

Human Resource Management (HRM)

**The Basics of
Performance Management**

Definition

- A systematic process for improving organizational performance by **developing the performance of individuals and teams.**
- Establishing shared understanding about what is to be achieved,
- and for managing and developing people in a way that increases the probability that it *will be achieved in the short and longer term.*
- It is the responsibility of line management.

The main concerns of performance management

Performance management is concerned with:

- aligning individual objectives to organizational objectives and encouraging individuals to uphold corporate core values;
- enabling expectations to be defined and agreed in terms of role responsibilities and accountabilities (expected to do), skills (expected to have) and behaviours (expected to be);
- providing opportunities for individuals to identify their own goals and develop their skills and competencies.

Performance management

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performance appraisal

Objectives of performance management

- to **develop the capacity** of people
 - to meet and exceed expectations
 - and to achieve their full potential.
- It provides the basis for self-development but it is also about ensuring support and guidance.

Empirical findings on objectives of performance management systems

Align individual and organizational objectives – 64 per cent.

Improve organizational performance – 63 per cent.

Improve individual performance – 46 per cent.

Provide the basis for personal development – 37 per cent.

Develop a performance culture – 32 per cent.

Inform contribution/performance pay decisions – 21 per cent.

CHARACTERISTICS OF PERFORMANCE MANAGEMENT

- **planned** process (continuous & flexible)
- primary **elements**:
agreement, measurement, feedback, positive reinforcement and dialogue.
- **comparing** delivered performance (outputs) to expectations (objectives)
- it **focuses** on:
targets, standards, performance measures, inputs (developmental needs) and values
- management by **contract** (not by command)

Understanding performance management

1. the meaning of performance;
2. the significance of values;
3. the meaning of alignment;
4. managing expectations;
5. the significance of discretionary behaviour.

Performance

- Achievement of **quantified objectives**
- **How** it is achieved:
 - appropriate behaviour &
 - the use of competencies, skills, knowledge

Performance management and values

- Converting **espoused values** into **values in use**



Alignment

- To align individual and organizational objectives.
- Top-to-down & bottom-to-top processes.
- Objectives should be *agreed not set*, and this agreement should be reached *through open dialogues* between managers and individuals.
- This needs to be seen as a partnership in which responsibility is shared and mutual expectations are defined.

Managing expectations

- It creates a shared understanding of
- what is required to improve performance
- and how this will be achieved
- by clarifying and agreeing what people are expected to do
- and how they are expected to behave.

From previous classes:
MBO

Significance of **discretionary behaviour**

- The encouragement of productive (!) discretionary behaviour.
- ‘Discretionary behaviour refers to the choices that people make about how they carry out their work and the amount of effort, care, innovation and productive behaviour they display.’
- ‘The experience of success seen in performance outcomes helps reinforce positive attitudes’.

A guiding principle

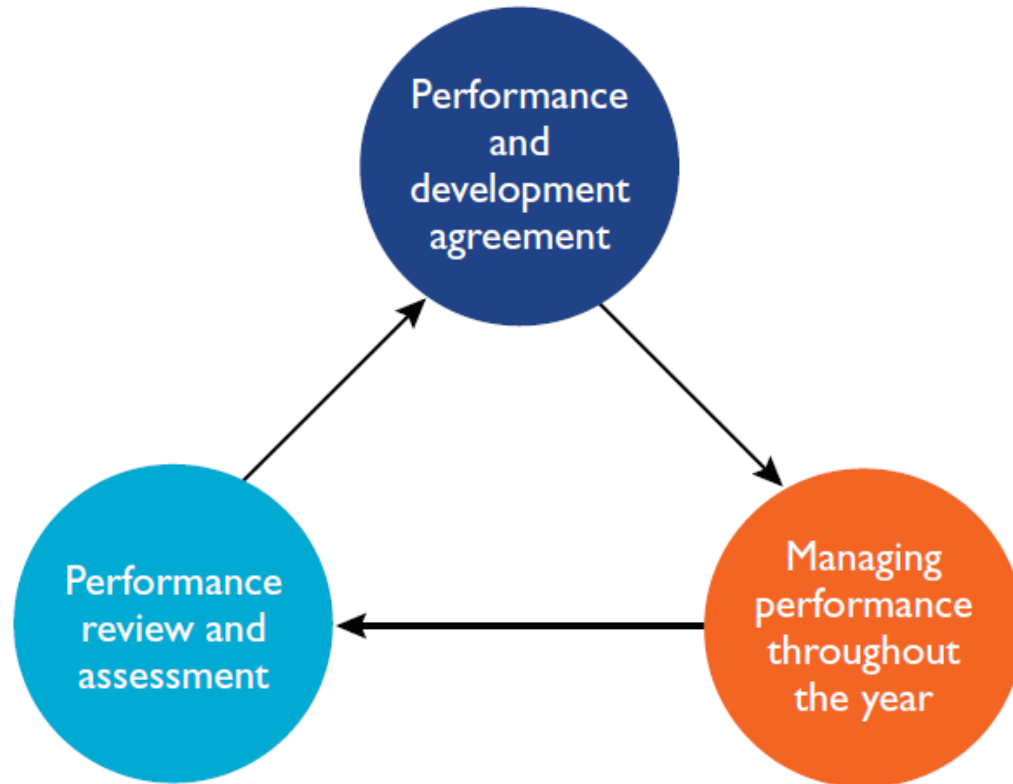
- Most employees want
- **direction,**
- **freedom** to get their work done,
- and **encouragement**
- **NOT control.**

