

# Managing Performance

## Key concepts and terms

- AMO formula
- Balanced scorecard
- Competitive advantage
- Discretionary effort
- High-commitment management
- High-involvement management
- High-performance culture
- High-performance work system
- Organizational capability
- Organizational citizenship
- Performance
- Performance management
- Performance prism
- Resource-based view
- Stakeholder

## Learning outcomes

On completing this chapter you should be able to define these key concepts. You should also know about:

- The meaning of performance
- Influences on performance
- The impact of reward on performance
- High-performance cultures
- High-performance work systems
- Managing organizational performance
- Managing team performance
- Managing individual performance

## Introduction

Managing performance involves taking systematic action to improve organizational, team and individual performance. It enables performance expectations to be defined, and creates the basis for developing organizational and individual capability. For individuals, performance management processes are associated with both financial and non-financial rewards.

Organizations exist to meet the needs of their stakeholders. They do this in five ways:

- by delivering high-quality goods and services;
- by acting ethically (exercising social responsibility) with regard to their employees and the public at large;
- by rewarding their employees equitably according to their contribution;
- in the private sector, by rewarding shareholders by increasing the value of their holdings, as long as this is consistent with the requirement to meet the needs of other stakeholders;
- by ensuring that the organization has the capability required to guarantee continuing success.

Managing performance is about developing organizational capability – the capacity of an organization to perform effectively in order to achieve desired results. This means achieving sustained competitive advantage and increased shareholder value in the private sector, or high-quality and cost-effective services in the public and not-for profit sectors.

The questions that will be answered in this chapter are: What is meant by performance? What are the factors that influence performance? How can high performance be achieved? What can be done to manage organizational, team and individual performance?

## The meaning of performance

*The Oxford English Dictionary* defines performance as ‘The accomplishment, execution, carrying out, working out of anything ordered or undertaken.’ This refers to outputs/outcomes (accomplishment), but also states that performance is about doing the work as well as being about the results achieved.

Performance is indeed often regarded as simply the outcomes achieved: a record of a person’s accomplishments. Kane (1996) argued that performance ‘is something that the person leaves behind and that exists apart from the purpose’. Bernardin *et al* (1995) believe that ‘Performance should be defined as the outcomes of work because they provide the strongest linkage to the strategic goals of the organization, customer satisfaction, and economic contributions.’

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

Performance could therefore be regarded as behaviour – the way in which organizations, teams and individuals get work done. Campbell (1990) stated that ‘Performance is behaviour and should be distinguished from the outcomes because they can be contaminated by systems factors.’

A more comprehensive view of performance is achieved if it is defined as embracing both behaviour and outcomes. This was well put by Brumbach (1988):

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

Performance is a complicated notion. As Bates and Holton (1995) emphasized, ‘Performance is a multi-dimensional construct.’ It was pointed out by Campbell *et al* (1993) that the components of performance are:

- job-specific task proficiency;
- non-job-specific proficiency (such as organizational citizenship behaviour);
- written and oral communication proficiency;
- demonstration of effort;
- maintenance of personal discipline;
- facilitation of peer and team performance;
- supervision/leadership;
- management/administration.

This concept of performance leads to the conclusion that when managing the performance of teams and individuals, a number of factors have to be considered including both inputs (behaviour) and outputs (results).

## Influences on performance

Vroom (1964) suggested that performance is a function of ability and motivation as depicted in the formula  $\text{Performance} = f(\text{Ability} \times \text{Motivation})$ . The effects of ability and motivation on

performance are not additive but multiplicative. People need both ability and motivation to perform well, and if either ability or motivation is zero, there will be no effective performance.

Another formula for performance was originated by Blumberg and Pringle (1982). Their equation was  $\text{Performance} = \text{Individual Attributes} \times \text{Work Effort} \times \text{Organizational Support}$ . By including organizational support in the formula they brought in the organizational context as a factor affecting performance.

Research carried out by Bailey *et al* (2001) in 45 establishments focused on another factor affecting performance – the opportunity to participate. They noted that ‘organizing the work process so that non-managerial employees have the opportunity to contribute discretionary effort is the central feature of a high performance work system.’ (This was one of the earlier uses of the term ‘discretionary effort.’)

