Introduction.

Performance Management is a key HR and Operational practice that is an easy target for criticism from managers who often say they are not happy with the process, or that the information and feedback provided from the process is inaccurate. This has led to a lot of research and articles about what is and isn't the best Performance Management process. But little research has been undertaken into 'how' performance management is actually conducted by line-managers and the impact that different approaches to delivery can have on employee engagement levels.

To address this, in 2014, a Thought Action Group was set up within Engage for Success, to understand what it is that managers of highly engaged teams are doing differently during performance management, compared to managers of lowly engaged teams. Having explored this, to then make recommendations as to how those leading the performance management process can embrace the actions of managers of highly engaged teams, to make performance management as engaging as possible, irrelevant of which performance management process organisations are using.

Summary of findings

Our findings identified that the managers of highly engaged teams adapted the performance appraisal policy and produced more positive employee outcomes, than the managers who merely followed the policy. They interpreted and deliver the performance management policy in a manner that better integrates and embeds with their own existing local operating practices, and therefore make aspects of the PM policy and process more relevant to their team. This included downplaying the use of objective setting, reviewing past performance and giving ratings, in favour of a focus on the purpose of the department, using forward-looking indicators and working on employee and department factors that enabled improving future outcomes, such as enhancing employee skills and fostering teamwork.

Research method

The initial research was undertaken by working with a large retail property management organisation that had a centrally designed performance appraisal policy and multiple teams with comparable organisational structures.

We identified two high and lowly engaged departments based on a recent engagement survey. There was also a requirement for continuity of the line-managers and employees between the time of the survey and conducting the interviews, and a requirement for those being interviewed to have been through a complete cycle of the PM process with their current manager.

Initial findings from the research being undertaken by the E4S Performance Management TAG

The HR Director was interviewed about the formal performance appraisal policy and the expectations of how this should be used by line-managers and employees. Twenty-four interviews were conducted with the first-line managers of the four departments and employees. Each interview lasted approximately one–hour, they were voice-recorded, transcribed and analysed.

Findings

The research identified clear differences in the conduct of performance appraisals by line-managers and employee experiences in departments with high and low employee engagement scores. The key differences are summarised in Table 1 and described in more detail below.

The managers in the highly engaged departments approached the performance appraisal policy positively, seeing it as a useful approach to managing their employees.   However, they were selective in which aspects of the policy, process and tools they chose to use and how they used them. For example, they articulated a clear sense of purpose for the department rather than setting individual objectives and targets. The desired behaviour indicators in the performance appraisal template were used selectively where they enabled a discussion with an employee. Where targets were set, they tended to be at a team level, rather individually.

In contrast, managers in the lowly engaged departments applied the policy as intended and followed the rules; they tended to apply the formal details of the policy as an overlay on top of the local operating processes. They wanted to be seen to comply with the policy, even though they did not consider the policy useful or meaningful for their operation. They set individual objectives and standards, held monthly, six monthly and annual meetings and completed the appropriate appraisal forms.

The highly engaged managers were not just selecting aspects of the policy they wished to use, they actively worked to align and integrate it with their local operational processes and mechanisms used to manage the work and activities of the department. For example, the customer services team were driven by a sense of purpose in delivering "world class customer service" and used very few targets and measures but focused on how they managed the relationships with the customers and used customer survey data to improve services, rather than monitor individual customer service agents. An accounts team used the finance information systems to plan their work and monitor revenue collections in the forthcoming quarter, as they approached quarter end they made decisions about how to best deploy their team across customer territories and accounts to achieve the department's four key performance indicators (KPI's).

Training budgets were very tightly controlled and so access to formal training courses was limited, however, highly engaged managers used local resources, members of the team or the wider unit to creatively make opportunities for learnings and development. In contrast, the managers in the lowly engaged departments paid little attention to employee desires and motivations for skills development and training and poor or unacceptable behaviour was tolerated rather than addressed.

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The managers of the highly engaged departments recognised and rewarded achievements and behaviour by individuals and the team in a highly personal and often celebratory manner. As well as personal and timely recognition, these managers would hold team breakfasts and meetings, evening events and giving gifts tailored to each person. In contrast the managers of the lowly engaged teams tended to rely on formal recognition programmes focused on individual achievements. The nominations for these awards were thought by employees to be inconsistent and unfair as the managers were thought to be favouring preferred individuals or those in specific department roles.