From previous classes:
McGregor's X and Y theories

Performance appraisal or performance management?

Performance appraisal	Performance management
Top-down assessment	Joint process through dialogue
Annual appraisal meeting	Continuous review with one or more formal reviews
Use of ratings	Ratings less common
Monolithic system	Flexible process
Focus on quantified objectives	Focus on values and behaviours as well as objectives
Often linked to pay	Less likely to be a direct link to pay
Bureaucratic – complex paperwork	Documentation kept to a minimum
Owned by the HR department	Owned by line managers

Performance Management Cycle



- *Planning*: concluding a performance and development agreement.
- *Acting*: managing performance throughout the year.
- *Reviewing*: assessing progress and achievements so that action plans can be prepared and agreed and, in many schemes, performance can be rated.

Performance Agreements

- **Performance agreements** form the basis for development, assessment and feedback in the performance management process.
- They define **expectations** in the form of a role profile that sets out **role requirements** in terms of key result areas and the competencies required for effective performance. The role profile provides the basis for agreeing **objectives and methods of measuring performance** and assessing the level of competency reached.

Types of objectives

- ***On-going role or work objectives*** – all roles have built-in objectives that may be expressed as *key result areas* in a role profile.
- ***Targets*** – these define *the quantifiable results* to be attained as measured in such terms as output, throughput, income, sales, levels of service delivery, cost reduction, reduction of reject rates.
- ***Tasks/projects*** – objectives can be set for the *completion of tasks or projects* by a specified date or to achieve an interim result.
- ***Behaviour*** – behavioural expectations are often set out generally in competency frameworks

Criteria for objectives (SMART)

- S** *Specific/stretching* – clear, unambiguous, straightforward, understandable and challenging.
- M** *Measurable* – quantity, quality, time, money.
- A** *Achievable* – challenging but within the reach of a competent and committed person.
- R** *Relevant* – relevant to the objectives of the organization so that the goal of the individual is aligned to corporate goals.
- T** *Time framed* – to be completed within an agreed time scale.

Measuring performance in achieving objectives

- Measurement is an important concept in performance management.
- It is the **basis for** providing and generating **feedback**, it identifies **where things are going well** to provide the foundations for building further success, and it indicates **where things are not going so well**, so that corrective action can be taken.
 - Measuring performance is relatively easy for those who are responsible for achieving quantified targets, for example volume of sales.
 - It is more difficult in the case of knowledge workers, for example scientists.

Criteria for assessing performance

The criteria for assessing performance should be balanced between:

- **achievements** in relation to objectives;
- **the level of knowledge and skills** possessed and applied (competences);
- **behaviour** in the job as it affects performance (competencies);
- the degree to which behaviour upholds **the core values** of the organization;
- **day-to-day effectiveness**.

Conducting a performance review meeting

There are 12 golden rules for conducting performance review meetings.

- 1. Be prepared*
- 2. Work to a clear structure*
- 3. Create the right atmosphere.*
- 4. Provide good feedback.*
- 5. Use time productively.*
- 6. Use praise.*
- 7. Let individuals do most of the talking.*
- 8. Invite self-assessment.*
- 9. Discuss performance not personality.*
- 10. Encourage analysis of performance*
- 11. Don't deliver unexpected criticisms*
- 12. Agree measurable objectives and a plan of action*

RATING PERFORMANCE

- Most performance management schemes include **some form of rating**.
- This indicates the quality of performance or competence achieved or displayed by an employee by selecting the level on a scale that most closely corresponds with the view of the assessor on how well the individual has been doing.

