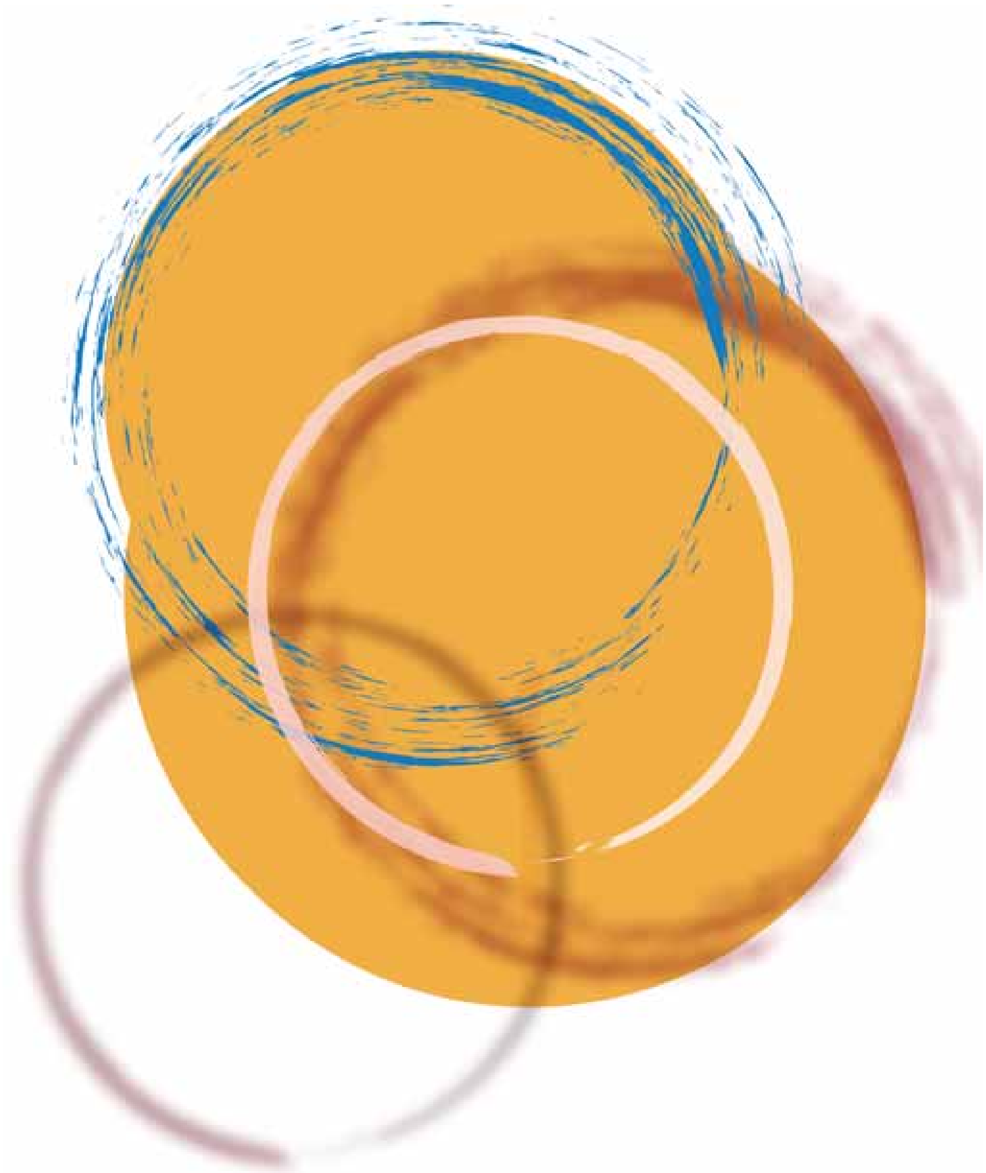
The International Journal of Knowledge, Culture and Change Management

Volume 3

Article: MC03-0062-2003

Edited by Mary Kalantzis and Bill Cope



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An applied knowledge management metaphor?

