The *Why, What, and How* of Performance Management

by

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What’s Wrong With Performance Appraisal?

Managers and employees alike dread the annual ritual of praise and blame that is the traditional performance appraisal review. Yet, almost every organization uses some method of tracking employee performance. In some cases, these methods consume tremendous resources in terms of management and staff time, training, and administration. Ask what benefits are expected from these attempts at planning and providing feedback on performance, and the answers will most likely be found in the following list:

1. Translation of business strategies into Key Result Areas and **accountabilities** for all managers and employees.
2. Integration and **mutual support** among management processes such as business plans, operating budgets, marketing plans, information management and human resource management.
3. Support for successful launch, maintenance and integration of **management systems** such as total quality management, service delivery, productivity enhancement and workplace safety.
4. Framework for key **human resource strategies**, linked to business strategies, in such areas as job design and grading, career and succession planning, training and development, remuneration and rewards, recruitment and retention, and performance appraisal.
5. **Development of managers** in planning, monitoring and coaching performance and conducting regular performance reviews.
6. Development of employee skills in **self-management**.
7. **Consistency** in effective management practices across functions and locations.
8. Enhancement of a **culture** focused on results and how they are achieved.

Yet, performance appraisal as it is practiced in most organizations ranks right at the top of the most disliked practices list. Why, if such great benefits as those listed above are seen as being possible through a good performance monitoring system, do both management and staff so dislike it?
The answer is the way that performance appraisal (PA), in general, is designed. For the most part, poorly designed PA processes display these characteristics:

1. **Supervisory centered** - In a poorly designed PA process, the emphasis is on the supervisor. She has access to and gathers the data to be used. She does the "write up." She determines any amount of raise to be given, within organizational guidelines. She conducts the appraisal interview. Often, the employee is asked to provide input, but it is the supervisor's show. Any wonder, given these conditions, that often the supervisor winds up feeling like a judge (and jury), and the employee feels like a prisoner in the dock?

2. **Inappropriate Focus** - This is a multifaceted problem with PA. For example, most PA processes are set up to measure the past, rather than to manage the future (hence the term review). Since so many PA discussions only occur on an annual basis, without interim feedback, the discussion and outcomes are largely dependent on supervisory recall. This invites all the classic problems of recency, recall, and halo effect. Also, the focus is often on the activities in job, rather than the outcomes achieved by the person in the job. Therefore, what is often really being measured is the difficulty of the job, the status of the job, or the effectiveness of the processes employed to perform the job. Still another problem with focus results from tying PA discussions to pay increases. If the PA process does not allow any predictability for the employee in terms of reward for performance, his focus will be on the increase, rather than any kind of development discussion.

3. **Inappropriate Criteria** - Often the criteria used in PA are trait or personality based. This is especially true with off-the-shelf PA products or forms. The same effect occurs when organizations use PA to try to incorporate their ideal values. That is why you will find PA forms with such criteria as quality, customer service, initiative, professionalism, problem solving, etc. Noble ideas and concepts, certainly, but unless they are tied specifically to what the employee actually does on a day to day basis, they are meaningless. A related problem occurs when global rating scales are used. When it comes to performance criteria, one size does not fit all.

The same problem with inappropriate criteria occurs when an organization tries to use an off-the-shelf management 360° feedback process with PA. In the first place, developmental, behavioral feedback is most appropriately used for coaching, rather than appraisal purposes. Secondly, there is no single behavioral pattern of success that would be appropriate for all managers in an organization.

Such factors as the nature of the work, tenure and experience of staff, utilization of technology, and growth status of the unit being managed all dictate that for a 360° process to be effective, it must be geared to the relative areas of emphasis that an individual manager should display in trying to get results with and through the people that he is managing, based on their characteristics, and the context within which the work is
being performed. As an illustration, you would not expect to find the same managerial focus pattern for a manager of a group of R&D PhD's who have been together for five years as that of a manager in a start-up call center with all new staff and new technology.

For those reasons, any 360° feedback process must be customized to the organization's culture, strategy, and management practices. What matters is the relative emphasis that the manager or employee gives to behaviors in producing outcomes, and how those behavioral patterns shift over time.

