

ENGAGING WITH THE EMPLOYMENT EXPERIENCE: THE EFFICACY OF APPLYING PERFORMANCE MEASURES TO THOSE IN MANAGEMENT

*Louise Kloot and Barbara Lasky School of Business Swinburne University of Technology
P.O. Box 218 Hawthorn Victoria 3122 Australia Ph: +61 3 9214 5350 Fax: +61 3 9819 2117 Email:
blasky@swin.edu.au*

Abstract

Performance management is used to implement strategic intent and adapt to environmental circumstances. It relies on performance measurement as a starting point, to provide feedback, identify problems, and identify learning opportunities. Difficulties exist when attempting to develop measures to reconcile conflicting interests of various stakeholders, and the need to balance their conflicting interests. Dysfunctional performance management systems arise from unbounded and unbalanced performance measures. Performance management also requires recognition of the differences between the responsibility of the manager as an individual and as part of the management team.

Introduction

Successful enterprises will have ‘an integrated performance-management program that effectively links corporate strategy and individual performance’ [9, p.37]. The focus of performance management is most often on how to manage the performance of the individual, and on staff appraisal [5]. Furthermore, the staff being appraised are usually those employees for whose performance a manager is accountable. Rarely is the appraisee the manager himself or herself.

It is not too easy to understand why this should be so, as ‘on almost every aspect of the employment experience, it’s the manager who wields the greatest influence [and who therefore] ... will contribute to the next big leap in productivity ... a prospect which no organisation can afford to ignore’ [3, p.22,23]. It may be this very influence which makes it difficult to manage the performance of managers. Managers have a difficult role: they may be both owners and employees, and they have the task to construct feasible patterns of activity that will satisfy the desires of all the interested participants in the organization [8]. As Boud and Garrick [1] point out, the enhancement of performance, and with it the expectation of increases in organisational efficiency and effectiveness, will only occur if the managerial quality and capacity is available. It follows, then, that managers should be subject to the same performance management system to which their staff are subject.

This will require a commitment from the CEO to apply the same criteria towards the management, as the organisation expects the management to bring to bear on the employees. That is, clear expectations must be set concerning skills and behaviour; regular assessment of the manager must take place; appropriate development opportunities must be provided; data on the manager’s performance should be collected from their subordinates, as well as their peers and those above them in the organisation; effective behaviour should be rewarded, and action taken when non, or poor, performance is identified [3].

Performance Management

Otley [7] suggests that performance management is ‘an umbrella ...that organizations use in attempting to implement their strategic intent, and to adapt to the circumstances in which they have to operate’ (p250). At the organisational level, there are five main sets of issues that need to be addressed in developing a performance management framework [7]. These issues are (p365-6)

- What are the key objectives that are central to the organisation’s overall future success?
- What strategies and plans, and processes and activities to successfully achieve these plans, has the organisation adopted to achieve its objectives? How is success measured?
- What level of performance is required, and what are appropriate performance targets?
- What rewards and sanctions will be applied to managers?

- What information flows are necessary to enable the organisation to learn from its experience and adapt its behaviour?

Once these questions have been resolved at the organisation level, there are a number of factors critical to the success of the performance management system at the managers' level and each of these factors can be linked to one of the five dimensions developed by Otley [7]. First, managers must have a common understanding of the mission, values, goals and objectives of the organisation. Second, they must grasp the part that they, both as individuals and as members of the management team, play in achieving the organisation's goals. Third, the organisation itself must have the right systems and processes in place to support the managers in the performance of their work and to facilitate ongoing feedback, coaching or mentoring, and learning and growth for them. Fourth, the organisation must not only provide its managers with meaningful work, but also must appropriately recognise and reward the contribution that they make [10]. Fifth, an effective performance management system should provide managers with the appropriate resources to help them identify problems. Sixth, an effective system should also include appropriate and timely training and learning opportunities, as well as the right technological support to solve problems. Seventh, managers at all levels of the organisation must be aware of the importance of their own role in creating a positive work environment, and in managing the processes and people effectively. A positive work environment, where managers and non-managerial staff alike feel satisfied with their work, their peers and leaders, and their organisation, will be reflected in dealings with clients and customers, and subordinates, leading to better business results [6].

Performance Measurement

Measuring performance is a critical element in performance management. Performance measures provide feedback and information about targets and their achievement (or otherwise), and they help in the identification of problems and learning opportunities. Recognising and rewarding the managers' contributions (and penalties for poor performance) are based on performance measures: how actual performance stands up against targets. Performance measures provide the feedback, the resources and the information to assist managers identify problems. However, the whole area of performance measurement is fraught with difficulties. Performance measures can be developed which facilitate good performance. Equally, there have been many instances where performance measures have resulted in dysfunctional behaviour leading to poor outcomes for the organisation and its managers.