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Proceedings of the Management Conference 2003

International Journal of Knowledge, Culture and Change Management,

Volume 3

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This journal and individual papers published at http://ManagementConference.Publisher-Site.com/
a series imprint of theUniversityPress.com

First published in Australia in 2003/2004 by Common Ground Publishing Pty Ltd at
http://ManagementConference.Publisher-Site.com/

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ISSN: 1447-9524 (Print)
ISSN: 1447-9575 (Online)

Cover design by Common Ground

Papers presented at the Third International Conference on Knowledge, Culture and Change in Organisations, Bayview Beach Resort, Penang, Malaysia, 11-14 August 2003.

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Performance Management and Appraisal

An applied knowledge management metaphor?

Cec Pedersen, Don Smith and Dr Jon Austin

Introduction

This paper provides a largely descriptive account of the collection of data to inform the design and development of performance management procedures (the *BUILD* project) for the University of Southern Queensland (USQ), a regional Australian university with a significant global involvement.

Smaller institutions often struggle to develop procedures that are relevant and effective, and accepted by staff. Typically, such smaller institutions lack the resources to commit to the design and development of performance management procedures. Whilst the authors accept and acknowledge that there is no ‘one best model’, they do believe there are some important decisions along the way which can contribute to the acceptance and passage of the intended system into use. Although this paper limits the inquiry to data collection and interpretation to key design factors, the reader should appreciate that critical decisions will continue to be made long after the data has been analysed, and indeed throughout the design, development process and implementation processes.

USQ was the first Australian University to be audited, in October 2002, by the Australian Universities Quality Agency (AUQA). Of the fourteen specific commendations made in the AUQA Audit Report, specific mention was made of the newly developed *BUILD* project*:*

> AUQA commends the University for its Building Upon Individual Learning & Development (BUILD) project, both in terms of the professionally informed nature of the project itself, and also in terms of the manner in which the project is being trialed within the University prior to full implementation (p.8).

Anecdotal evidence, such as O’Brien (1995), supports the value of consulting widely in all phases of development. That is, including in the decision-making process those whose jobs will be affected by the decisions made. Unfortunately, this is operationally very difficult when university management have a particular model in mind, or when the overall numbers of staff who will be embraced by the new system make individualised discussions impossible, or when there are tight constraints on the time available to develop a worthwhile program. In such scenarios, those who are entrusted with the responsibility of developing the new performance management model must devise strategies to limit the number of future users who do not commit to it. In effect, this requires a purposeful and ongoing information dissemination program using a variety of media. The objective was to have sufficient argument or evidence to counter any later claim that a staff member was denied the opportunity to contribute to system design.

International Journal of Knowledge, Culture and Change Management, Volume 3 ● www.ManagementJournal.Publisher-Site.com
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ISSN ● 1447-9524 (Print) ISSN 1447-9575 (Online)
Paper presented at the Third International Conference on Knowledge, Culture and Change in Organisations, Bayview Beach Resort, Penang, Malaysia, 11-14 August 2003 ● www. ManagementConference.com

Background to performance management

The idea of managing performance is not new – it has long been recognised that performance needs to be managed whether being considered from the individual, the manager (supervisor) or the organisational levels (Williams 2002). However, it is proposed that performance needs to be managed at all three levels and that there are two significant developmental aspects relating to performance management. The first is the changed role and expectations from organisational training and development activities. Tovey (2002, p.5) provides a good overview of the changed context in terms of the role for training and development activities:

> …employees need different knowledge and skills to cope with the 21st century. They have to develop their skills faster and be more flexible, adaptable and multiskilled than ever before. The considerable change in the nature of work makes predicting the future difficult, especially predicting the specific skills that may be required by people working in organisations. Hence it is these very issues that employees need to manage through the acquisition of more general skills of adaptation, change and learning. They must become expert at managing change, multiple careers, the new organisation and a very different workforce…

The second is that the ‘challenge for organisations is to provide constant learning opportunities on an ongoing basis for all staff, and to provide access to a range of learning resources within the organisation to facilitate learning and performance improvement’ (Tovey, 2002, p. 4) and he goes on to say that:

> Learning is inextricably related to individual performance and the development of expertise. Learning results in new knowledge and skills so that individuals can perform their jobs in a more skilled way, increasing individual competence… (p.7)

