PERFORMANCE MANAGEMENT – A SYSTEMS APPROACH

Timeframe:	Minimum of 20 hours
Learning Outcomes:	• Understand and interrogate how performance management interrelates with the organisation's strategy, culture, structure and systems; and • Evaluate the critical success factors of a performance management system.
Recommended Book:	• Chapters 1, 3 and 10 in Aguinis, H. 2013, *Performance Management,* 3rd ed., Cape Town: Pearson Education.
Recommended Articles:	• Jääskeläinen, A., and Laihonen, H. 2012, 'Overcoming the specific performance management challenges of knowledge intensive organisations', *International Journal of Productivity and Performance Management*, 62 (4), 350-363.
Section Overview:	The objective of this opening section is to explore the concept of performance management and examine some of the challenges and considerations. Clearly, there are competing views notwithstanding the challenges of managing millennials and culturally different contexts.

What is Performance Management?

Several current (and sometimes competing) views exist on performance management. Consider the following from five thought leaders (in Ziskin, 2013):

"Performance management has become everything and therefore nothing. It serves so many purposes – compensation, feedback, talent development, succession, etc – that it may not serve any purpose very well." (Collins in Ziskin, 2013)

"It's an ongoing relationship to balance the need to evaluate people with the need to develop them. It's not about bromides, forms, scores, tools or systems." (Boudreau in Ziskin, 2013)

"Performance Management is about aligning behaviour in a way that increases organisational effectiveness." (Wright in Ziskin, 2013)

"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 organisation." (Aguinis, 2013:2)

"I think we need to look at performance management from three levels: cultural, systems and personal. At the cultural level, it's about whether the organisation judges people based on meritocracy (results) hierarchy (power) or relationships (connections). At the systems level, it's about determining whether people meet or miss objectives. At the personal level, it's about assessing the individual's dedication to deliver both financial and social results." (Ulrich in Ziskin, 2013)

	Task Questions – Warm-up questions

1. Using your own experiences of performance management, critically reflect on each of the above definitions.
2. Why do you think there is such a wide disparity between the views on performance management? Or, are they inferring the same principles?
3. What are the common themes in the definitions?
4. Reflect on the alignment of these themes with Regenesys' Integrated Management Model.

When some of these thought leaders were asked what would make the biggest difference to performance management effectiveness, their viewpoints were mixed:

TABLE 1: WHAT MAKES PERFORMANCE MANAGEMENT EFFECTIVE?

Collins	• Culture of openness, honesty and real feedback; holding people accountable. • The process begins and ends with good leaders. All resources should be directed at investing in developing leaders to lead rather than spending money on new performance management systems and tools.
Boudreau	• Effectiveness rests in the skills and motivations of the people involved (not in the performance management system itself). • Ii is important to create a shared framework and priorities between managers and their employees.

Ulrich	• The four generic steps of performance management have remained relatively stable over time:
	  o Set standards;
	  o Assess against those standards;
	  o Allocate consequences; and
	  o Provide feedback.
	• Improvements in the effectiveness of performance management have come from:
	  o Enabling external stakeholders to provide input on standards and performance;
	  o Making the performance discussion more about the future than the past;
	  o Using technology to simplify the process;
	  o Tailoring the consequences to better reflect individual employee contributions and value; and
	  o Accommodating both team as well as individual feedback.

Wright	"Bad tools, bad evaluations, bad feedback and bad links to reward systems lead to bad performance management."

(Ziskin, 2013)

Using what you have learnt from the five definitions and the content in **Table 1**, formulate a single paragraph that draws together an insightful description of what might constitute a performance management system in your organisation, or one with which you are familiar. Be prepared to justify your description.

Purpose of a Performance Management System

To begin the discussion on performance management as a system, reflect on the following:

- Systems thinking is a way of interpreting elements connected together to form a whole;
- A system always has a purpose. Sometimes the purpose is evident to (or shared by) all and sometimes the purpose differs in the perceptions of the people who are involved in it;
- When an element is added, removed or changed in one part of the system, the whole is affected;
- Systems that contain people continually interact with the environment (cause and effect relationships; they are open systems).

A performance management system is likely to mean different things to different organisational leaders. It all depends on what they deem to be the purpose of the system – what it is that needs to be achieved. To some it may be the reconciling of the development of people versus their performance evaluation (Boudreau in Ziskin, 2013). It could also be reconciling performance feedback with compensation (Collins in Ziskin, 2013), or it may all be about future performance requirements.

In our introduction to the module, we mentioned two extremes:

- The simplifying of tools (reducing performance management to the simplest of evaluations, eg the four criteria of technical ability, productivity or output, group contribution and product contribution) and implementing a system to manage such objectives; and
- Customising unique tools to specific jobs, roles, situations and individuals (single customised performance systems for knowledge workers – the workforce-of-one principle)

Wright (in Ziskin, 2013) argues that these polarised views continue to be sources of debate. They are clearly influenced by the purpose for which organisations implement performance management. Notably, the costs and benefits of both extremes are likely to be different.