4. Lack of Linkages to Other Organizational Processes - Too often, PA is viewed as a stand alone process, with the emphasis on completing a form to satisfy some organizational administrative demand. Seldom are the outputs of PA used for such organizational processes as budgeting, training and development planning, recruitment, job design, succession planning, management development, technology planning, or organization development. Because of this, managers may see PA as not relevant to their "real" work. That perception is easily passed on to employees. PA, rather than an opportunity for ongoing planning and feedback on performance; is a distraction that must be done or the HR folks will create a ruckus.

Performance Appraisal or Performance Management?

Often the term performance management (PM) is used interchangeably with PA, but, there are some significant differences between the two processes. As a start, PA focuses on measuring the past, while PM is focused on managing the future.

As a definition: Performance Management is a continuous cycle of planning, organizing, monitoring, supervising, giving and receiving feedback, coaching, and documenting. The emphasis is on actual performance, not on effort, or personality traits.
As shown above, a PM system is made up of three interdependent processes, Performance Planning, Progress Reviews, and Formal Appraisal and Rating. So, PA is a part of PM, but certainly not its entire emphasis. Let us explore each of these processes separately.

**Performance Planning** - This is really the start of PM. It is the point where the manager and employee together answer these four questions which, I believe, are the basis of motivation and commitment:

1. **WHAT AM I SUPPOSED TO DO?** The answer to this question is not the typical list of activities and tasks found in standard job descriptions. Instead, this is the point where the job is discussed in terms of the results that it is expected to produce, and how it fits with strategy, the manager’s results, and the other jobs
within the work unit. Both the job content and context form the basis of the discussion. In the course of the discussion, the following are clarified and documented:

**Key Result Areas (KRA's):** The end results, usually 6 - 8, tied to corporate strategy, which the job, department, or organization is trying to achieve through job activities. KRA's are used as titles for **Accountabilities**.

**Accountabilities:** Statements of job activities over which the performer has control, together with job inputs and outputs, carried out to achieve KRA's. All Accountabilities are weighted in terms of priority, within the work unit. Accountabilities, performance measures, and performance standards relate to the job, not to the individual, and should therefore be relatively unchanged from year to year.

**Job Purpose Statement:** A comprehensive statement of the value added by the job in achieving desired outcomes by effective means; also denotes relationship of job to other elements of the performance system.

Answering this question correctly does two things. First it clarifies the priorities and elements of the job that will be evaluated. Second, it provides a clear "line of sight" from employee and unit performance, through management accountabilities and to organizational strategy.

2. **TO WHAT STANDARDS?** This part of the Performance Planning discussion is dedicated to clarifying how performance will be measured, what data sources will be used, and how they can be accessed. In the course of the conversation, the following points are covered and documented:

**Performance Measures:** The criteria and data sources which will be used to provide feedback on performance against expectations, as expressed in performance standards and employee goals. Criteria may be either quantitative or qualitative, and data sources should be accessible by both manager and employee.

**Performance Standards:** The range of performance, (usually ranging from Unacceptable through Outstanding), for performance within each weighted accountability, using performance measure details as source data. The bottom level should be clear, and the top level should have no cap.

**Employee Goals:** Statement of employee expectations of performance against standards, tied to progress review periods. Goals should come directly from the job being performed, and the levels of performance standards the employee will plan to achieve.
3. WHAT CONSEQUENCES ARE CONNECTED TO MY PERFORMANCE? - This part of the Performance Planning discussion has two purposes. First, it reinforces the understanding that the job does not operate in isolation, that it is part of an overall performance system, and that its inputs and outputs are related to other jobs and processes in the unit and organization. Second, any system in place tying pay to performance is clearly discussed, so that the employee can see what impact attainment of her goals will have on her salary, and plan accordingly.