Traditionally, the focus for ascertaining whether performance was satisfactory was through performance appraisal (this is sometimes referred to as ‘performance review’). This was highly variable from organisation to organisation, and if performance appraisals were conducted they were often used to decide whether an annual increment would be paid, and whether the appraisee was ‘ready’ for promotion or transfers (where that was considered a necessary part of career development). Some of the more forward looking organisations have used performance appraisals as a needs assessment tool for training and development, e.g. setting goals for acquiring new skills, improving and/or correcting employee performance, and for acquiring new knowledge and skills to make career changes. The performance appraisal system may also have been used, after the training program was completed, to assess the level of learning and skill development that was achieved.

Rudman (1995, p.vii) highlights that a significant complaint about performance appraisals has been that the employee’s performance was examined in isolation of the business and operating objectives of the organisation, often only once a year and with neither managers nor employees seeing it as a positive contribution to either their working relationship or their performance. Rudman (1995, pp.vii–viii) suggests that two major changes to performance appraisal were required.

Firstly, there needed to be as much emphasis placed on planning as was placed on reviewing so that it better suited the environment and culture of the particular organisation. The people involved needed the skills and confidence to use performance planning and review as part of their normal management activities. In the situation of universities, both Jackson (1999) and Middlehurst (1993) have reported the difficulties faced by Heads of Departments because of them being ill equipped to deal with the new managerial challenges presented to their positions and especially in terms of performance management and appraisal.

Secondly (according to Rudman 1995, pp.vii–viii), performance planning and review should be part of a total approach to performance management. So far as individual employees are involved in a total approach, they:

- must be able to see how their work contributes to the overall goals and achievements of the organisation;
- should be managed in a way that encourages individuals to want to make a better contribution; and
- should be helped to develop their skills and talents so that they can improve their contributions.

Verweire and Van den Berghe (2003, p.782) add further depth to the tenets Rudman (1995) proposes in that they suggest ‘strategic alignment is a prerequisite for effective management’. This contention is also supported by Kaplan and Norton (2001) who proposes the linking of business units, support units and individuals to strategy to enable performance management to provide a systematic link between organisational strategy, resources and processes.

The issue of rewarding excellent performance is an often problematic area and no less so in the University situation (Jackson 1999). In many instances this is because of restrictions (both real and perceived) from legislation, budgets, equity considerations etc. In the Australian situation, with its tendency to have a lot of remuneration strictly prescribed by industrial agreements and awards, there is little flexibility for managers (and organisations) to provide financial rewards to higher performing staff. There are also many limits on the other forms of compensation that can be provided in the form of ‘fringe benefits’ because of the very restrictive Fringe Benefits Taxation system – even the provision of cark parking, or a meal may be subject to Fringe Benefits Tax. One avenue that is often used as a reward for higher performance is to provide additional training and development activities.

Coupled with rewarding excellent performance is the process of recognition. (These two areas owe much of their theoretical explanation to intrinsic and extrinsic motivators within the organisational behaviour literature). A well designed and conducted performance management system will ensure that the recognition factors are equitably acknowledged.

Overall, contributions should be recognised and rewarded in ways that make employees feel good about themselves, their jobs and their employer. Often good performance will be influenced by a powerful intrinsic motivator that is as simple as some positive recognition from the question ‘How am I going?” Simmons (2000) suggests that people like to have and show good performance and Simons (2000) proposes that people basically want to do the right thing.

A final ‘hotspot’ relates to the vexed area of unsatisfactory performance, and Rector and Kleiner (2002) suggest that in public institutions disciplinary action is not as often used [as private institutions]. There are two broad issues involved, and like reward/recognition of performance, the two areas are influenced by different factors and solved by quite different approaches. The first unsatisfactory performance issue is that of under-performance. This may result for a multitude of reasons but generally can be improved by either a management intervention or a training and development intervention. In other words, it is largely either a resources or a skills matter. The performance review system should provide a strong indication about what and why underperformance exists and how it might be addressed.