For the low engaged teams where the staff were often focused on individual targets, they commented on how, when the department was not achieving its target as a whole, the department were addressed as a whole by senior managers with regards to general poor performance. Those employees who were achieving their individual targets felt aggrieved that their contribution and effort was not recognised.

All of the managers complied with the policy requirement to hold performance review meetings with employees on monthly, quarterly, half-yearly and annual basis. The employees in the highly engaged manager's departments had an appetite for these meetings and looked forward to them, these meetings were also supplemented by daily contact with their manager, as a team and individually, to discuss work activities and tasks. The employee in the lower engaged team did not view their performance review meetings positively and felt they focused on monitoring and driving achievement against targets and compliance with process standards and documentation.

Table 1: Differences in the conduct of performance appraisal by line-managers in Highly and Lowly engaged departments.

Themes	Highly Engaged	Lowly Engaged
First-line manager view of performance appraisal	Positive and constructively used.	Viewed negatively, compliance, "a waste of time"
Adaptation to local operational processes and jobs	Highly adapted to department context.	Applied as per policy. Low adaption to department context.
Expectations setting	Department purposes and values are emphasised. Individual objectives and targets were selectively set.	Individual objectives and targets were set for all employees. Focus on short-term commercial targets and adherence to rules and standards.
Performance appraisal tools and forms	Tools used to record regular meetings and formal performance appraisal meetings. Ratings were not widely used.	Tools used to record formal performance appraisal meetings. Ratings were more likely to be given to employees.

Discussion and Feedback processes	Focused on forecasting and enabling future performance	Focused on reviewing past-performance and justifying ratings.
Employee circumstances and needs	Manager acknowledges and positively manages employee differences.	Manager treats employees as if they are all the same.
Employees skills development and training	Employee desires to develop skills are recognised and supported, even if difficult to provide training and development opportunities.	Minimal recognition of employee desire for training and development. Training provided is typically compliance based.
Cooperation across the department	Employees manage their own performance and actively supported the performance of their colleagues.	Employees focused on their own performance.
Recognition	Use of personal awards, gifts and celebrations to support desired behaviours and achievements. Recognition focused on the team.	Use of formal recognition policies. Recognition focused on individuals. Perceived as inconsistent and unfair by employees. Negative feedback addressed to whole department irrelevant of individual success.
Perceived fairness	High – fairness is perceived as based on a combination of employee contributions, abilities and circumstances.	Low – treatment is perceived as inconsistent and favouring specific roles or individuals. Lack of clarity about how targets were set impacted perceived fairness.

Conclusion

From these initial findings, it appears the improvement in performance was not down to the quality of the performance management policy, but how the line managers would adapt the policy, or not, to their specific department operational practices and processes and in the process select and change aspects of the intended the policy.

The managers who adapt the policy and seek to embed it positively in their department operating processes, may be more successful in creating positive employee meanings and attributions, such as employee engagement, within their department. Those managers who just follow the policy rules for the sake of compliance, and do not embed the policy in their operating processes, are likely to achieve less positive outcomes, such as employee's perceptions of the policy, their job, their manager and the organisation. This clearly has practical implications for the way in which HR functions and line-managers implement performance appraisals and other HR policies.

This will have practical implications that may need to be considered:

- The HR function must strike an effective balance between centralised control and direction and local embedded implementation of the policy.

Initial findings from the research being undertaken by the E4S Performance Management TAG

- When looking to implement or improve a performance appraisal policy, it is important for the HR function to consider how best to support and develop the practical knowledge and skills of the first-line manager.
- Rather than judging success of a performance appraisal as compliance with all aspects of the policy or process, such as measuring the percentage of completed appraisals, this needs to focus on the quality of the outcomes instead.

A call out for more organisations to get involved.

To expand on the initial findings and corroborate the findings, we are looking to engage with more organisations. If you would like to understand how the managers of your highly and lowly engaged teams are doing performance management, we would like to talk to you about conducting research with you, in your organisation.

We appreciate that performance management is a sensitive subject and guarantee confidentially to all of the data sources and anonymity for your organisation.

Please contact us now, via frazer@e-trinityconsultancy.com to find out more.

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