What is performance management?

Since I wrote the first edition of this book four years ago, much has changed in the world. There is a new president in the White House, the UK voted to 'Brexit' and the threat of acts of terror feels all too prevalent in our lives, wherever we live in the world. The world of work has also changed significantly in that short space of time and looks likely to continue to rapidly change as we move further into the 21st century.

> We are living through a fundamental transformation in the way we work. Automation and 'thinking machines' are replacing human tasks and jobs, and changing the skills that organizations are looking for in their people. These momentous changes raise huge organizational, talent and HR challenges – at a time when business leaders are already wrestling with unprecedented risks, disruption and political and societal upheaval.

(PWC, 2017)

As I write, there is growing debate over the nature of employment relationships, particularly in light of the growth in the gig econmy. More women than ever are returning to work after childbirth. Technology continues to transform how work is carried out. Expectations of new generations of workers are impacting significantly on workplaces and multi-generational workforces present new challenges. For my parents' generation, working for one employer all their working lives was not unusual; for my children they will not only be likely to have many different employers during their working lives, they may well change careers several times, and could well hold several different jobs at the same time. Attending a GCSE presentation evening at my son's school, the Headmaster spoke of the challenge of education systems needing to prepare students for jobs that currently don't exist. Against this backdrop of change, however, there is a constant. I firmly believe that the effective management of performance at an organization,

team and individual level, both now and in the future, will be vital not only for organization success but also survival.

This book has been updated to reflect current thinking and approaches to performance management. There has been much debate around the use of the performance appraisal for example, and whilst some have reported on its demise, it still forms a key element of many organizations' approach to performance management. There is also a much greater focus on ethics in this edition to reflect how this has risen in importance for organizations, their employees and customers in recent years. It is also at the heart of the CIPD 'Profession for the Future' work : 'ethical cultures are vital in helping businesses shift focus from short-term profits to long-terms sustainability' (CIPD, 2017a). There are new case studies, interviews, thought pieces and activities to support the reader in enabling effective performance management in their workplaces.

This book breaks down performance management into some core aspects and explores practically how performance management can be best used to deliver positive organizational outcomes. Having worked as an HR director, as a lecturer/tutor and more recently for the CIPD, I understand the value and importance of research. However, it is also so important that the research is used appropriately and effectively in the world of work. Evidenced-based HR practices can and should enable us to better manage people in organizations and encourage the performance that organizations require to reach their goals and fulfil their missions.

Whilst there is reference to contemporary research and further reading in this book, it is not intended to provide an academic focus for performance management. Rather, it is intended to equip you the reader with a sound practical grasp of the practice of managing performance in organizations today. I offer my personal viewpoints but have aimed to provide you with a balance of views, options and approaches, as there is no one-size-fits-all solution here. This book breaks down performance management into some core aspects and explores how performance management can be best used to deliver positive organizational outcomes. Within the chapters are a variety of examples and activities such as diagnostic questionnaires, reflection and action planning to enable you to take the learning and apply it to your work experiences.

This first chapter aims to explore the concept of performance management in general terms. To begin our journey we need to first identify what is meant by the term. This is not necessarily a straightforward task, as performance management covers a wide range of activities and its exact nature will often vary between organizations.

Defining performance management

Performance management is made up of many activities that when managed holistically can lead to effective people management. The particular challenge of providing a clear, comprehensive definition of performance management is that it covers such a breadth of activities. It is also difficult to define precisely as the nature of performance management will and should vary according to the organization context. The sector, structure, size, culture, strategy and leadership of the organization will all influence the nature of performance management. One of the most often used definitions is that of Armstrong (2009): 'Performance Management is a systematic process for improving organizational performance by developing the performance of individuals and teams.' One of the reasons this definition has proved so popular is because at its heart is the crucial issue of the link between the performance of an organization's human resources and the achievement of organization goals. 'Alignment' is a key ingredient in successful performance management systems: the alignment of an individual's performance to the goals of the organization.