The ‘AMO’ formula put forward by Boxall and Purcell (2003) is a combination of the Vroom and Bailey *et al* ideas. This model posits that performance is a function of Ability + Motivation + Opportunity to Participate (note that the relationship is additive, not multiplicative).

### **The work system**

All these above formulae are concerned with individual performance, but this is influenced by systems as well as person factors. These include the support people get from the organization, the leadership and support they get from their managers, and other contextual factors outside the control of individuals. Jones (1995) made the radical proposal that the aim should be to ‘manage context not performance’, and goes on to explain that:

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

It was emphasized by Deming (1986) that differences in performance are largely caused by systems variations. Coens and Jenkins (2002) were even more adamant. They wrote:

*An organizational system is composed of the people who do the work but far more than that. It also includes the organization’s methods, structure, support, materials, equipment, customers, work culture, internal and external environments (such as markets, the community, governments), and the interaction of these components. Each part of the system has its own purpose but at the same time is dependent on the other parts... Because of the interdependency of the parts, improvement strategies aimed at the parts, such as appraisal, do little or nothing to improve the system.*

## Line managers

Line managers play a crucial role in providing non-financial rewards (positive feedback, recognition, opportunity to develop and scope to exercise responsibility). They also, of course, have considerable influence on financial reward decisions – pay reviews and fixing rates of pay. Importantly, it is they who are largely responsible for operating the performance management system, job design and on-the-job coaching and development, all of which impact directly on the performance of their teams and the individuals in them.

## Taking action

These activities are concerned with developing a high-performance culture, as discussed in the next section. Such a culture depends on adopting the right approach to improving organizational, team and individual performance, and getting the work system and leadership right.

## High-performance cultures

A high-performance culture is one in which people are aware of the need to perform well, and behave accordingly in order to meet or exceed expectations. Such a culture embraces a number of interrelated processes which together make an impact on the performance of the organization through its people, in such areas as productivity, quality, levels of customer service, growth, profits, and ultimately, in profit-making firms, the delivery of increased shareholder value. In our more heavily service- and knowledge-based economy, employees have become the most important determinant of organizational success.

## Characteristics of a high-performance culture

The following characteristics of a high-performance culture were defined by Lloyds TSB (source: e-reward, 2003):

- People know what is expected of them – they are clear about their goals and accountabilities.
- They have the skills and competencies to achieve their goals.
- High performance is recognized and rewarded accordingly.
- People feel that their job is worth doing, and that there is a strong fit between the job and their capabilities.
- Managers act as supportive leaders and coaches, providing regular feedback, performance reviews and development.

- A pool of talent ensures a continuous supply of high performers in key roles.
- There is a climate of trust and teamwork, aimed at delivering a distinctive service to the customer.

## Developing a high-performance culture

There are three approaches that can be adopted to developing a high-performance culture:

- the implementation of high-performance working through a high-performance work system;
- the use of rewards;
- the use of systematic methods of managing performance.

These are discussed in the remaining sections of this chapter.

## High-performance work systems

A high-performance work system (HPWS) is described by Becker and Huselid (1998) as 'An internally consistent and coherent HRM system that is focused on solving operational problems and implementing the firm's competitive strategy.' They suggest that such a system 'is the key to the acquisition, motivation and development of the underlying intellectual assets that can be a source of sustained competitive advantage'. This is because it has the following characteristics:

- It links the firm's selection and promotion decisions to validated competency models.
- It is the basis for developing strategies that provide timely and effective support for the skills demanded to implant the firm's strategies.
- It enacts compensation and performance management policies that attract, retain and motivate high-performance employees.

HPWSs provide the means for creating a performance culture. They embody ways of thinking about performance in organizations and how it can be improved. They are concerned with developing and implementing bundles of complementary practices which as an integrated whole will make a much more powerful impact on performance than if they were dealt with as separate entities.