The second unsatisfactory performance issue is that of non-performance. In these instances the skills and resources typically are not the main consideration – it is an attitudinal matter. Most organisations have a process in place for dealing with non-performance and these will typically involve an initial identification from either a critical incident/s or the performance review. Counselling and formal warnings might then be invoked and if the performance is not improved, disciplinary procedures will follow.

Thus performance management can be seen as a set of activities including:

- setting organisational, organisational unit and individual performance standards that link to the overall organisational strategic plan;
- organisational, team and individual performance measurement methodologies;
- management strategies for unsatisfactory performance including discipline procedures; and
- reward and recognition strategies for excellent performance.

In particular, performance management should closely link with performance development strategies. Performance management should not be an activity that is imposed centrally, for example, by the Human Resource Department. In reality, it is a crucial part of the responsibility of every line manager, because it forms part of their essential influence on roles and functions to ensure actual outcomes match strategic aims and expectations. It is also a significant responsibility of the individual to understand and participate in the planning and ongoing review of their own performance. At the individual level they should ensure that they optimise the linkages between performance management and their own career planning, development and management (including promotion); to their training and development activities; and to remuneration outcomes.

Methodology

The *BUILD* project involved three stages. Stage One was the data collection stage and equated to approximately one-third of the 18 month pre-implementation program. Stage Two had as its focus system design and Stage Three was directed towards trialling and fine-tuning procedures prior to implementation. Stage Three also had the design of training as one of its key outcomes.

Simmons (2002, p.86) asks '…how should universities and colleges as archetypal knowledge based organizations identify performance management philosophies, policies and practice which motivate academic staff to give of their best?' As a starting point at USQ, input was sought from many sources.

- Individual Executive-Level Managers
- System (Performance Management) designers
- System implementers & administrators
- External consultants
- Heads of Department's (individually & collectively)
- Supervisors
- Union representatives
- External editors
- Working parties (most areas of general and academic staff were represented)

The consultation and data gathering began with taped interviews with University leaders/senior managers. The transcripts were examined and key themes identified. Interviewees were also asked to flag which items, from a range of characteristics, were necessary or highly desirable in the new model. These characteristics of performance management systems were taken from the literature and extracted from discussions and correspondence with profiled system designers from other universities in Australia. A summary paper was then constructed and distributed to the interviewees for comment.

The exercise of data collection through interviews was then repeated with middle managers/supervisors. The justification is in the centrality of this supervisory role in any process of ongoing monitoring and reviewing of staff, and the need to have their commitment. Typically at this level, organisational goals have been converted into section or department goals, and a determination must be made to ensure that each individual staff member is contributing in ways which enable the work unit to achieve. Historically, the supervisor is expected to manage this convergence of individual subordinate effort, often with limited resources, limited experience in managing staff, and with little more than an appraisal instrument in which neither supervisor nor appraisee have confidence. A questionnaire was also developed to assist in the data collection

This questionnaire was used in each 60-minute interview with Heads of Department/Discipline (HoD) from five (of six) Faculties, and in group sessions involving Managers/Supervisors of general staff. There were two key parts to this questionnaire. Part A presented a list of approximately twenty objectives for carrying out performance management. This list was distilled from discussions with system designers from other Australian universities, from the earlier interviews with senior managers, and from the literature on contemporary practices in Australian universities. The respondents were asked to rate each objective in terms of its importance to the respondent's work area. A simple 4-point scale was used with an additional category to be used where respondents were unable to make any assessment. The data collected from HoD's and Managers/Supervisors was analysed using SPSS.

This approach was preferred because it enabled the system designers to identify mainstream views on performance management and because it allowed an opportunity to reconsider some of the usages that become associated with performance management over time, but which may not be consistent with the system designers' plans.

From the list of items in Part A the respondents were asked to identify the five main reasons for having performance management. Using a simple frequency decision rule, the most often reported objectives then became the guiding principles for later working parties, when the focus moved to system design. This procedure explored separately the main objectives for academic supervisors and supervisors of general staff. The outcome was two quite different sets of guiding principles.

Part B of the questionnaire requested respondents to consider some of the features of an effective performance review. The justification for this focus on the review phase was the wide range of anxieties and uncertainty which many associate with the review process, both within and beyond the University. As with Part A, the items which comprise Part B were extracted from the literature and from discussions with persons with demonstrated expertise in the area of performance management systems.