A senior director I worked with in the advertising industry once told me that he regarded effective performance management as having an invisible thread linking the organization's mission statement to the performance objectives of the individual – and that image has stayed with me both in my practice as an HR professional and when teaching human resource management (HRM) to others. I firmly believe that the core principle of everyone working for an organization having a clear understanding of how they contribute to the mission, vision and goals of the organization is an important one. There is a real benefit to the organization of having all the people who work for it focused on the right things to add value. There are also clear benefits for the employees of that invisible thread being in place. For example, the intrinsic satisfaction of feeling significant, understanding their contribution and ultimately feeling valued by the organization – that invisible thread helps to deliver that understanding and those feelings. This is a powerful enabler for retaining staff and supporting them to deliver high-performance outcomes. Individuals are much more likely to 'go the extra mile' for those organizations where they understand and value the organization's goals and believe that they can contribute to the achievement of those goals and will be valued for doing so. Unfortunately, in many organizations that connection between the organization's goals and individual contribution is either weak or missing altogether; this has the potential to impact detrimentally on both the performance of the individual and that of the organization.

A good starting point for a definition of performance management might be to consider what is meant by the term 'performance'. Historically the emphasis has been very much on output or results. Management by objectives was very popular in the 1970s, but fell out of favour during the 1990s as it drifted into over-bureaucratization and focused on the quantifiable whilst neglecting the more qualitative elements of performance. Whilst achievement of objectives and outputs remains a key deliverable for performance management, organizations today are also increasingly concerned with the 'inputs', the behaviours, 'how people carry out their jobs'. This is reflected in Brumbach's (1998: 265) definition of performance: 'performance means both behaviours and results... Not just the instruments for results, behaviours are also outcomes in their own right.' In an economy where knowledge and service are key, competitive advantage comes not only through results, but through the behaviours people demonstrate when carrying out their roles. If we are to encourage effective performance in our workplaces we need to focus not only on what people do, but how they do it (the role of competencies will be explored in more detail in Chapter 6).

The historical context

To understand performance management today it is helpful to consider the historical backdrop of approaches to management and organization behaviour. Arguably, the first real sense we get of a formalization of the management of performance comes with F W Taylor (1856–1917) and the scientific school of management. Taylor believed that effective performance would come from a very structured approach to the design of work, with workers having very specific tasks to complete, with specific targets to reach and clearly identified financial reward. Motivation was driven by a simple economic transaction with workers carrying out their roles in the most effective way possible to reach the highest possible wages. Whilst we recognize that managing performance is an activity of much greater complexity today, it is important not to lose sight of the fact that there are many working relationships that are reliant on the delivery of a basic transaction for effective performance.

The Human Relations School led to a much greater focus on social factors at work and on the behaviour of employees within an organization. Rather than just focusing on the rational, the complexity of humans – their psychological and social needs – were recognized as important factors in organization performance. The famous Hawthorne Experiments conducted in the late 1920s at the Western Electric Company, near Chicago, highlighted the importance of

human relationships in the workplace. In one experiment, referred to as the bank-wiring observation room, a group of men were offered a financial incentive to earn more money based on greater productivity. In the world of Taylor we would have expected to see a rise in performance levels as a result of this incentive; however, this did not happen. Group pressure was exerted to ensure performance levels were not increased. The power of so-called 'group norms' was exerted. These experiments generated new ideas relating to managing performance, particularly the importance of informal work groups, but also the vital role of managers in motivation and performance management.

Despite the impact of the Human Relations School, most early formal performance monitoring systems evolved from Taylorism. In the 1800s there were stick systems in some factories, where at the end of the day the supervisor would place a coloured stick by the work bench of the worker to indicate how they had performed during that session; for example, blue for good, yellow for satisfactory and black for poor, indicating that your services might not be called for the next shift! I am hoping things have moved on a little since then! Merit rating was popular in the United States and the UK in the 1950s and 1960s and involved an assessment of performance based on a tick-box rating scheme against particular qualities or traits. There is a strong sense here of a 'school report' approach, the individual being judged by a superior. Whilst the trend has been away from such an approach in recent times, Armstrong (2009) argues that some of the competency rating schemes used today 'look suspiciously like some of the traits identified 70 years or more ago'.

Management by objectives (MBO) is an important stage in the development of performance management. It is a system or style of management that attempts to relate the goals of an organization to the performance of an individual. The following elements form a key part of the MBO process:

- setting of clear objectives and targets;
- the active participation of both individual and managers in the formation and agreement of these targets;
- the regular monitoring and review of performance against targets set;
- a backdrop of meaningful reward to support the process.