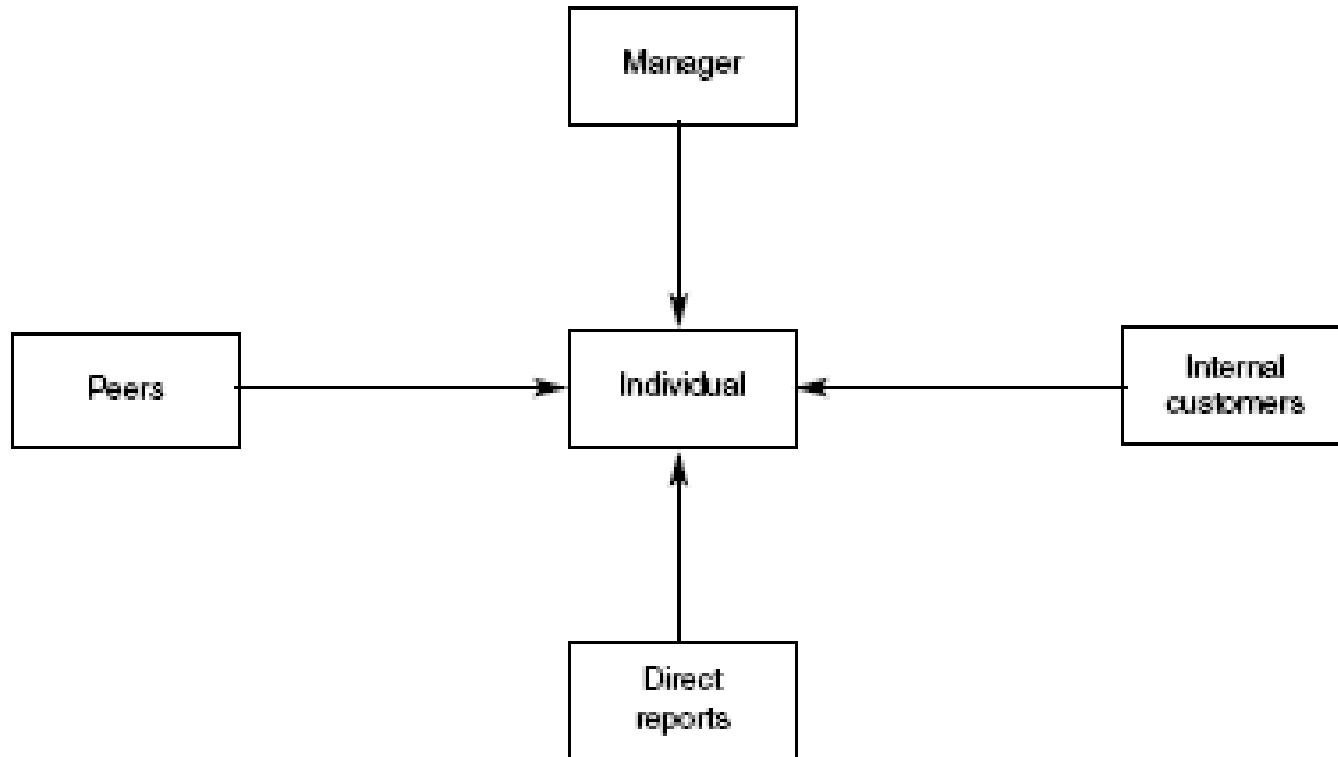
DEALING WITH UNDERPERFORMERS

- The improvement of performance is a fundamental part of the continuous process of performance management. The aim should be the **positive one of maximizing high performance**, although this involves taking steps to deal with under-performance.
- When managing under-performers, remember the advice given by Handy (1989) that this should be about ‘**applauding success and forgiving failure**’. He suggests that mistakes should be used as an **opportunity for learning** – ‘something only possible if the mistake is *truly* forgiven because otherwise the lesson is heard as a reprimand and not as an offer of help’.