Becker *et al* (2001) stated that the aim of such systems is to develop a 'high-performance perspective in which HR and other executives view HR as a system embedded within the larger system of the firm's strategy implementation'. As Nadler (1989) commented, they are deliberately introduced in order to improve organizational, financial and operational

performance. Nadler and Gerstein (1992) characterized an HPWS as a way of thinking about organizations. It can play an important role in strategic HRM by helping to achieve a 'fit' between information, technology, people and work.

In their seminal work *Manufacturing Advantage: Why high performance work systems pay off*, Appelbaum *et al* (2000) stated that HPWS facilitate employee involvement, skill enhancement and motivation. An HPWS is 'generally associated with workshop practices that raise the levels of trust within workplaces and increase workers' intrinsic reward from work, and thereby enhance organizational commitment'. They define high performance as a way of organizing work so that front-line workers participate in decisions that have a real impact on their jobs and the wider organization.

It is sometimes believed that HPWSs are just about HR policies and initiatives. But as Godard (2004) suggested, they are based on both alternative work practices and high-commitment employment practices. He called this the high-performance paradigm, and described it as follows.

*Alternative work practices that have been identified include: (1) alternative job design practices, including work teams (autonomous or non-autonomous), job enrichment, job rotation and related reforms; and (2) formal participatory practices, including quality circles or problem-solving groups, town hall meetings, team briefings and joint steering committees. Of these practices, work teams and quality circles can be considered as most central to the high performance paradigm. High-commitment employment practices that have been identified include: (1) sophisticated selection and training, emphasizing values and human relations skills as well as knowledge skills; (2) behaviour-based appraisal and advancement criteria; (3) single status policies; (4) contingent pay systems, especially pay-for-knowledge, group bonuses, and profit sharing; (5) job security; (6) above-market pay and benefits; (7) grievance systems; and others.*

## Components of an HPWS

There is no generally accepted definition of an HPWS, and there is no standard list of the features or elements of such a system. However, an attempt to define the basic components of an HPWS was made by Shih *et al* (2005):

- Job infrastructure – workplace arrangements that equip workers with the proper abilities to do their jobs, provide them with the means to do their jobs, and give them the motivation to do their jobs. These practices must be combined to produce their proper effects.
- Training programmes to enhance employee skills – investment in increasing employee skills, knowledge and ability.
- Information sharing and worker involvement mechanisms – to understand the available alternatives and make correct decisions.

- Compensation and promotion opportunities that provide motivation – to encourage skilled employees to engage in effective discretionary decision making in a variety of environmental contingencies.

## Developing an HPWS

An HPWS has to be based on a high-performance strategy which sets out intentions and plans on how a high-performance culture can be created and maintained. The strategy must be aligned to the context of the organization and to its business strategy. Every organization will therefore develop a different strategy. The approach to developing an HPWS is based on an understanding of what the goals and performance drivers of the business are, what work arrangements are appropriate to the attainment of those goals, and how people can contribute to their achievement. This leads to an assessment of what type of performance culture is required and what approach to reward is appropriate for the different segments of the workforce.

The development programme requires strong leadership from the top. Stakeholders – line managers, team leaders, employees and their representatives – should be involved as much as possible through surveys, focus groups and workshops.

An HPWS is the basis for developing a performance culture, and provides the framework for managing performance. This is sometimes assumed to be simply concerned with managing individual performance through performance management systems. But it is also very much about managing organizational and team performance, as described below.

## Managing organizational performance

The management of organizational performance takes place in a number of dimensions. It is a strategic approach which has to take account of the needs of multiple stakeholders. It is the prime responsibility of top management who plan, organize, monitor and control activities and provide leadership to achieve strategic objectives and satisfy the needs and requirements of stakeholders.

As Gheorghe and Hack (2007) observed, ‘Actively managing performance is simply running a business – running the entire business as one entity. It’s a continuous cycle of planning, executing, measuring results and planning the next actions. In the context of a larger strategic initiative, that means continuous improvement.’

### Organizational capability

The aim of managing organizational performance is to increase organizational capability – the capacity of an organization to function effectively. It is about the ability of an organization to

guarantee high levels of performance, achieve its purpose (sustained competitive advantage in a commercial business), deliver results and, importantly, meet the needs of its stakeholders. It is concerned with the organization as a system, and is in line with the belief expressed by Coens and Jenkins (2002) that to ‘focus on the overall “system” of the organization yields better results than trying to get individual employees to improve their performance’.