Much of today's performance management process can be seen here in MBO. The requirement for clear objectives, agreement and regular review are still a vital part of performance management today. However, after being incredibly popular in the 1960s and 1970s, MBO gradually fell out of favour. The significant factors in the demise of MBO appear to have been the pure focus on the measurable and quantifiable at the expense of the more qualitative aspects

of performance, an emphasis on output without consideration of input. Many systems drowned in bureaucracy, with form-filling becoming an end in itself, and a resultant lack of valuable output from the process. MBO in many cases became a top-down form or assessment with little contribution from the individual or consideration of his or her individual needs and aspirations. MBO was targeted mostly at line managers, so other roles within the organization were often not included in a structured performance management system. This was not a performance management process for all employees.

It wasn't until the latter half of the 1980s that performance management as we understand it today became a recognized process. In 1992 the Institute of Personnel Management (IPM) produced the following definition of Performance Management: 'A strategy which relates to every activity of the organization set in the context of its human resources policies, culture, style and communication systems. The nature of the strategy depends on the organizational context and can vary from organization to organization.'

The research conducted by the IPM in 1992 identified that typical performance management processes would include individual objective setting linked to the wider goals of the organization, performance reviews and integration with training, development and reward outcomes. Performance management was becoming a much more holistic activity, incorporated a range of HRM activity and was targeted at all employees rather than just managers. Over the last 20 years there has also been a gradual shift away from a judgemental approach to a problem-solving approach with both manager and the individual being active participants in reviewing performance and setting objectives. Direction and feedback remain important processes, however, it is now largely recognized that the individual should be an active participant providing input into the performance management process. Consensus and co-operation have increasingly replaced the concept of control in performance management.

In more recent times three key themes have emerged in the development and enactment of performance management in organizations: 1) the importance of aligning performance activity to strategic goals; 2) the vital role of line managers in implementing performance management and the importance of trust in the relationship between employee and line manager. Alignment will be explored in greater depth in Chapter 3 when we look at the 'fit' between performance management and organization strategy; the role of line managers is considered later in this chapter when we look at who is involved with the performance management process; 3) there has been a significant shift away from the concept of a heavy reliance and focus on an annual appraisal towards a drive for ongoing performance discussions between managers and employees. A hunger for regular feedback and agile

goal setting reflect the demands of the very dynamic working environments of many organizations today and the rapidly changing context in which they are operating. This theme will be explored more in Chapter 4.

Activities of performance management

So, moving to the present day, what are the key activities typically forming part of performance management in organizations? When I ask line managers about the typical activities involved in performance management, generally their first response will be to mention the performance appraisal or review. It is true that for some the term performance management has become synonymous with the performance appraisal or performance review, but this is only a subset of the entire performance management process, a single technique used by many organizations to manage performance.

Typical activities coming under the term 'performance management' include: objective setting, feedback, the performance review/appraisal and development. A 2009 survey by the Chartered Institute of Personnel and Development (CIPD) found that the core activities of performance management were: performance appraisal, objective setting, regular feedback, regular reviews and assessment of development needs. These are certainly the key activities that students consistently tell me represent performance management in their organizations.

Such a range of activities can bring with it some tensions within the performance management process and particularly within the performance appraisal. There are activities that are quite clearly linked to making a judgement about an individual's performance, and others that are focused on development through identification of training needs or career plans. Much debate exists about how well these activities sit alongside each other. The issue is aggravated when judgement is closely aligned to financial reward. Some people will argue that any attempt to separate out a review of performance from any discussion about reward is very difficult to achieve. However, there is little doubt that some employees may be quite guarded about areas they need to improve on or develop, when they know that at the end of any discussion a number will be generated that is then linked to annual pay review or bonus.

Whilst there may be a fair degree of consistency in terms of the types of performance management activities that exist in many organizations today; the way these activities are carried out can vary considerably. The degree to which these activities add value, supporting the goals of the organization, can also vary considerably. This book will consider not only 'what' should

be done in terms of performance management activities, but 'how' these activities can be carried out to deliver value for the organization.