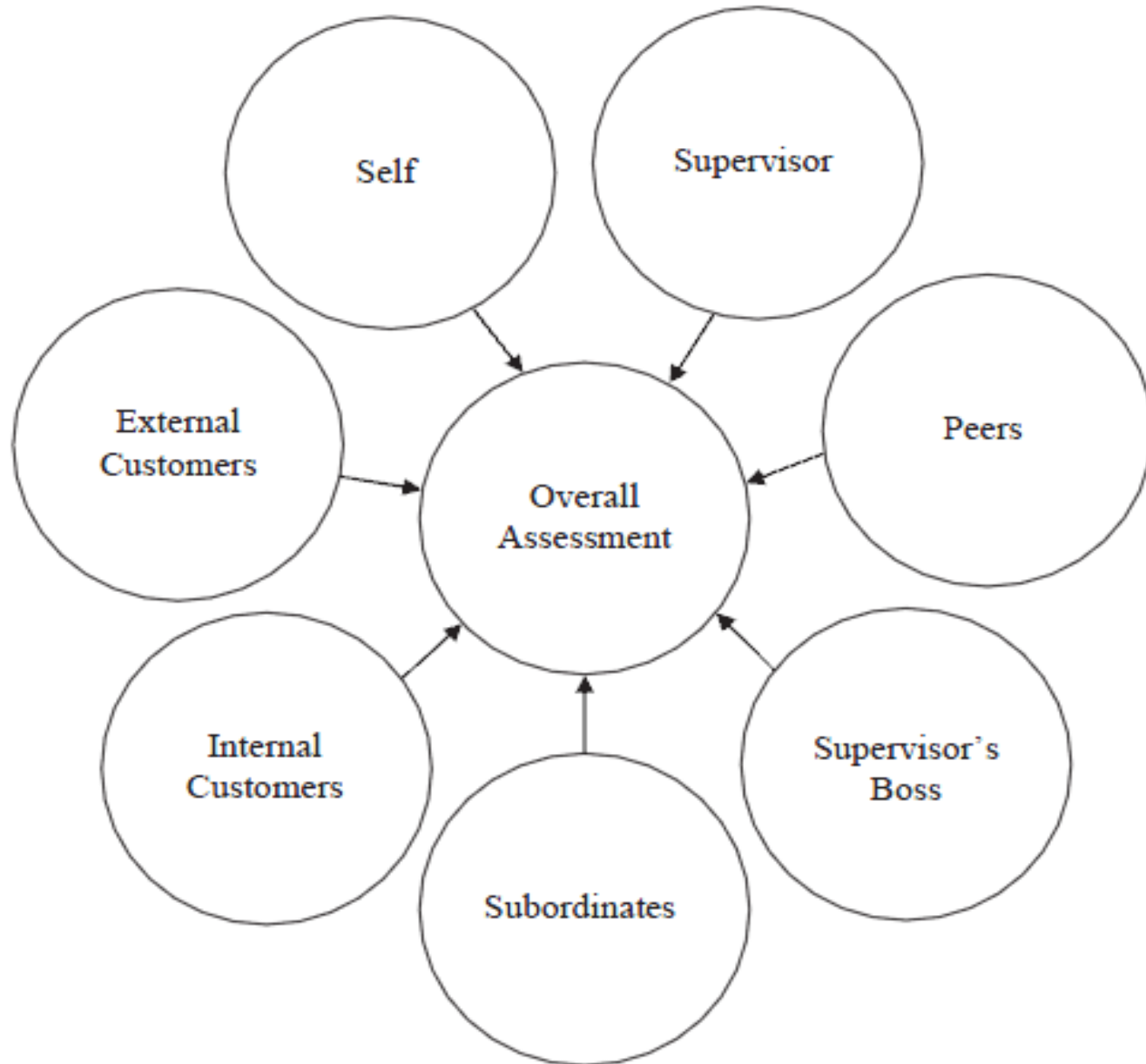
360-degree feedback

- 360-degree feedback is a relatively new feature of performance management, although interest is growing. The Institute of Personnel and Development 2003 survey (Armstrong and Baron, 2004) found that only **11 per cent of the** organizations covered used it, but the 2005 survey established that **30 per cent did**.

The 360-degree feedback model (simpler)



The 360-degree feedback model (full)



Advantages:

- Individuals get a broader perspective of how they are perceived by others than previously possible.
- It gives people a more rounded view of their performance.
- Increased awareness of and relevance of competencies.
- Increased awareness by senior management that they too have development needs.
- Feedback is perceived as more valid and objective, leading to acceptance of results and actions required.

Disadvantages:

- People do not always give frank or honest feedback.
- People may be put under stress in receiving or giving feedback.
- Lack of action following feedback.
- Over-reliance on technology.
- Too much bureaucracy.

The Dunning-Kruger effect

A bias in self-assessment

Example: HRM mid-term test 2018

"The whole problem with the world is that fools and fanatics are always so certain of themselves, and wiser people so full of doubts."

(Bertrand Russell)

... about their own skills, knowledge, preparedness.

Literature review

The DK effect:

- Higher-achieving people, on average, more **accurate** in their self-assessment than low achievers
- High-achieving people tend to **overestimate** their own performance less than their low-achieving fellows

Additional findings:

- **Pre-assignment** self-predictions are less accurate than **post-assignment** self-evaluations
- Is there a **general** tendency to **overassess**? It is debated:
 - No: Boud and Falchikov (1989), Mehrdad, Bigdeli and Ebrahimi (2012)
 - Yes: Krueger and Dunning (1999), Basnet et al. (2012), and Tejeiro et al. (2012)

Let's see our example

My scores will be among the top...

