harris (1995) into performance management in small firms came to the conclusion that:

> The performance management systems of large firms simply cannot be scaled down to fit the smaller enterprise which often exhibits a radically different management process and operation.

They described the management process in small firms as likely to be characterized by the highly personalized preferences, prejudices and attitudes of the firm's entrepreneur or owner, who will probably work close to the operating process.

The external environment

If the external competitive, business, economic and political environment is turbulent – which it usually is – organizations have to learn to respond and

adapt rapidly. This will influence the ways in which business strategies and plans are developed and the sort of objectives people are expected to achieve. Performance management has to function flexibly in tune with the constant changes in demands and expectations to which the organization is subject. A business that operates in a fairly steady state as far as its external environment is concerned (rare, but they do exist) can adopt more structured and orderly performance management systems.

Underpinning theories

Performance management practice is underpinned and explained by the theories summarized below. Goal theory has perhaps been the most influential because setting goals and assessing performance against the goals are such a significant part of a conventional performance management system. But other theories are relevant such as those relating to control and reinforcement that explain the fundamental mechanism of feedback, and expectancy theory that indicates how performance management can help to motivate people. Social learning theory links reinforcement and expectancy theory, and self-efficacy theory highlights the importance of helping people to believe in themselves and their ability to improve.

Goal theory

Goal theory as developed by Latham and Locke (1979) highlights four mechanisms that connect goals to performance outcomes: (1) they direct attention to priorities; (2) they stimulate effort; (3) they challenge people to bring their knowledge and skills to bear to increase their chances of success and (4) the more challenging the goal, the more people will draw on their full repertoire of skills. This theory underpins the emphasis in performance management on setting and agreeing goals against which performance can be measured and managed.

> ### Robertson et al (1992) on goal theory
>
> Goals inform individuals to achieve particular levels of performance, in order for them to direct and evaluate their actions; while performance feedback allows the individual to track how well he or she has been doing in relation to the goal so that, if necessary, adjustments in effort, direction or possibly task strategies can be made.

Expectancy theory

Expectancy theory as originally formulated by Vroom (1964) states that effort (motivation) depends on the extent to which people expect that rewards will follow effort and that the reward is worthwhile

Performance management is concerned with influencing behaviour to achieve better results. It operates in line with expectancy theory by defining the relationship between effort, achievement and reward thus motivating people and providing them with a sense of direction. Positive feedback provides a reward in the shape of the recognition of work well done. This is intrinsic motivation provided by the work itself, which arises when work satisfies needs for accomplishment, provides opportunities for growth and the scope to use and develop abilities, and fosters self-belief.

An expectancy-based motivational model for individual performance improvement was devised by DeNisi and Pritchard (2006). It is based on the belief that people allocate energy to actions in a way that will maximize their anticipated need satisfaction. The sequence is illustrated in Figure 1.1.

The key for performance management is to ensure that evaluations and outcomes are structured so that employees will focus their actions in the ways desired by the organization, resulting in the kind of performance that is needed and appropriate rewards. The stronger the links between each element in the motivation process, the greater will be the motivation of employees to improve their performance. The process should aim to strengthen the perceived connection between actions and outcomes.

Control theory

Control theory focuses attention on feedback as a means of shaping behaviour. As people receive feedback they appreciate the discrepancy between what they are doing and what they are expected to do and take corrective action to overcome the discrepancy. Feedback is recognized as a crucial part of performance management processes.

Control theory provides the basis for feedback intervention theory as formulated by Kluger and DeNisi (1996) – this theory focuses attention on feedback as a means of shaping behaviour.

Figure 1.1 Expectancy-based motivational model for performance

Actions → Results → Evaluation → Outcomes → Need satisfaction → Performance

Reinforcement theory

Reinforcement theory (Hull, 1951) states that successes in achieving goals and rewards act as positive incentives and reinforce the successful behaviour that is repeated the next time a similar need arises. Positive feedback therefore provides for positive reinforcement. Constructive feedback can also reinforce behaviours, which seek alternative means of achieving goals.

Social learning theory

Social learning theory, as formulated by Bandura (1977), combines aspects of reinforcement and expectancy theory. It recognizes the significance of the basic concept of reinforcement as a determinant of future behaviour but also emphasizes the importance of internal psychological factors, especially expectations about the values of goals and the ability of individuals to reach them.

Self-efficacy theory

Self-efficacy theory as also developed by Bandura (1982) indicates that self-motivation will be directly linked to the self-belief of individuals that they will be able to accomplish certain tasks, achieve certain goals or learn certain things. An important aim of performance management is to increase self-efficacy by giving individuals the opportunity to consider and discuss with their managers how they can do more. But the onus is on managers to encourage self-belief in the minds of those with whom they discuss performance and development.

Performance management and the psychological contract

The psychological contract is the set of reciprocal but unwritten expectations, which exist between individual employees and their employers. A psychological contract is implied and inferred rather than stated and agreed. It cannot necessarily be spelt out in detail because it evolves over time. But performance management processes can be used to ensure that performance expectations are agreed and reviewed regularly. And this should contribute to the clarification of the psychological contract and the employment relationship.