The goals of performance management

For performance management processes to be successful, we need a clear idea of what we want them to achieve. A focus needs to be established with provision of clear criteria for success. This may sound obvious but not all organizations can clearly articulate the response to the question 'Why are we doing this?' Clarity around the goals and intended impact of performance management is really important in getting the buy in of managers and employees. So a key question to be addressed is, once we have implemented our performance management processes, what outcomes will we expect to see? Clear goals are also essential if we are to evaluate the impact of performance management – a key activity when justifying the costs and time involved in any performance management process.

The goals of performance management will and should vary according to the specific circumstances of the organization; however, we can identify some generic elements that most performance management systems and processes should deliver.

Effective performance management should ensure that people:

- understand what is required of them, results and behaviours (inputs and outputs);
- understand how they contribute to the goals of the organization;
- are motivated to perform;
- have the skills and ability to deliver required performance levels;
- are supported by the organization in meeting what is expected of them;
- understand how they are performing (feedback);
- deliver the performance required;
- are rewarded appropriately (fairly) for their contribution.

In the last bullet point the term 'rewarded' should relate to 'total reward', so non-financial rewards such as recognition and development can form part of this area rather than just a focus purely on the financial transaction.

The IRS (2003) identified a variety of aims for performance management expressed by a variety of organizations:

- Empowering, motivating and rewarding employees to do (and for doing) their best. *Armstrong World Industries Inc*

- Focusing employees' tasks on the right things and doing them right. Aligning everyone's individual goals to the goals of the organization. *Eli Lilly & Co Ltd*

- Proactively managing and resourcing performance against agreed accountabilities and objectives. *ICI Paints*

- The process and behaviours by which managers manage the performance of their people to deliver a high-achieving organization. *Standard Chartered Bank*

- Maximizing the potential of individuals and teams to benefit themselves and the organization, focusing on achievement of their objectives. *West Bromwich Building Society* (as cited in Armstrong, 2006)

At a base level, performance management should at least be ensuring that people clearly understand what is required of them, that they are supported in achieving what is needed and that they are given regular feedback to enable them to continuously improve. Blanchard's *The One Minute Manager* (2011) reflected this very succinctly with his one-minute goals, praise and reprimands. I believe that in any job role there are three key questions an employee needs to have answers to:

- What do you/the organization expect of me?

- How am I doing?

- In the current workplace environment where future employability is key – how can I develop/improve?

Activity

Consider the three questions above in relation to your role in your organization. Write down your responses to the following questions:

- How easy do you find it to provide clear responses to these questions?

- Is your response based on your own perceptions or from concrete information discussed and agreed with your manager?

- If you have struggled to provide effective responses what can be done to enable you to be able to answer the questions effectively?

You may find it helpful to ask some of your colleagues whether they feel they are able to provide clear responses to these questions – and then see if there is a consistency in the responses.

Who is involved with performance management?

The simple answer to this is 'everyone' in your organization and increasingly other stakeholders who may not be part of the organization. A key question to ask is: Who has an interest in the performance of this individual or these individuals? In many organizations today, the manager charged with setting and agreeing objectives and conducting the performance appraisal of an employee may actually have little day-to-day or face-to-face contact with that employee. The employee may, for example, spend most of his or her time out at a client site and any evaluation of performance might be worthless without the involvement of someone from the client team. Let us consider then, the stakeholders in the performance management process.

I would suggest that the key stakeholders are the senior management team of the organization. Their commitment to and active involvement with performance management is widely identified as a critical success factor in any performance management process. For performance management to be effective, desired behaviours need to be 'role-modelled' by the senior management team if they are to stand any chance of being embedded further down the organization. I have had many discussions with line managers in exploring problems with performance management and they have said to me: 'How can I set objectives for my team when I haven't been set any myself?' This is a totally valid response and places any HR manager in a difficult position in terms of justifying their request. It highlights the problem that lack of commitment at the top of the organization will have significant consequences for commitment elsewhere.

In recent times performance management has shifted from a 'controlling' activity to one of partnership, where employer and employee share responsibility for delivering required levels of performance. The employee has a responsibility to play an active part in developing objectives and identifying the required performance to deliver against those objectives and to strive for continuous improvement. No longer is performance management something that is done to employees – they should be active not passive participants. To be active participants, employees (particularly more junior employees) will need organizational support to ensure they have the confidence and ability to do so.