Before the test (prediction)

***N* = 43**

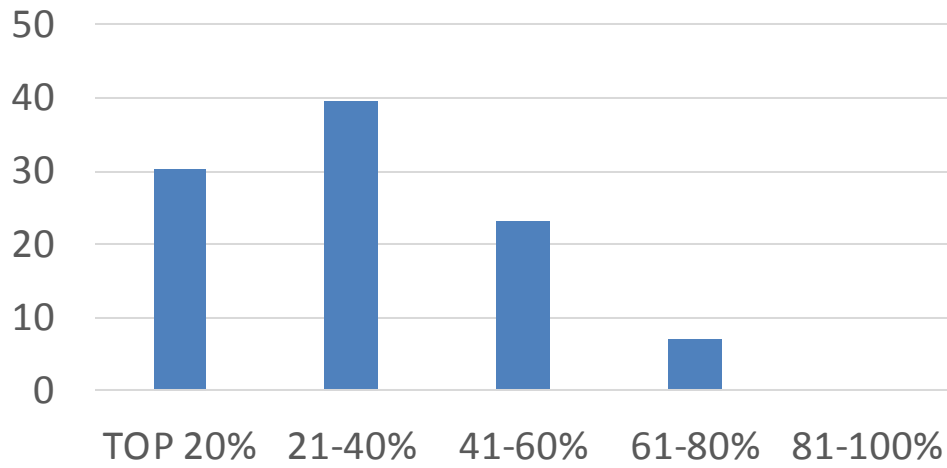
- 20%: 30,2%
- 21-40%: 39,5%
(in sum 69,8%)
- 41-60%: 23,3%
(in sum 93,0%)
- 61-80%: 7,0%
(in sum 100%)
- 81-100%: none

After the test (evaluating)

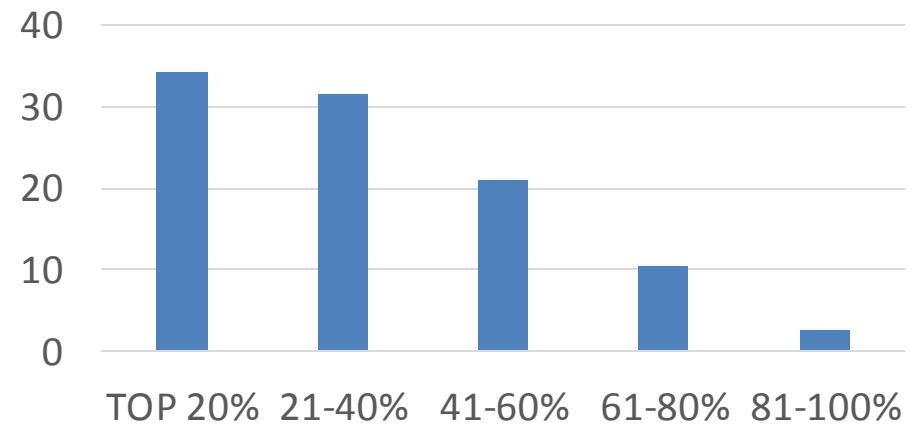
***N* = 38**

- 20%: 34,2%
- 21-40%: 31,6%
(in sum 65,8%)
- 41-60%: 21,1%
(in sum 86,8%)
- 61-80%: 10,5%
(in sum 97,4%)
- 81-100%: 2,6%
(in sum 100%)