Aims of performance management

Ideally, the overall objective of performance management is to develop and improve the performance of individuals and teams and therefore organizations. When done well, it ensures that people are clear about what success

looks like and the part they play in delivering this success. A strategic approach means that performance management processes such as setting objectives are explicitly designed to align individual objectives with the organization's strategic objectives.

As noted by VerWeir and Van Den Berghe (2004) performance management involves creating motivation and commitment to achieve objectives. Shields (2007) pointed out that 'it provides performance direction and recognition without which employees will be at a loss as to the nature and level of work effort required'. Performance management aims to develop the capacity of people to meet and exceed expectations and to achieve their full potential to the benefit of themselves and the organization. It is about ensuring that the support and guidance people need to develop and improve are readily available.

A definition of what performance management systems are there to do was provided by Lee (2005):

> The real goals of any performance management system are threefold – to correct poor performance, to sustain good performance and to improve performance… All performance management systems should be designed to generate information and data exchange so that the individuals involved can properly dissect performance, discuss it, understand it, and agree on its character and quality.

As explained by Shields (2007) effective performance management has two other important purposes. First, it can communicate to employees the strategic goals of the enterprise and specify what the organization expects from them in terms of behaviour and results in order to achieve those goals. This means defining what doing a good job entails. Second, it can help with relationship building between employees and their managers. Involving both managers and their staff in performance planning and review can widen the dialogue between them and enhance interpersonal trust.

A summary of what management and individuals can gain from effective performance management is given in Table 1.1.

Respondents to the e-reward 2014 survey of performance management reported that their most important performance management objective was:

- to improve organizational performance – 33 per cent;
- to align individual and organizational objectives – 22 per cent;
- to develop a performance culture – 17 per cent;
- to improve individual performance – 14 per cent;

Table 1.1 What management and individuals can gain from performance management

What management can gain	What individuals can gain
The opportunity to:	They will:
• integrate individual, team and corporate objectives; • guide individual and team effort to meeting overall business needs; • motivate and engage employees; • recognize individual contribution; • plan individual careers (talent management); • introduce relevant and effective learning and development programmes to meet identified needs.	• know what is expected of them; • know how they stand; • know what they need to do to reach their goals; • be able to discuss with their manager their present job, their development and training needs and their future.

- to align individual behaviour to organizational values – 6 per cent;
- to provide the basis for personal development – 3 per cent;
- to inform performance pay decisions – 3 per cent.

Note the low priority given to informing performance pay decisions. Here is a typical statement of objectives from one respondent to the e-reward 2005 survey:

> To support culture change by creating a performance culture and reinforcing the values of the organization with an emphasis on the importance of these in getting a balance between 'what' is delivered and 'how' it is delivered.

The Lloyds Banking Group produced the following definition of the purpose of its performance management system.

The aim is to improve performance. Rather than just saying that somebody's been very effective and ticking a box, the process is actually to sit down and have a discussion around the requirements of the role, dealing with what aspects are being done well and what aspects are not so good. Overall the purpose is to make it clear to people how their performance links in with the performance of the business.

Managing performance is about coaching, guiding, appraising, motivating and rewarding colleagues to help unleash potential and improve organizational performance. Where it works well it is built on excellent leadership and high quality coaching relationships between managers and teams. Through all this our colleagues should be able to answer three straightforward questions:

1   What is expected of me? How will I be clear about what is expected of me in terms of both results and behaviour?

2   How am I doing? What ongoing coaching and feedback will I receive to tell me how I am doing and how I can improve?

3   What does it mean for me? How will my individual contribution, potential and aspirations be recognized and rewarded?'

The following description of the purpose of performance management was produced by Hitachi Europe:

> The process is as much about building relationships with employees in order to agree what is reasonably attainable in the year as it is about setting objectives. It is effective because it focuses people's intentions and produces new thinking on the way they work rather then simply continuing to perform at the same level, day in, day out.

Principles of performance management

The overarching principles governing the ideal approach to performance management were defined well by Egan (1995):

> Most employees want direction, freedom to get their work done, and encouragement not control. The performance management system should be a control system only by exception. The solution is to make it a collaborative development system, in two ways. First, the entire performance management process – coaching, counselling, feedback, tracking, recognition, and so forth – should encourage development. Ideally, team members grow and develop through these interactions. Second, when managers and team members ask what they need to be able to do to do bigger and better things, they move to strategic development.

The views of practitioners on the principles of performance management as identified in the research conducted by Armstrong and Baron (1998, 2005) were as follows:

● 'Performance management is what managers do: a natural process of management.'

● 'A management tool which helps managers to manage.'

● 'It's about how we manage people – it's not a system.'

- 'Driven by corporate purpose and values.'
- 'To obtain solutions that work.'
- 'Only interested in things you can do something about and get a visible improvement.'
- 'Focus on changing behaviour rather than paperwork.'
- 'Based on accepted principles but operates flexibly.'
- 'Focus on development not pay.'
- 'Success depends on what the organization is and needs to be in its performance culture.'