The line manager has a key role supporting, enabling and creating an environment in which the employee is more likely to be motivated to perform. Performance management is fundamental to this. As with other

areas of HRM, over recent times there has been a recognition that people management issues have to be driven and owned by line managers rather than the HR function. The research of Hutchinson and Purcell (2003) has shown the vital role that front-line managers have in people management. Performance management is a key delivery mechanism for line managers to drive performance through strong communication, support, and building trust and respect. Satisfaction with performance management processes, and appraisals in particular, rises significantly when line managers own the process and are truly engaged with it, rather than going through the motions with gritted teeth! In my experience, and those of many HR people I have worked with or taught over the years, the key challenge for HR professionals is getting the line manager on board with the performance management process. Armstrong (2006) summarizes this in a lovely term: 'HR proposes but the line disposes'. If the line managers are not committed to carrying out HRM activities then these activities will struggle to be achieved. This is where being able to identify some clear outputs or value from the performance management process is extremely important. If you were a busy line manager asked to do an appraisal in order only to tick a box, would it really be top of your list of priorities? Line management commitment to performance management becomes even more vital when we are moving to an approach requiring more regular meetings and dialogue between managers and those they manage.

So what, then, is the role for HR in performance management? There has been a perception historically that appraisal and performance management are the responsibility of the HR function. In the worst cases HR might be perceived to be in some kind of policing role, just ensuring that appraisals are completed and recorded, but with little thought to any added value. It is now largely agreed that whilst HR have a key role in performance management, it is not the sole responsibility of HR to make it happen.

If we take Ulrich and Brockbank's model of HRM roles (2005) – functional expert, strategic partner, employee advocate, human capital developer and HR leader – as a framework we can explore the role of HR in performance management. First, as functional expert HR can provide the knowledge and expertise of performance management. Using IT effectively to support performance management, HR should be able to advise on efficient and effective policies and procedures. They should then provide an effective framework within which performance can be effectively managed on an ongoing basis. In recent years there has been a steep rise in HR roles with a focus on data analytics. HR can have an important role here interpreting large quantities of data drawn from performance management

processes to provide sound intelligence to inform HR and organizational decisions moving forward.

Second, as employee advocate HR can ensure that the voice of the employees is heard through the performance management processes and that employees are not only given a voice, but are given the support and development to enable them to be confident participants in the performance management process. Also as employee advocate, HR has a role to ensure the procedural and distributive fairness of performance management, which is discussed further at various points in this book. In the employee advocate role, HR can also identify any barriers to encouraging diversity that may exist within the performance management process and work with senior and line managers to remove these barriers.

Third, as strategic partner, HR has a role to work with the senior management team to ensure that performance management supports the strategic goals and values of the organization. This area is discussed in more detail in Chapter 3.

The role of human capital developer goes to the heart of performance management. Both through the design of processes and giving support to line managers and employees, HR has an important role in ensuring that there is a focus on development within performance management, to ensure through training and learning, coaching and career development that the workforce of the organization can develop the skill, knowledge and attitudes required to support the future success of the organization.

Finally, in the role of HR leader it is vital again that good practice in performance management is role-modelled. Some time ago I did some research with a large college of further education in south-east England. The HR director was able to contribute much value by providing a role model for performance management in the organization. She effectively managed the performance of her team, but also coached the senior management team to do the same for the programme managers and curriculum area leaders in the college.

When there needs to be involvement in performance management by individuals outside the organization such as clients, careful consideration needs to be given to how this can work most effectively. It may simply mean gathering feedback from clients on an individual, or it could mean a client undertaking the full appraisal of an individual. Strong communication and support from the organization and HR will be a key underlying requirement here. It is important that there is consistency in approach.

It is important to recognize that all these potential stakeholders in the performance management process may have different perspectives on and

interests in the process. For example, your senior management team are likely to be focused on how performance management will be supporting the achievement of organization goals. The line managers are likely to be more concerned with day-to-day operational effectiveness and also dealing with any areas of underperformance. The financial director is likely to be more focused on areas such as reward strategy and its link to performance management, and also on maximizing profitability and limiting costs. The HR department will be concerned with the business requirements for performance management, but also is likely to be concerned with the implementation of good practice and ensuring that there is fairness and consistency of approach across the organization. Individual employees are likely to be focused on their own roles, how they are rewarded, and opportunities to grow and develop. These varying perspectives and interests will create challenges in the formation and implementation of any performance management process. It is important to identify the perspectives and interests of the various stakeholders in the performance management process in order to maximize engagement.