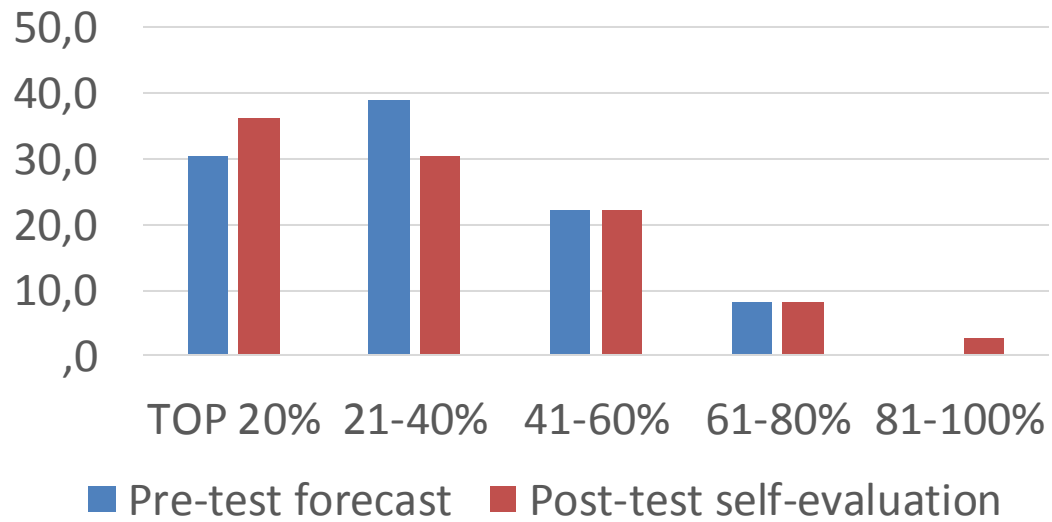
Pre-test prediction



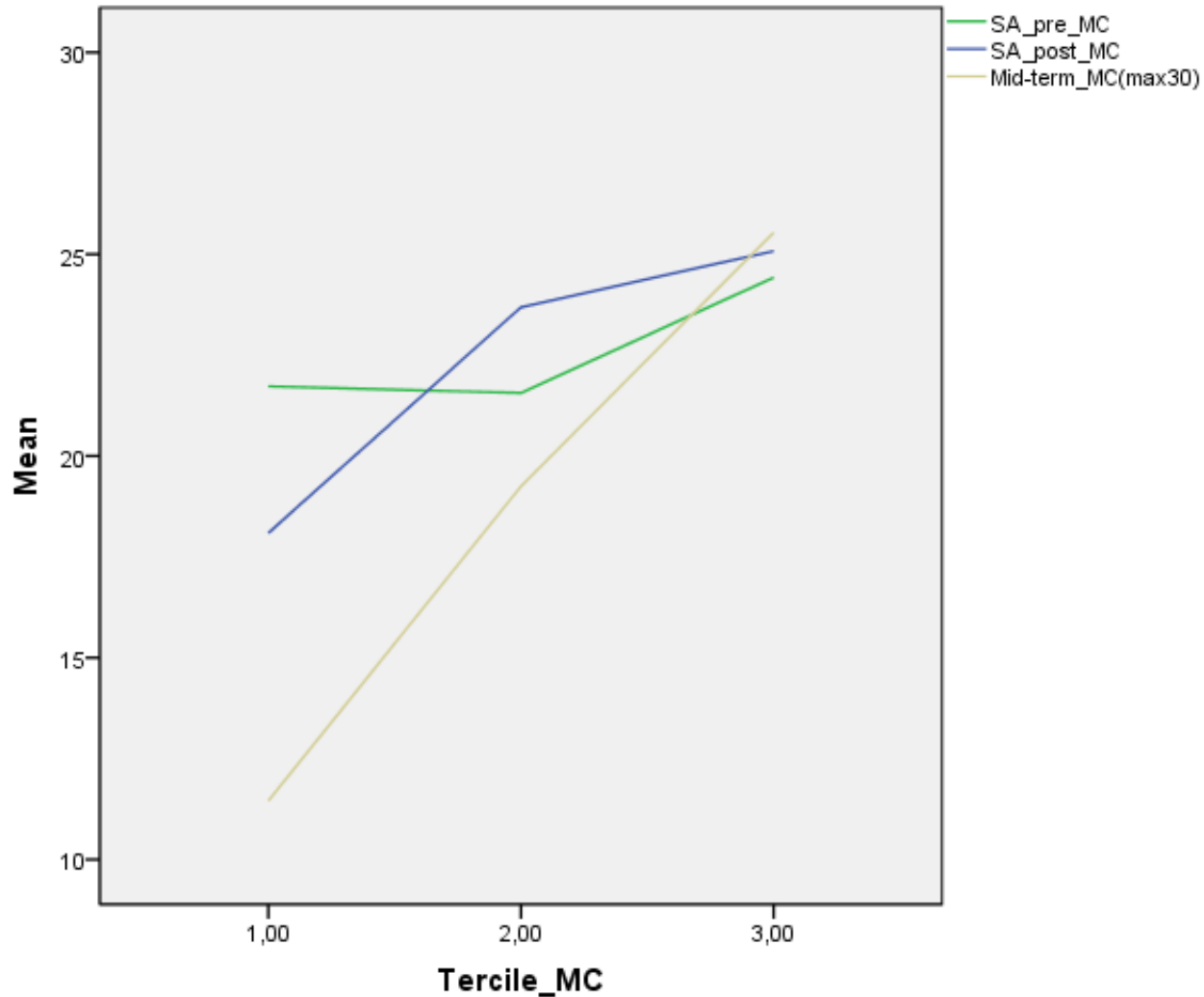
