

STUDENT SUMMARY NOTES

chapter 6 performance management and appraisal

Chapter overview

This chapter will seek to explain why, in the past, appraisal systems have continuously failed to find respect among employers and employees alike. However, it will also explore how, through performance management, appraisal has the potential to reverse past trends so that it is viewed less as a threat and a waste of time and more as the source of continuous dialogue within organizations between organizational members.

Chapter objectives:

After studying this chapter, you should be able to:

1. Explain the purpose and uses of performance management, assessment and appraisal
2. Provide a model of performance management
3. Assess various approaches to understanding performance at work
4. Understand contrasting approaches to assessment and appraisal
5. Explain the use of performance management and appraisal in employee development
6. Understand the use of different performance-rating techniques

Introduction

Performance appraisal is arguably the most contentious and least popular HRM practice. However despite the poor record of appraisal within organizations, it is an accepted part of management orthodoxy that there should be some means by which performance can be measured, monitored and controlled. In recent years, appraisal has become a key feature of an organization's drive towards competitive advantage and the achievement of high performance. In many

organizations, this has resulted in the development of integrated Performance Management Systems (PMSs), often based on a competency framework.

Study tip: Appraisal systems have for some time served to prove that the performance of employees is under control or to give the appearance of control. See Barlow (1989).

In the public sector, in a movement referred to as 'New Managerialism' or 'new public management' performance management has increasingly been seen as the way to ensure administrative accountability, the meeting of standards and the provision of value-added services.

This chapter will explore the working of PMS, especially appraisal and assessment, and seek to explain some of the contentious features which, in the past, have failed to find respect among employers and employees alike. It will however, also explore how performance management has the potential to reverse the negative images of the past so that it becomes the source of continuous dialogue between organization members.

Performance, measurement and HRM

Significant attention has been paid to setting organizational goals and directions to improve business performance and, importantly, to how such improvements can be measured. Finding ways of measuring performance has become a major preoccupation in many organizations providing an underpinning rationale for a control approach to organization activities. However there has been a growing trend towards using a variety of measures of performance.

HRM and globalization 6.1: Performance management and the culture of capitalism in Brazil

This feature (p. 189) considers the question whether MNEs should standardize or localize their performance management systems.

Study tip: Go to some websites to examine the variety of approaches and frameworks for setting performance measures: www.som.cranfield.ac.uk/som/cbp/ is the home page of the Centre for Business Performance which researches the design and implementation of performance measurement and management systems. The website of the Performance Management Association can be found at www.som.cranfield.ac.uk/som/cbp/pma/. One of the most popular frameworks for performance measurement is the balanced scorecard at www.balancedscorecard.org/. Another approach is the business excellence model at http://www.quality-foundation.co.uk/ex_description.htm.

In the UK, new managerialism in the public sector has resulted in a customer-orientated approach to performance measurement. The Best Value framework was introduced in 1997 to form part of a statutory framework for performance management in local government and sets five dimensions of performance indicators. These are:

- strategic objectives: why the service exists and what it seeks to achieve
- cost/efficiency: the resources committed to a service and the efficiency with which they are turned into outputs
- service delivery outcomes: how well the service is being operated in order to achieve the strategic objectives
- quality: the quality of the services delivered, explicitly reflecting users' experience of services
- fair access: ease and equality of access to services.

The purpose and processes of performance management

A key feature of a PMS is the attempt to provide a link between all levels of an organization through goals, critical success factors and performance measures and the co-ordination of the implementation of HR practices.

The integrated nature of a PMS is outlined in the performance management cycle shown in **Figure 6.1.** (p. 192)

HRM in practice 6.1: Twenty-first-century senior HR leaders have a changing role This feature (p. 194) draws attention to the changing role of HR professionals including, greater involvement in designing and monitoring performance management systems.

Performance, judgments and feedback

A PMS can be used for a variety of purposes. Broadly such purposes can be categorized as follows:

- 1) the making of administrative decisions concerning pay, promotions and careers, and work responsibilities – the control purpose

- 2) the improvement of performance through the discussion of development needs, identifying training opportunities and the planning of action – the development purpose.

Figure 6.2 (p. 196) shows the possible responses to feedback.

Study tip: See early research on some of the difficulties and discomforts that have been revealed by PMS. See McGregor (1957) on managers who disliked 'playing God', and Levinson (1970) on feelings of guilt by managers about being critical of employees. The tension between appraisal as a judgmental process and a supportive development process has never been resolved and lies at the heart of most debates about the effectiveness of appraisal at work. A key element is the interpretation by an employee of the feedback from managers.

Appraisal interviews

Appraisal is a process that provides an analysis of a person's overall capabilities and potential, allowing informed decisions to be made for particular purposes.

The main purposes and desired benefits for appraisal are

- improving motivation and morale
- clarifying expectations and reducing ambiguity about performance
- determination of rewards
- identifying training and development opportunities
- improving communication
- selecting people for promotion
- managing careers
- counselling
- discipline
- planning remedial actions
- setting goals and targets.