Two further important principles were suggested by Sparrow and Hiltrop (1994): first, that top management must support and be committed to the system, and second, that it should be owned and driven by line management. It is evident that managers down the line will only take performance management seriously if it is clear to them that top managers believe in it and act accordingly. And performance management will only work if line managers want it to work and are capable of making it do so. Both these principles emphasize that the bad old days of performance appraisal as the property of the personnel or HR department should be over although they often aren't.

Ethical principles

Performance management should also operate in accordance with agreed and understood ethical principles. These have been defined by Winstanley and Stuart-Smith (1996) as follows:

1 *Respect for the individual* – people should be treated as 'ends in themselves' and not merely as 'means to other ends'.
2 *Mutual respect* – the parties involved in performance management should respect each other's needs and preoccupations.
3 *Procedural fairness* – the procedures incorporated in performance management should be operated fairly in accordance with the principles of procedural justice.
4 *Transparency* – people affected by decisions emerging from performance management processes should be given the opportunity to scrutinize the basis upon which decisions were made.

Procedural justice requires that performance management decisions are made in accordance with principles which safeguard fairness, accuracy,

consistency, transparency and freedom from bias, and properly consider the views and needs of employees. Folger et al (1992) set out the benefits of procedurally just performance management based on the components of due process. They labelled such systems 'due process performance management' and argued that they do not bring about gross reallocations of power between managers and employees, but rather require only that managers be open to employees' input and responsive to justifiable questions and concerns about performance standards and judgements.

Organizational researchers such as Taylor et al (1995) have gathered a strong body of evidence showing that employees care a great deal about the justice of performance management practices. This evidence has found that the more just or fair employees consider such systems to be, the more satisfied and accepting they are of the resultant outcomes, even when those outcomes are less than desirable. They found that procedurally just performance systems may also increase managers' own positive outcomes. The strength of these findings has led some researchers such as Folger and Cropanzano (1998) to propose that the provision of fair procedures is a more powerful foundation for the management of employees than is the provision of financial rewards.

Examples of approaches to performance management

Performance management stages in AstraZeneca

1 *Business role clarification* – clear statement of agreed role and objectives.
2 *Performance planning* – agreement of targets to achieve the 'plan-do-evaluate' elements of managing performance.
3 *Performance development* – agree skills required and prepare individual development plan.
4 *Performance measurement* – provide ongoing feedback and an annual summary of an employee's performance (no overall ratings).

Civil Service basic design principles

- Stretching objectives agreed at the beginning of the year.
- Individuals know the competencies and behaviours they are expected to demonstrate.

- Regular discussions during year between individuals and their managers to discuss progress.
- Formal meeting at the end of the year to record whether objectives have been achieved and levels of competence demonstrated.

What makes good performance management – Scottish Parliament

- New staff know what is expected of them from the outset.
- Everyone is clear about corporate goals and works towards them.
- Objectives are SMART.
- A system exists to accommodate day-to-day performance feedback.
- Evidence is available to support assessments.
- The personal development plan is used to help self-developmental activities or improve performance.
- The line manager provides and the jobholder undertakes the training needed to support the individual and the organization.

Thames Valley Police performance and development review process

- Key to the performance management strategy.
- Establishes strong employment relationships.
- Provides a route to individual, team and organizational performance planning.
- Secures future training and development.

Arguments for formal performance management systems

The arguments for having a formal system of performance management are that it provides the means for management to:

- improve individual, team and therefore business performance;
- develop a performance culture;

- integrate individual and corporate objectives;
- guide individual and team effort to meeting overall business needs;
- motivate and engage employees;
- recognize individual contribution;
- plan individual careers (talent management);
- introduce relevant and effective learning and development programmes to meet identified needs.

But there is a lot of evidence that traditional formal performance management systems with their elaborate processes for setting objectives, once-a year performance reviews, ratings and box-ticking procedures often fail because they are too complex and too bureaucratic and are irrelevant (they cannot do for a manager what he or she is expected to do, ie manage performance continually).

Requirements for success

Strebler et al (2001) suggested that for performance management to work well it should:

- have clear aims and measurable success criteria;
- be designed and implemented with appropriate employee involvement;
- be simple to understand and operate;
- play a major part in the achievement of management goals;
- allow employees a clear 'line of sight' between their performance goals and those of the organization;
- focus on role clarity and performance improvement;
- be closely allied to a clear and adequately resourced training and development infrastructure;
- make crystal clear the purpose of any direct link to reward and build in proper equity and transparency safeguards;
- be regularly and openly reviewed against its success criteria.

Performance management also needs to be evidence-based. Assessments of performance and feedback should be based on facts not opinions. Evidence-based performance management refers to results, events, critical incidents and significant behaviours that have affected performance in specific ways.

It compares what has actually happened with what was supposed to have happened. It refers to agreed objectives, goals, success criteria and performance measures, and uses the latter to establish outcomes.

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