The aim is to increase organizational effectiveness by obtaining better performance from people, getting them to work well together, improving organizational processes such as the formulation and implementation of strategy and the achievement of high quality and levels of customer service, and facilitating the management of change.

This has to take place in a context in which organizations are increasingly embracing a new management culture based on inclusion, involvement and participation, rather than on the traditional command, control and compliance paradigm which Flaherty (1999) claims ‘cannot bring about the conditions and competence necessary to successfully meet the challenges of endless innovation; relentless downsizing, re-engineering, and multicultural working holistically’. This new management paradigm requires the development of a high-performance work environment through management practices that value and support achievement, growth and learning. It also calls for facilitative behaviours that focus on employee empowerment, learning and development. In other words, it needs performance management.

## The dimensions of managing organizational performance

Sink and Tuttle (1990) stated that managing organizational performance includes five dimensions:

- creating visions for the future;
- planning – determining the present organizational state, and developing strategies to improve that state;
- designing, developing and implementing improvement interventions;
- designing, redesigning, developing, and implementing measurement and evaluation systems;
- putting cultural support systems in place to reward and reinforce progress.

A strategic approach to managing organizational performance means taking a broad and long-term view of where the business is going, and managing performance in ways that ensure that this strategic thrust is maintained. The objective is to provide a sense of direction in an often turbulent environment, so that the business needs of the organization and the individual and collective needs of its employees can be met by the development and implementation of integrated systems for managing and developing performance.

## Implementing organizational performance management

Organizational performance management systems are strategic in the sense that they are aligned to the business strategy of the organization and support the achievement of its strategic goals. They focus on developing work systems and the working environment as well as developing individuals. To develop the systems and make them function effectively it is necessary to ensure that the strategy is understood, including, as Kaplan and Norton (2000) put it, ‘The crucial but perplexing processes by which intangible assets will be converted into tangible outcomes.’ The notion of mapping strategy was originated by them as a development of their concept of the balanced scorecard.

Strategy maps show the cause-and-effect links by which specific improvements create desired outcomes. They are means of describing the elements of the organization’s systems and their interrelationships. They therefore provide a route map for systems improvement leading to performance improvement. In addition, they give employees a clear line of sight into how their jobs are linked to the overall objectives of the organization, and provide a visual representation of a company’s critical objectives and the relationships between them that drive organizational performance. Bourne *et al* (2003) call them ‘success maps’, which they describe as diagrams that show the logic of how the objectives of the organization interact to deliver overall performance. An example of a strategy map is given in Figure 14.1.

This map shows an overall objective to improve profitability as measured by return on capital employed. In the next line the map indicates that the main contributors to increased profitability are increases to the gross margin (the difference between the value of sales and the cost of sales), improvements to operational capability and better cost management. At the next level down the objective is to increase sales turnover in order to increase the gross margin. How this is to be achieved is set out in the next group of objectives and their interconnections, comprising increases in customer satisfaction and sales force effectiveness, innovations in product/market development and marketing, and improvements in customer service and quality levels. The key objective of improving operational capability is underpinned by developments in high-performance working and the contribution of the organization’s human capital. The latter is supported by HRM objectives in the fields of performance management, reward management, talent management, levels of employee engagement, and learning and development.

The overall objective of increasing profitability in this example addresses the concerns of only one section of the stakeholders of an organization, the investors. This need would probably be given precedence by many quoted companies. But there are other objectives which they could and should have, which relate to their other stakeholders, for example those concerned with corporate social responsibility. These could be catered for in separate strategy maps. Better still, they could be linked to their commercial objectives. Public and voluntary sector organizations will certainly have objectives which relate to all their stakeholders as well as their overall purpose. A stakeholder approach to strategic performance management is required.