Study tip: Use the Reflective Question (p.198), 'Why do you think it is difficult to meet the hopes and expectations for appraisal systems at work?' to consider how the variety of purposes may be difficult to achieve. Refer to the seminal study carried out by Meyer et al. (1965, p.123) at the General Electric Company.

In recent years, for example, there has been a growth in multi source feedback including 360° appraisal or feedback.

Performance and development

There are views of reality that challenge the mechanistic view of organizations and its privileged status - a developmental approach to appraisal that attempts to harness people's potential.

There needs to be a shift in attention to the performance of work and this provides a link to the shift from appraisal as an isolated HR activity to performance management. In the 2000s, changes in organization structures have continued with increasing efforts to move decision-making to the point of interaction with customers and clients and see such interactions as the source of creativity.

The performance of a work task can be presented as a relationship between means and ends - a transformation process. See **Figure 6.4** (p. 203).

A number of techniques have been developed that allow for the assessment and appraisal of the various stages of the transformation process. The ability to employ various techniques in appraisal will depend on a number of contingencies.

Study tip: Consider the work of professionals in the public sector where appraisal can be seen as part of a shift towards managerialist language and techniques. In response to deregulation and competition, often sponsored by central government, as part of a trend referred to as new managerialism or new public management (NPM) (Pollitt 2000), there have been various attempts to curtail the power of professionals within the public sector and remove or usurp their monopoly (Exworthy & Halford 1999a). Research so far suggests the emergence of new relationships and a reordering of professions and management. For example, head teachers require leadership skills that include the assessment of their staff. In the National Health Service, where there are over one million employees, many of them professionally qualified, appraisal (referred to as the individual performance review) was developed in the 1980s and has been seen as one of the tools necessary to bring a change in culture. Others have found considerable resentment towards managerial processes in general (Exworthy & Halford 1999b).

Whatever techniques of appraisal are employed, self-appraisal and self-rating will always be there too. Employees can learn to appraise themselves and will treat it as part of their own development if they can see the value of it for themselves rather than as a manipulative management tool.

HRM in practice 6.2: Schools as 'greedy institutions' and the loss of teachers from the profession This feature (p. 204) draws attention to the growth of 'managerialism' in the teaching profession and how this may be impacting on the work-life boundary and teacher turnover.

In recent years, many organizations have sought to increase the amount of feedback received and the number of sources of feedback through:

- Multi-Source Feedback (MSF)
- Upward appraisal
- 360° Appraisal or Feedback

Approaches to performance rating

The ability to employ various techniques in PM will depend upon a number of contingencies. **Figure 6.5** (p. 206) has adapted Ouchi's (1979) work to examine contingencies in PM

The different approaches to rating can be classified as follows:

- a) Inputs - a broad and potentially vague category that has been traditionally concerned with listing traits or personality attributes.
- b) Results and outcomes - typical measurements might relate to production, sales, numbers of satisfied customers or customer complaints. Also standards of competence as contained within National Vocational Qualifications (NVQs in England and Wales) and Scottish Vocational Qualifications (SVQs).

Study tip: Results and outcomes are attractive as objective sources of data which make them a nature of many appraisal systems. See, for example, management by objectives (MBO) schemes in the 1960s, which were designed to control the performance of managers and stimulate them as regards their development. See also Levinson (1970) who attacked the practice of MBO as self-defeating because it was based on 'reward-punishment psychology'.

- c) Behaviour in performance - the application of aptitudes, attitudes and competencies to the performance of work. Measurement through the use of:

Behaviour-anchored rating scales (BARSs)

Behavioural observation scales (BOSs) (see **Figure 6.6**, p. 210).

- d) Self-appraisal – in a culture of evaluation and control self-appraisal is not effective.
- e) Multisource feedback (MSF) – Self-appraisal for development will not occur unless it's set in an organizational culture and climate that facilitates and encourages such a process. MSF is growing in popularity, but the chapter

draws attention to studies that suggest that there are both benefits and difficulties with MSF.

Study tip: Research by Tziner et al. (2000) provided a comparison between BARSs and BOSs with respect to rate satisfaction with their appraisal and setting goals to improve performance.

Engaging in critical thinking

Chapter case study: Robertson Engineering

This case requires students to demonstrate an understanding of PMS and some of the challenges associated with the application of PMS in the workplace. MD strategies. It requires students also to identify core skills required by managers as well as emotional intelligence surrounding feedback to employees.

Tip to Students: See Bednall et al., (2014) 'Stimulating informal learning activities through perceptions of performance appraisal quality and human resource management systems strength: a two-way study', *Academy of Management Learning and Education*, 13 (1): 45-61.

Reflective question/essay question

Do appraisal and assessment techniques enhance the 'manageability' of employees?

Tip to students: The notion of 'manageability' is referred to in the last paragraph of the chapter. It is taken from Townley's (1994) Foucauldian analysis of HRM. Students can consider the purpose of various assessment and appraisal techniques from more critical perspectives including Foucault and labour process theory as a contrast to the more common neo-human relations assumption that all employees have an interest in achieving objectives or responding to measurements where they have participated in the process. Newton and Findlay's (1996) paper provides a good overview of these perspectives with respect to appraisal which can be extended to performance management and competency approaches to assessment.