Respondents were again asked to rate each item in terms of importance, and with reference to their particular work unit.

Additional Data Sources

The performance management program consistently sought rigour in its design and execution. Much of the earliest activity was in developing a familiarity with how other universities are dealing with performance management system design and implementation.

In recognition that there is considerable expertise and experience among the University's staff, various approaches were made to utilise these. Interviews with Deans and Cost Centre Directors were used initially to get an understanding of some of the strategic issues of performance management. In addition, individual approaches were made to some of the other levels of management and non-managerial people on campus, to become involved in a direct way. Their inclusion in working parties which informed and developed the design stage, Stage Two, added to the quality of the overall process.

Considerable attention was given to quality and quantity of data. The Project Leader was mindful of the importance of triangulating data sources in order to provide the inquiry with suitable robustness. This cross-section of data can be seen in data sources at different levels of University management, from current practice in the area of managing for performance as related in discussions with program designers and implementers elsewhere, in contemporary literature on performance management, and in documentation relating to procedures in place in other universities and other enterprises outside academia.

Data Collection

Stage One of the overall design and development program was the major data collection and data analysis activity. However, it is anticipated that ideas and opinions will continue to be sought and collated throughout, as is consistent with the evolutionary nature of the program. It is predicted that interest generally will increase as more University people familiarise with the program. The data collection is therefore ongoing and as comprehensive as time and support for the initiative allow.

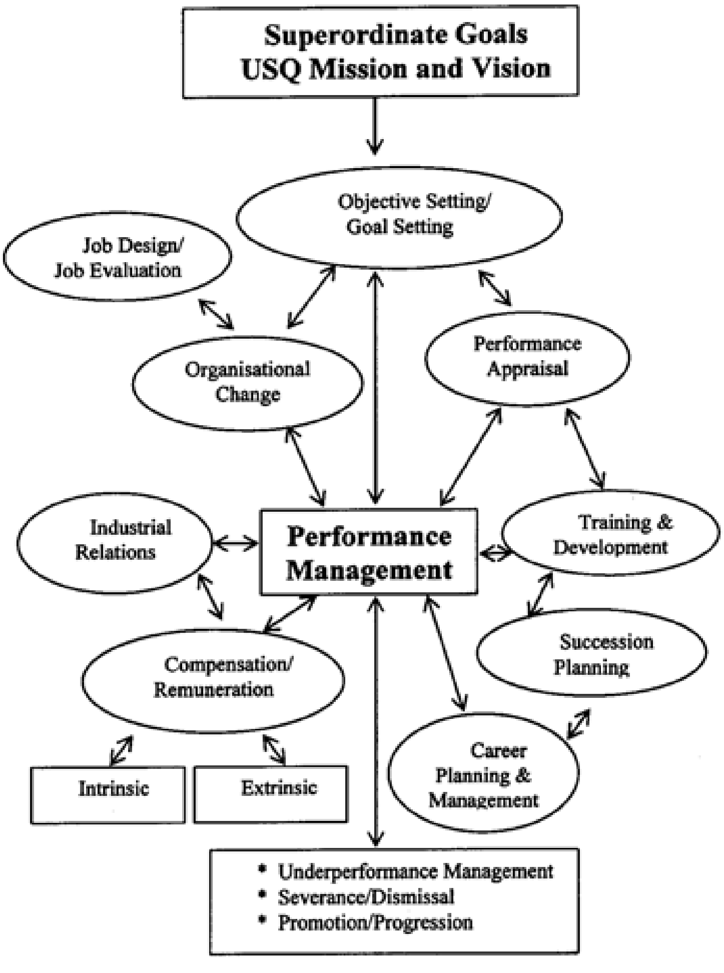
The above proviso aside, after the formal data collection stage was completed there was a better understanding of the major objectives of performance management, as determined by the managers who must use performance management protocols and procedures.

System design features for *BUILD*

At the completion of the data collection and analysis phase of Stage One, there were a cogent set of design features determined that must be incorporated into the USQ BUILD program and which were representative of what the overall program must represent in terms of best practice. These features were taken up by the Project Manager and the two working parties (one representing general staff and the other academic staff) for incorporation into the specific systems for performance management and review.