If performance measures for managers are to be successful, the managers must first embrace publicly the idea of performance measurement, and commit to the notion that regular study and comparison of outcomes over time is both desirable and feasible [4]. Performance measurement is often justified from a perceived need for accountability for outcomes and a need to improve (manage) performance. If however managers do not support the idea of performance measurement, or how it is being done, or how the measures are used to manage performance, there may be a loss of operational capacity resulting from lost goodwill and opposition to the measures [4].

Dysfunctional Performance Measures

Rouse et al [11] propose a number of issues as barriers to the development of useful performance measures. The propensity for lists of measures to increase when there are no bounds imposed – “unboundedness” – results in so many measures of performance that no useful conclusions about performance can be drawn, and therefore no useful techniques for managing performance are available. It should be noted that there are cognitive limitations which impact on the ability of individuals to process information. However, reducing the number of measures may not solve the problem. Many systems are “incomplete” e.g. they often utilise only financial information, which does not recognise the diverse management tasks required to satisfy different stakeholders.

Care must also be taken that managers should only be evaluated on how well they perform those tasks and activities for which they have responsibility and accountability. To this extent, there is a clear need to differentiate those outcomes which the manager can control through his/her actions as an individual,

and those outcomes which may result from shared actions as part of the management team. To illustrate: a production manager may be called to explain why the productivity of the employees in a production cell was low. This may be due to poor management techniques, poor hiring practices, problems in the HR department, or the purchase of low quality materials, which requires substantial rework by employees who are working at peak efficiency but producing lower numbers of good units of production. Only the first of these possibilities is the responsibility of the production manager. Thus a performance measure for the production manager which relates solely to efficiency within the production department violates the second, third and seventh principles of managerial performance management noted by Preiss and Galati [10] and McKay [6]. That is, measures which do not recognise the part played by a manager as a team member in achieving the organisations' goals, which fail to take account of the impact of the organisational systems and processes that are in place, and which take no account of the way in which the managers' style of operating affects the working climate of their unit, will give only a partial, inaccurate and skewed view of how well the manager is actually performing.

Conclusion

Problematic as managing and measuring performance is, to ignore the importance of doing so is folly, in general, and to ignore it at the managerial level is, arguably, to court disaster. For many employees, 'the manager is the organisation' [3, p.22]. The manager is also accountable for the performance of the employees. It is therefore 'critical to increase the calibre of managers ... and to act swiftly when managers fail' [3, p.23]. No longer can organisations afford managers who are insensitive or aggressive to others, have poor conflict management skills, resist change, or are unable to function well as part of a team. Nor can they afford competent, but ineffective managers [2].

Managing and maintaining manager performance is one clear way to raise and maintain the standard of the management team, 'increase the value of return on investment in people development' [9, p.36] and maximise the organisation's competitive advantage. It is not enough to look to the outcomes of business units; the performance of managers treated as distinct from, and in addition to, the performance of the units for which they are responsible, must be managed.

References

- [1] Boud D & Garrick J (1999) *Understanding Learning at Work* United Kingdom Routledge
- [2] De Cieri H and Kramar R (2003) *Human Resource Management in Australia Strategy People Performance* New South Wales McGraw Hill Australia
- [3] Halloran L (2003) Managers make people quit *Human Resources* August 22-23
- [4] Halachmi A (2002) Performance measurement: a look at some possible dysfunctions *Work Study* Vol 51 No 5 230-239
- [5] Kloot L & Martin J (2000) Strategic Performance Management: A balanced approach to performance management issues in local government *Management Accounting Research* Vol 11 231-251
- [6] McKay J (2001) Take it from the top *HRMonthly* May 44-46
- [7] Otley D (1999) Performance management: a framework for management control research *Management Accounting Research* Vol 10 363-382
- [8] Otley D (2001) Extending the boundaries of management accounting research: developing systems for performance management *British Accounting Review* Vol 33 243-261
- [9] Pickett L (2003) The annual performance fiasco *HRMonthly* June 36-37
- [10] Preiss A & Galati M (2001) Do you measure up? *HRMonthly* May 46-47
- [11] Rouse P, Putterill M and Ryan D (2002) Integrated performance measurement design: insights from an application in aircraft maintenance *Management Accounting Research* Vol 13 229-248