4. HOW WILL I KNOW HOW I AM DOING? - At this point in the discussion, the employee is aware of everything that will go into his PM documentation: KRA's, weighted accountabilities, the purpose of the job, performance measures, performance standards, and employee goals. As he will have access to all the data sources to be used for performance feedback, he will not really need the manager to tell him how he is doing. He will, however, need to meet with the manager periodically to discuss and document performance against expectations, and to deal with changing circumstances. The purpose, therefore, is for both to agree on and plan for subsequent progress review meetings.

**Progress Review** - These are periodic, usually every 4 -12 weeks, reviews by the manager and jobholder of progress against standards and goals. Review outcomes, including ratings against standards, are documented in order to provide ongoing feedback, a focus on the future, and reliable data for the formal appraisal and rating. After initial "settling in" period, progress reviews normally take 15 - 30 minutes.

These reviews are very different from the standard PA conversations. As both the manager and employee know what is being evaluated, how, and the sources of performance data, the atmosphere is much less charged. The meeting is between two adults, talking about progress against expectations. The actual "write up" is normally taken care of in the first five minutes of the meeting, as there are no surprises. The rest of the meeting, then is focused on the future: changing circumstances, the employee's plans, and how the manager can support those plans.

**Formal Appraisal And Rating** - As is the case with PM, this meeting is lacking in surprises and high negative emotions. A summary by the manager and employee of overall performance for the entire review period, normally annual, is prepared. All progress review ratings and data are used to arrive at the overall evaluation. This is done by documenting the performance for the last review period, and averaging it with all the other ratings from previous progress reviews.

In keeping with a focus on the future, action plans, including resource needs, for
performance over the next review period, formal training and development and career pathing plans are developed.

**Getting Ready For PM** Assuming that you already have something in place for planning and evaluating performance, how will it enable you to move more towards PM? We have found the following survey, combined with documentation review, interviews and focus groups to be of great help in planning what will need to be adjusted to create a real PM system from an existing process:

**ASSESSING YOUR CURRENT SYSTEM FOR MANAGING PERFORMANCE**

Determine the extent to which you agree or disagree (1 - 5) with each statement as it relates to your organization.

1. Managers are given credit for developing their subordinates as part of their performance appraisals.

2. Training to avoid errors in appraisal is offered regularly to those who must monitor and appraise the performance of others.

3. Training in coaching, counseling, or helping skills is readily available for all managers.

4. The job documentation of all jobholders contains specific job related performance standards.

5. Our system of performance appraisal is easy to learn and requires little technical skill.

6. People at all levels are involved in using and improving our appraisal system.

7. Our appraisal system has three major components: performance planning, ongoing coaching and feedback, and formal assessment.

8. Appraisal data are used for such HR processes as career development, pay for
performance, training and development planning, workforce planning, and EEO/AA planning.

9. There is a clear linkage between what people are appraised on and the contributions they have made to corporate plans.

10. Documented appraisal and planning sessions are held regularly as part of performance monitoring and coaching.

11. Managers and staff see our appraisal system as a tool for communication, planning, and development.

Survey results are very helpful, not only for planning improvements, but also for creating a baseline against which you can track PM implementation success. By comparing subsequent survey results to the baseline, you can identify continuing or new needs, and see where successes can be leveraged across the system.

Just gathering the data, however, will not give you a clear enough picture of the playing field in which you will be launching PM. You also need to have a clear picture of the cultural and political factors to be considered before beginning you planning for designing, implementing, and sustaining your PM system. To accomplish that, we recommend the following decision tree. This tree, in fact, can be used when considering any major change implementation.