Intended Benefits of BUILD to the University:

- Increased organisational capacity and performance through improvements at the individual and group performance levels.
- Fewer industrial relations issues requiring arbitration.
- Visible and consistent outcomes from formal reviews and therefore greater confidence in performance management by users.
- More regular communication within the University.
- Linkages to Human Resource and other systems – a more holistic way of managing staff (refer to figure 1-1)
- Continuous improvement and quality improvement tool.
- Use of electronic forms, data files, instructions and training as much as possible.


Superordinate Goals
USQ Mission and Vision
Objective Setting/ Goal Setting
Job Design/ Job Evaluation
Organisational Change
Performance Appraisal
Industrial Relations
Performance Management
Training & Development
Succession Planning
Compensation/ Remuneration
Career Planning & Management
Intrinsic
Extrinsic
• Underperformance Management
• Severance/Dismissal
• Promotion/Progression

Source: Pedersen & Smith, 2000

Figure 1-1
USQ Performance Management Design Template

Intended Benefits of BUILD for individuals:

- An effective medium for identifying the needs of users.

- Regular feedback and direction for individual (and group) performance
- Empowerment … employees are expected/invited to take greater responsibility for their own personal development.
- Incentive to perform: acknowledgement of personal achievements
- Challenging but fair individual goal-setting.
- Provisions for career development plans/goals (including promotion).
- Visible and predictable performance outcomes.

Reflection of Best Practice:

- Overall holistic developmental focus on continuous improvement
- Pursuit and maintenance of high levels of performance through effective monitoring and guidance
- Reinforces closer/regular communication between individuals and their supervisors
- Interim reports …fewer surprises at time of performance review
- Provision to review team performance (for example, refer to Figure 1-2)
- Provision to review supervisor performance (for example, refer to Figure 1-2)
- Integration/links to other systems (refer to Figure 1-1)
- Transfer of responsibility to empowerment of individuals
- Designed for USQ by USQ (working parties)
- Early identification of problems: Tool for (middle) managers to manage under and non-performance issues more effectively before they become major problems.