Approaches to performance management

Organizations can take a variety of approaches to managing performance. The approach taken will be heavily influenced by such factors as the type of organization (sector, size, culture) and the pervasive management style. Taylor (2008) identifies two distinct perspectives associated with different uses of performance management in organizations. First, the standards-orientated approach where the emphasis is on ensuring compliance to standards. Performance management processes will focus on clearly defined objectives for all and close monitoring of performance against those standards. Another key area in this approach will be managing underperformance where employees are not meeting the required standards. There is an important role for the line manager here in identifying underperformance at an early stage, communicating this to the employee and, with the employee, identifying the most effective approach to bring performance up to the required standard. This approach has been linked to a transactional leadership style in which, depending on whether the required performance is met, either a 'reward' or 'punishment' will follow.

The second approach that Taylor (2008) identifies is that of the 'excellence-orientated approach'. Here the focus of performance management is on striving for excellence, continuous improvement and development. There

isn't a 'ceiling' of objectives to be met, but a sky where individuals are encouraged to reach out for the highest level of performance they can. The emphasis here for performance management is to create an environment where individuals are motivated to perform, committed to achieving excellence, and equipped with the skills and knowledge to deliver that excellence. This approach has been linked to the transformational style of leadership. Transformational leaders provide a clear vision and empower employees to meet higher standards. There is a shift in emphasis here from control to commitment.

There is some debate as to how easily these two approaches can co-exist. How easy is it, for example, for people to strive for excellence – which often requires a degree of creativity, or an element of risk-taking – against a backdrop of high levels of control and structure? Arguably this has been a long-standing problem for performance management processes that typically incorporate elements of control through the monitoring and evaluation of performance whilst aiming to develop high levels of organization commitment. Certainly for many of the organizations I have come into contact with, both of these approaches can be found in existence in the same organization and it may be more of an issue of emphasis.

Another interesting approach to performance management is that of a strengths-based approach. This involves performance management focusing on people's strengths rather than on their weaknesses when seeking to improve their performance. Instead of trying to develop areas in which an individual may never be very effective, this approach encourages identifying what people do well and then finding them more opportunities to use the skills and knowledge they have in those areas. Initial take up of this approach was slow and there was some cynicism about the practicality of such an approach. However, more recently there has been a growth in adoption of this approach by organizations. Recent research conducted by the CIPD in partnership with the civil service (CIPD, 2017c) focused on strengths-based performance conversations. If you are aiming for more frequent, strengths-based performance conversations in your organization, this interesting recent research highlights the importance of training particularly for line managers, supporting HR policies and resources and a backdrop of wider communication.

DIAGNOSTIC QUESTIONNAIRE

To enable you to be able to get the best use from this book you should aim to find out as much as you can about performance management in your organization. To start you off on that process I have identified below a few questions to provide a base for your exploration of performance management. You may find it helpful to ask a range of people in your organization for their views on the questions outlined below (for example a senior manager, a financial manager, a line manager, a member of the HR department). We have discussed the fact that the various stakeholders in performance management may have different perspectives and interests in performance management activity. So by asking a range of individuals, this may enable you to highlight differences or similarities/ trends in responses. You can then build a picture of both the reality and the perceptions of performance management in your organization.

Taking this activity forward, you could also use these questions to find out about performance management in other organizations. The importance and value of benchmarking is explored in the final chapter of this book, and whilst another organization's approach to performance management might not be the right one for yours, it is very useful to learn about various approaches in coming to an informed decision about what approach and activities would work and add value in your organization.

TABLE 1.1 Exploring performance management in your organization

What activities form part of performance management in your organization?
Consider the elements of performance management identified in the 'historical context' section of this chapter. Which of the stages of the development of performance management can you identify in your organization's approach?