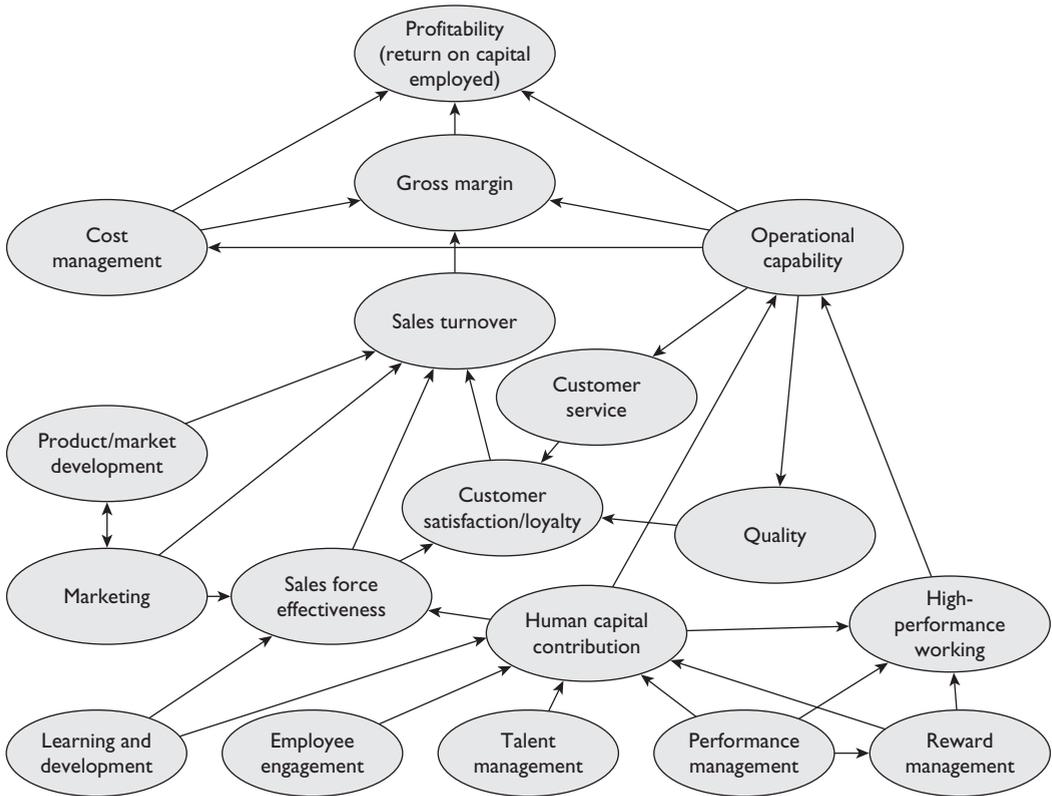


Figure 14.1 A strategy map

### The performance prism

A multiple stakeholder framework for organizational performance management – the performance prism – has been formulated by Neely *et al* (2002). This framework is based on the proposition that organizations exist to satisfy their stakeholders, and their wants and needs should be considered first. Neely *et al* contend that companies in particular must assume a broader role than simply delivering value to their shareholders. To be successful over time, even for and on behalf of shareholders, businesses must address multiple stakeholders. If companies do not give each of their stakeholders the right level of focus, both their corporate reputation and their market capitalization – and therefore shareholder value – are likely to suffer in one way or another. They suggest that the performance prism can facilitate or structure the analysis of multiple stakeholders in preparation for applying performance measurement criteria.

Neely *et al* explain the term ‘performance prism’ as follows:

*A prism refracts light. It illustrates the hidden complexity of something as apparently simple as white light. So it is with the performance prism. It illustrates the true complexity of performance measurement and management. It is a thinking aid which seeks to integrate five related perspectives and provide a structure that allows executives to think through the answers to five fundamental questions:*

- *Stakeholder Satisfaction: Who are our stakeholders and what do they want and need?*
- *Stakeholder Contribution: What do we want and need from our stakeholders?*
- *Strategies: What strategies do we need to put in place to satisfy these wants and needs?*
- *Processes: What processes do we need to put in place to satisfy these wants and needs?*
- *Capabilities: What capabilities – people, practices, technology and infrastructure – do we need to put in place to allow us to operate our processes more effectively and efficiently?*

## Managing team performance

As Purcell *et al* (1998) pointed out, teams supply the ‘elusive bridge between the aims of the individual employee and the objectives of the organization... teams can provide the medium for linking employee performance targets to the factors critical to the success of the business’. Managing team performance involves the key activities of setting work and process objectives and conducting team reviews and individual reviews, which are described below.