**PERFORMANCE MANAGEMENT**

**Implementation Planning Decision Tree**

<table>
<thead>
<tr>
<th>Decision</th>
<th>YES</th>
<th>NO</th>
</tr>
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<tbody>
<tr>
<td>1. Has the scope and impact of Performance Management been defined?</td>
<td>Thoroughly define scope and impact.</td>
<td></td>
</tr>
<tr>
<td>2. Will Performance Management disrupt the organization only slightly?</td>
<td>Include Change Management processes and planning into overall project planning</td>
<td></td>
</tr>
<tr>
<td>3. Is implementation normally handled well in the organization?</td>
<td>Attention required for communication, linkages to ongoing processes, systems, Quality Assurance processes</td>
<td></td>
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| 4. Is senior management sufficiently committed to the | Increase commitment by educating and involving senior management, or prepare to | }
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<th></th>
<th>Performance Management process?</th>
<th>fail in achieving stated objectives</th>
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<tr>
<td>5.</td>
<td>Do senior management, project team members, and participants work together synergistically?</td>
<td>Develop shared understanding of Performance Management process, objectives, and individual roles, or prepare for poor implementation.</td>
</tr>
</tbody>
</table>
| 6. | Is participant resistance low? | Is senior management willing and able to ensure acceptance?  
Yes    Go to 7  
No     Is senior management willing and able to repair damage of poor implementation?  
Yes    Go to 7.  
No     Educate senior management of consequences of poor implementation; change scope of implementation; project termination. |
| 7. | Is the Performance Management process inconsistent with the existing culture? | Go to 10 |
| 8. | Will senior management alter the implementation plan? | Will senior management alter the culture to support Performance Management?  
Yes    Go to 10.  
No     Odds of failure high, go to 10. |
| 9. | Return to 1 |   |
| 10. | Are project team members sufficiently skilled? | Train project team members, or prepare for failure. |
| 11. | Is the current level of organizational stress low? | Consider phased implementation, with much feedback on process and results. |
| 12. | Will the organization systems and structures enable a successful implementation? | Increase effectiveness of internal systems and structures, abandon project, or prepare to invest heavily in iterative planning and implementation. |
| 13. | Complete preliminary implementation plan. |   |

Organization systems and structures include:  
a. Management Information  
b. Reporting relationships  
c. Internal communication  
d. Human Resources functions  
e. Planning and feedback systems  
f. Reward systems  
g. Cross-functional collaboration  
h. Output-oriented job documentation
If you get this far, and it looks as if you have more work to do to prepare the organization for PM, the answers on the NO side should be helpful in determining priorities. If, on the other hand, you believe that the situation is supportive enough to begin planning, you should consider the steps laid out in the four phase approach below.

A few words of warning before you begin. Do not attempt to do this by yourself; look for support and use it. Instead of devoting energy trying to overcome resistance, find the people that are interested, and work with them. Organizational inertia will drag along the fencesitters (the majority), as success becomes known, and the resisters will be isolated, and most will, at least, go along.

<table>
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<tr>
<th>I</th>
<th>II</th>
<th>III</th>
<th>IV</th>
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<tbody>
<tr>
<td>Diagnose</td>
<td>Design</td>
<td>Implement</td>
<td>Sustain</td>
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<tr>
<td>2. Conduct stakeholder analysis.</td>
<td>2. Design communication strategy.</td>
<td>2. Conduct PM briefings and workshops.</td>
<td>2. Complete links to planning cycles.</td>
</tr>
<tr>
<td>3. Determine current and desired status of:</td>
<td>3. Create detailed project design.</td>
<td>3. Carry out conversion or leverage tactics.</td>
<td>3. Conduct system audits.</td>
</tr>
<tr>
<td>a. performance planning;</td>
<td>4. Design conversion or leverage tactics.</td>
<td>4. Implement communication strategy.</td>
<td>4. Continue Quality Assurance.</td>
</tr>
<tr>
<td>b. coaching and review;</td>
<td>5. Design manager &amp; jobholder training.</td>
<td>5. Implement support network.</td>
<td>5. Take corrective action.</td>
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<tr>
<td>d. linkage of PM documentation to other management systems;</td>
<td>7. Design forms, manuals and documentation.</td>
<td></td>
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<tr>
<td>e. linkage of PM documentation to other HR processes.</td>
<td>8. Select trainers and facilitators.</td>
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<td>4. Determine initial and overall objectives.</td>
<td>9. Design Train the Trainer programs.</td>
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<td>5. Determine resource needs.</td>
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<td>6. Assemble project team.</td>
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This is an integrated plan, meaning that activities are carried through from phase to phase, with refinements. Also, although Sustain is listed as a separate phase, it should
actually be happening throughout.