(continued)

TABLE 1.1   (*Continued*)

What are the goals of performance management in your organization?
What should the outputs be? What are the criteria for success?
Who is involved in performance management in your organization? Who are the key stakeholders in the process?
To what degree do line managers 'own' the performance management process in your organization?
What approach does your organization take to performance management? For example, is it more standards-orientated or excellence-orientated in nature?
Could a strengths-based approach work in your organization? Justify your response.

This chapter has aimed to equip you with a good understanding of what is meant by performance management and should have enabled you to start to explore performance management within your own organization. To start you thinking about some of the significant themes in performance management, given below is an overview of an interview I conducted with Martin Eves, HR and Operations Director of QiO Technologies Ltd. Martin leads the development of the Human Capital, Finance, IT and Legal functions of the organization. He has held senior HR roles for Shell, BOC Gases, PepsiCo and Nestlé and more recently with Vertu and Kronos. Drawing on his extensive experience in the HR field I asked him what he believed were some of the key factors in delivering effective performance in the workplace. He identified four key areas, as shown here.

The HR director's viewpoint

There is a simple truth that I have witnessed in the organizations that have worked in: when managers set a clear direction with targets and engages with their work group, the energy that is created is infectious. This is performance management.

Many tools exist to help create and sustain this energy and each employee will respond differently to different stimuli. All tools will have an impact, however only the right choice will create the required change. The choice of tool has to take into consideration the local context – and this is where a 'one-size approach' rarely fits. A manager has received the 'right' to lead and change behaviour; in considering how to improve the performance of his or her employee(s), he or she needs to understand the 'context' by asking why they behave as they do. What value do they bring? How, as part of a team, can that value be enhanced further?

The value of the employee

All employees can add value. Senior managers have been given the responsibility to identify and enhance that value. Although individual development is important, how that employee assimilates with the team and the culture is also a senior manager's responsibility, indeed success here often drives greater performance and results.

Employee resignation can be for a variety of reasons; however it is usually when the relationship breaks down between an employee and a

senior manager. It is often useful to reflect on whether the senior manager really has identified the value the employee can add. It is interesting to note that in most cases employees leave senior managers, especially those managers who have not been able to harness that employee's value – rarely do employees leave companies.

The importance of shared purpose

Employees need to understand the overall purpose of the organization, their department and their role and how they combine to contribute. Whether the company provides a service or sells a product, it is important that there is a shared understanding of what the organization is trying to achieve.

Confidence in the purpose should cascade through the organization. Senior management has an important role to play here in communicating the purpose and building confidence throughout the organization, this helps deliver superior organizational performance.

This shared purpose creates synergistic performance that can be contagious, creative and powerful. Many organizations underestimate the power of a coherent single simple truth that everyone can align behind.

Fit performance management to the context

It's not just about alignment to the goals of the organization, it is important that performance management suits the organizational context.

For example, you would intuitively think that a sales consultant who is solely incentivized to sell would generate the best sales results. This, though, is too general and does not take the context into consideration. If you think of a luxury car showroom where customer experience is fundamental to the sale, you would want to incentivize the team to create the right environment – this will actually increase sales. Get this wrong and you end up with a sales team that attacks every person who enters the showroom – in the hope to close the few deals that arrive each week.

Getting the reward and recognition component right will increases sales or customer service: the next time you enter a sales room or are talking to a call centre see if you can see how they are incentivized – it is often quite transparent.

Managing expectations

Likewise, the management of expectations will also have a strong impact on employee performance. Through an annual appraisal process a large

multinational I worked with had a process that reviewed where an employee was reasonably expected to aspire to in the organization's grading structure. Those with high potential were pulled through the organization by their higher potential rating, accelerating them through the organizational structure. The potential was assessed each year, reconfirming or realigning the employees' rating level. This process had a significant impact on the employees' behaviour: those advised of high potential behaved differently to those who were advised of lower potential. This created a self-fulfilling context and 'managed' the expectations of employees across all functions of the organization.

In isolation, any of these elements badly managed can destroy the foundations of good employee performance management. Taking the time to understand your employees, creating synergy through a shared purpose, having an appreciation for the operational context and professionally managing expectations will ensure a high performance culture.

These themes will be explored in greater depth as you work through this book.

The next chapter will look at why performance management is important and what benefits effective performance management has for organizations. Understanding and communicating the value that effective performance management can bring is essential in gaining commitment to the performance management process.