### Setting work objectives

Work objectives for teams are based on an analysis of the purpose of the team and its accountabilities for achieving results. Targets and standards of performance should be discussed and agreed by the team as a whole. These may specify what individual members are expected to contribute. Project teams will agree project plans which define what has to be done, who does it, the standards expected and the timescale.

### Setting process objectives

Process objectives are defined by the team getting together and agreeing how they should conduct themselves as a team under headings related to team competencies including:

- interpersonal relationships;
- the quality of participation, collaborative effort and decision making;
- the team's relationships with internal and external customers;
- the capacity of the team to plan and control its activities;
- the ability of the team and its members to adapt to new demands and situations;
- the flexibility with which the team operates;
- the effectiveness with which individual skills are used;
- the quality of communications within the team and between the team and other teams or individuals.

## Team performance reviews

Team performance review meetings analyse and assess feedback and control information on their joint achievements against objectives and project plans. The agenda for such meetings could be as follows.

### *General feedback review*

- Progress of the team as a whole.
- Problems encountered by the team which have caused difficulties or hampered progress.
- Helps and hindrances to the operation of the team.

### *Work reviews*

- How well the team has functioned.
- Review of the individual contribution made by each team member – in other words, peer review (see below).
- Discussion of any new problems encountered by individual team members.

### *Group problem solving:*

- Analysis of reasons for any shortfalls or other problems.
- Agreement of what needs to be done to solve them and prevent their recurrence.

### *Update objectives*

- Review of new requirements, opportunities or threats.
- Amendment and updating of objectives and project plans.

## Managing individual performance

Individual performance is developed through performance management systems. They provide the framework for improving performance through the agreement of performance expectations and the formulation of performance development plans. As vehicles for feedback and recognition they have a major role in a performance and reward system. They inform contingent pay decisions.

This section starts with definitions of performance management strategy and the purpose and principles of performance management. Summaries of the processes involved follow.

### Performance management strategy

Performance management strategy is based on the resource-based view that it is the strategic development of the organization's rare, hard to imitate and hard to substitute human resources that produces its unique character and creates competitive advantage. The strategic goal will be to 'create firms which are more intelligent and flexible than their competitors' (Boxall, 1996) by developing more talented staff and by extending their skills base, and this is exactly what performance management aims to do.

### The purpose of performance management

The purpose of performance management is to get better results from the organization, teams and individuals by understanding and managing performance within an agreed framework of planned goals, standards and competency requirements. It is a process for establishing shared understanding about what is to be achieved, and an approach to managing and developing people in a way which increases the probability that it will be achieved in the short and longer term. It is owned and driven by line management. Performance management enhances the engagement of people by providing the foundation upon which many non-financial motivation approaches can be built.

### Principles of performance management

The extensive research conducted by the CIPD (Armstrong and Baron, 1998, 2004) identified the following 10 principles of performance management as stated by practitioners:

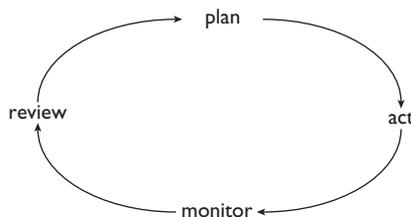
- 'A management tool which helps managers to manage.'
- 'Driven by corporate purpose and values.'
- 'To obtain solutions that work.'
- 'Only interested in things you can do something about and get a visible improvement.'
- 'Focus on changing behaviour rather than paperwork.'

- 'It's about how we manage people – it's not a system.'
- 'Performance management is what managers do: a natural process of management.'
- 'Based on accepted principle but operates flexibly.'
- 'Focus on development not pay.'
- 'Success depends on what the organization is and needs to be in its performance culture.'