Post-test self-evaluation



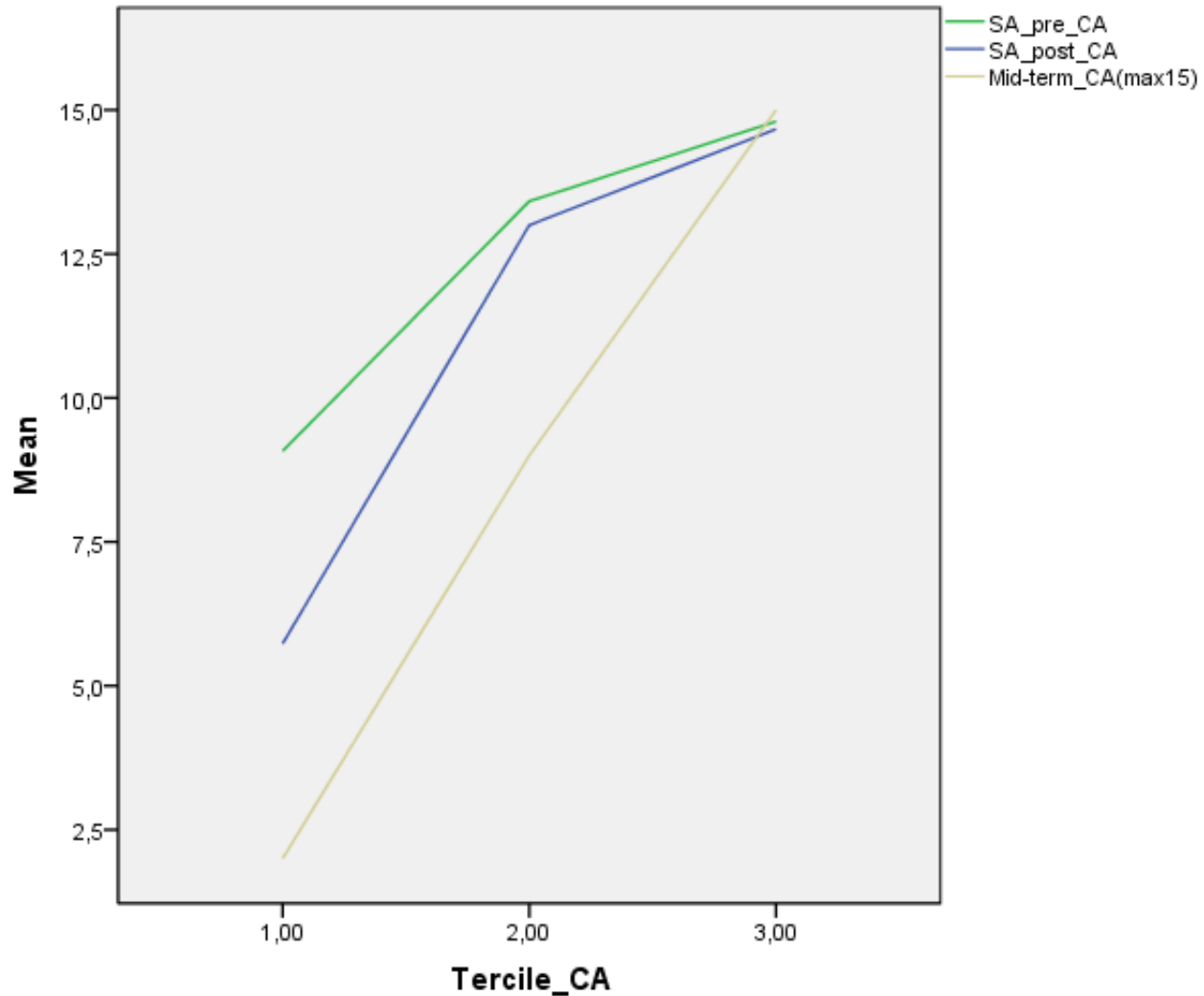
Change (N = 36, likewise comparison)