It could be argued that a simple 4-question performance system is cost effective but the benefits may be less meaningful. And, conversely, the individually customised performance system is likely to be costly but could yield very significant benefits to both the employees and the organisation.

Aguinis (2013:2-3) focuses on purpose of performance management systems as being:

- **A continuous process:** There is an ongoing process of setting goals and objectives and observing the performance. This includes feedback and coaching where appropriate.
- **An alignment with strategic goals:** This means congruence with organisational goals to achieve sustained competitive advantage (the employees' contributions to the organisation are made explicit).

Aguinis (2013:3) distinguishes between the purpose of "performance management" and "performance appraisal". The emphasis here is on "a performance management system that involves employee evaluations once a year without an ongoing effort to provide feedback and coaching so that performance can be improved is not a true performance management system."

This distinction is very important.

- Performance appraisal is the systematic description of an employee's strengths and weaknesses;
- Performance appraisal is only one component of a performance management system;
- The performance management system includes continuous conversations between managers and employees in which feedback is exchanged and coaching is given; and
- The performance management system is continuous and is aligned to strategic goals.

Task Questions

1. Explain the difference between single components in a performance management system, eg the appraisal process, and a comprehensive performance management system.
2. Given the costs versus benefits of performance management systems Ulrich (2013) argues that he would "kill performance management complexity and simplify the process. Sometimes, the process becomes the end itself, and there is a means/end inversion." Do you agree with his argument? Why or why not?
3. Both Collins and Boudreau (2013) argue in favour of putting more emphasis into teaching and developing leaders and employees to achieve the maximum benefit from the performance feedback discussions. Critically evaluate the strengths and weaknesses of this argument.
4. Reflect on the following excerpts from Bersin (2013) and then answer the questions that follow the text.

Time to scrap performance appraisals?

More and more companies have decided to radically change (or scrap) their existing performance appraisal processes (eg Adobe, Kelly Services). Bersin's (2013) research shows that annual reviews are "an artefact from traditional top-down organisations where we had to weed out the bottom performers every year". He explains, that through the annual rating, management determines talent, decides who gets more money, who will be promoted, and whom they want to let go. This traditional view is based on the premise that "we can't totally trust managers so we are going to fit people into these rating scales". And, in some cases organisations implement forced distributions that mandate a percent of employees be rated at the bottom and only a limited percent at the top.

Bersin (2013) emphasises the well publicised problems with these processes, including:

- Employees want regular feedback (daily, weekly); once a year is too late; regular coaching is the key to alignment and performance.
- It is impossible to judge an entire year of work from an individual at one time; this leads to awkward and uncomfortable reviews for both manager and employee (Where do you start? And, depending on the strength of the employee or manager the conversation can be guided to isolated instances of performance).
- One manager cannot adequately rate a person without the input of peers and other managers (manager and employee do not work in a vacuum).
- Some employees will turn out to be a poor fit (and consequently poor performers) and this should be addressed sooner rather than later.
- Some departments really do have a lot of high performers so forced ranking serves to eliminate/put down great people and damage the culture.
- Employees are inspired and motivated by positive and constructive feedback – the appraisal (perceived judgement) process almost always works against this.
- The most valuable part of the appraisal is the "development planning" conversation (what can be done to improve performance and most importantly employee engagement in their responsibilities and contributions to the organisation) – this is often left to a small box at the end of the review form.

Given that companies do not want to eliminate the process, but rather resolve the issues, Bersin's (2013) research offers the following keys to success:

- Develop a feedback-rich culture and set of tools (informal, formal, online, and regular);
- Talk about performance regularly and let employees create their own goals on a regular basis;
- Force managers to provide ongoing feedback and teach them how to have honest conversations;
- Assume that employees already know something about their own performance, and force them to self-assess;
- Everyone wants to succeed – when a person isn't performing it's important to get to the root cause (and help the employee find a better fit);
- Beware of pay for performance plans as these can create perverse behaviour (people focus on their own goals at the expense of the organisation; in sales related roles this process can work well, but in terms of customer service and production roles this can create problems);
- Give leaders a cultural framework and set of values to work from (evaluate against these higher level frameworks such as spiritual intelligence); and
- Reward talent production (in terms of managers, encourage them to produce good work and most importantly produce good talent).

1. Given the picture painted by Bersin (2013), critically evaluate the purpose of performance appraisals? Should they remain as a component of the broader performance management system? Justify your argument.
2. How does Bersin's (2013) research change the way you think about the purpose of performance appraisals in your organisation?
3. Bersin's research infers that greater responsibility should be placed on the employee, eg setting of own goals, self-assessment. How does this differ from the traditional purposes of performance reviews? Do you agree with this approach? What management models (from your other modules) support this view? How does this contribute to a systemic view of performance management?
4. Is it conceivable that performance reviews can shift from judging performance (typing in ratings) to facilitating performance? Assuming the response is "yes", redefine the "purpose of performance appraisals as a component of a wider performance management system".