## The performance management cycle

Performance management is a natural process of management. It is not an HRM technique or tool. As a natural process of management the performance management cycle as shown in Figure 14.2 corresponds with William Deming's (1965) Plan–Do–Check–Act model. The performance management processes taking place in this cycle are:

- *Plan*: agree objectives and competency requirements as expressed in role profiles; identify the required behaviours; produce plans expressed in performance agreements for meeting objectives and improving performance; prepare personal development plans to enhance knowledge, skills and competence and reinforce the desired behaviours.
- *Act*: carry out the work required to achieve objectives by reference to the plans and in response to new demands.
- *Monitor*: check on progress in achieving objectives and responding to new demands; treat performance management as a continuous process – 'managing performance all the year round' – rather than an annual appraisal event.
- *Review*: a 'stocktaking' discussion of progress and achievements held in a review meeting and identifying where action is required to develop performance as a basis for completing the cycle by continuing into the planning stage.



**Figure 14.2** The performance management cycle

### *Key features of performance management*

- At every stage the aim is to obtain agreement between managers and individuals on how well the latter are doing and what can be done jointly to develop strengths and deal with any weaknesses.
- Discussions between managers and individuals take the form of a dialogue. Managers should not attempt to dominate the process and it should not be perceived as an alternative method of control.
- Performance management is largely about managing expectations – both managers and individuals understand and agree what they expect of one another, developing a more positive psychological contract.
- Positive feedback is used to motivate people by recognizing their achievements and potential.
- The process is forward looking – it does not dwell on the past, and the dialogue is about what can be done in the future to develop performance and give individuals the opportunity to grow (this is an important means of motivation).
- Performance management is a continuous process, it is not an annual event; managers and individuals are there to manage performance throughout the year.

### Performance management as a rewarding process

Performance management, if carried out properly, can reward people by recognition through feedback, the provision of opportunities to achieve, the scope to develop skills, and guidance on career paths. All these are non-financial rewards which can encourage job and organizational engagement, and make a longer-lasting and more powerful impact than financial rewards such as performance-related pay.

Performance management is, of course, also associated with pay by generating the information required to decide on pay increases or bonuses related to performance, competence or contribution. In some organizations this is its main purpose, but performance management is, or should be, much more about developing people and rewarding them in the broadest sense.

## *Managing performance: key learning points*

### **The meaning of performance**

Performance means both behaviours and results.

### **Influences on individual performance**

Boxall and Purcell (2003) put forward the 'AMO' formula which states that performance is a function of Ability + Motivation + Opportunity to Participate.

### **Impact of reward on performance**

In the right circumstances incentives can improve individual performance (a total of 190 studies covered individually or in meta-analyses). The assumption is that improvements in organizational performance will follow improvements in individual performance. Some research has confirmed this.

### **The work system**

Individual performance is influenced by work systems as well as person factors. These include the support people get from the organization and their managers and other contextual factors outside the control of individuals.

### **High-performance cultures**

A high-performance culture is one in which people are aware of the need to perform well and behave accordingly in order to meet or exceed expectations.

### **High-performance work systems**

A high-performance work system (HPWS) is a bundle of practices that facilitate employee involvement, skill enhancement and motivation.

### **Managing organizational performance**

The aim of managing organizational performance is to increase organizational capability, the capacity of an organization to function effectively.

### **Managing team performance**

Managing team performance involves the key activities of setting work and process objectives and conducting team reviews.

### **Individual performance management**

The purpose of performance management is to get better results from the organization, teams and individuals by understanding and managing performance within an agreed framework of planned goals, standards and competence requirements.

Performance management is a natural process of management. It is not an HRM technique or tool.

The performance management cycle is: plan, act, monitor and review.

## Questions

1. Why is it important to be clear about the meaning of performance?
2. David Guest wrote in 1997 that 'Performance management has a poor record of success, and the temptation is to engage in a spiral of control in an attempt to extract more effort and ever higher performance from employees through policies and practices that may succeed only in further de-motivating and which are, thereby, ultimately self-defeating.' To what extent is this true today? Justify your answer by reference to experience in your organization and recent research.
3. From the managing director to the HR director: 'We went to all that time and trouble (and cost) last year to introduce your all-singing and all-dancing performance management system but what I am hearing is that with a few notable exceptions our line managers are either not capable of doing it properly or are not inclined to do it or both. What are you going to do about it?' Reply.

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