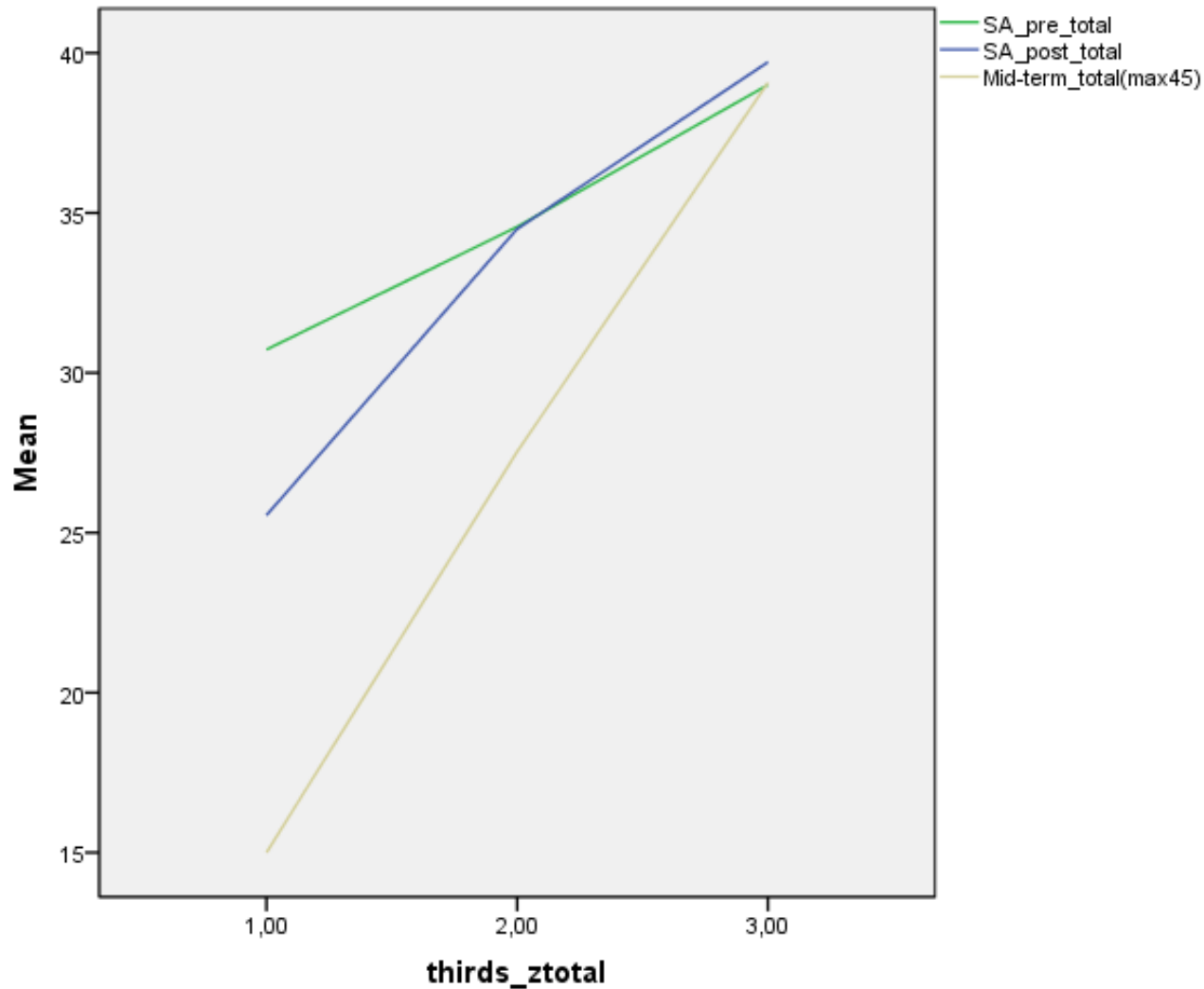
Estimations vs. actual results: multiple choice



Estimations vs. actual results: calculation



Estimations vs. actual results: overall (N = 39)



The performance matrix (a visual aid to rank)



Seminar exercises

Work measurement

- **Work measurement:** determining how long it should take to do a job element (task)
- **Stopwatch time study:** development of a time standard based on observations of one worker doing a task (or even single motions) several times

Definitions

- **Observed time** (T_{obs}): the average of the recorded times.
- **Normal time** (T_n): the time necessary to do a task for a worker whose performance is 100% ($P = 1$). Practically, it is the observed time adjusted for worker performance. $T_n = T_{obs}(P)$
- **Allowance fraction/ratio** (A_{PFD}): time of unavoidable factors as a percentage of the task time. $A_{PFD} = A_P + A_F + A_D$
 - P: personal time
 - F: fatigue
 - D: unavoidable delay (machine issues, talkint to the supervisor, waiting for input etc.)
- **Standard time** (T_{std}): The sustainable time it should take a qualified worker ($P = 1$) to complete the task under the given work conditions. $T_{std} = T_n (1 + A_{PFD})$

Same typical allowance percentages

- Constant allowances:
 - Personal: 5
 - Basic fatigue: 4
- Variable allowances:
 - Standing: 2
 - Abnormal position: 0-7
 - Use of force or muscular energy: 0-22
 - Bad light: 0-5
 - Atmospheric conditions (heat, humidity): 0-10
 - Close attention (fine or exacting work): 0-5
 - Noise level: 0-5
 - Mental strain (comply work): 1-8
 - Monotony: 0-4
 - Tediousness: 0-5

THANKS FOR YOUR ATTENTION!