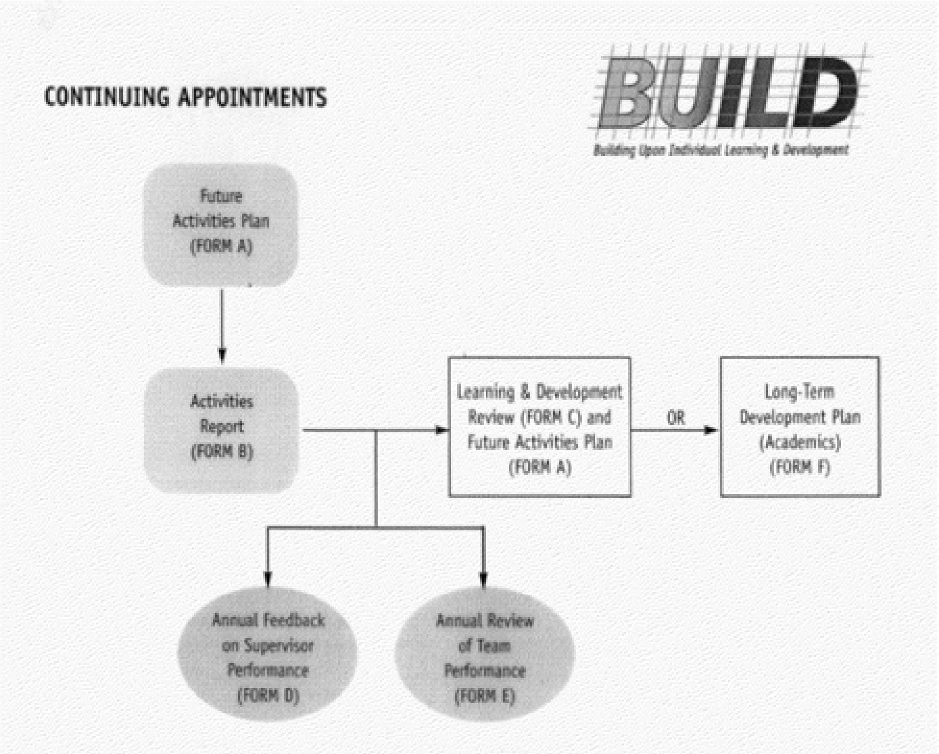

CONTINUING APPOINTMENTS
BUILD
Building Upon Individual Learning & Development
Future Activities Plan (FORM A)
Activities Report (FORM B)
Learning & Development Review (FORM C) and Future Activities Plan (FORM A)
OR
Long-Term Development Plan (Academics) (FORM F)
Annual Feedback on Supervisor Performance (FORM D)
Annual Review of Team Performance (FORM E)

Figure 1-2
BUILD Map for Continuing Appointments

Recommendation to the Vice Chancellor's Committee

The *BUILD* Working Party regularly reported to and reported to the USQ Vice-Chancellor via the Vice Chancellors Committee (VCC). Specific recommendations made to and endorsed by the VCC included:

- The Leadership & Management Competencies Instrument[1] is accepted as the preferred review option for senior managers (refer to Figure 1-3)
- That by both word and deed, VCC members promote and assist with the transition into the *BUILD* Program
- VCC will continue to support the thrust and direction of the *BUILD* Program
- Need for ongoing evaluation to test the relevance of *BUILD*

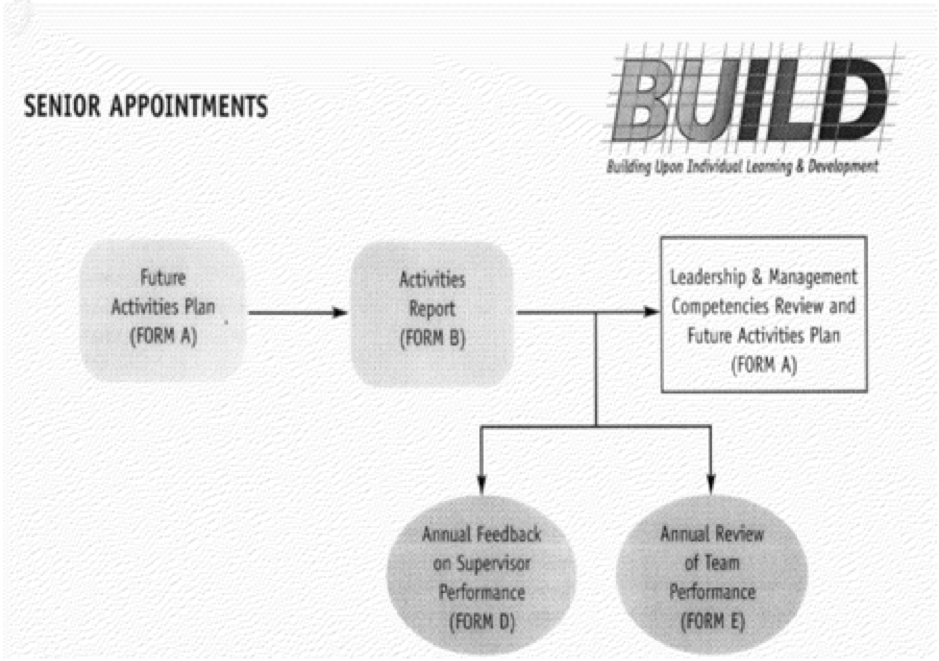

SENIOR APPOINTMENTS
BUILD
Building Upon Individual Learning & Development
Future Activities Plan (FORM A)
Activities Report (FORM B)
Leadership & Management Competencies Review and Future Activities Plan (FORM A)
Annual Feedback on Supervisor Performance (FORM D)
Annual Review of Team Performance (FORM E)

Figure 1-3
BUILD Map for Senior Appointments

Critical reflections on *BUILD*

Every new system will have implementation shortcomings. With the benefit of hindsight the authors are able to critically reflect on some concerns which have arisen with the commencement of Stage Three.

A decision was taken by the then Vice-Chancellor to have a phased roll-out of the *BUILD* program. The decision was largely based on economic arguments and a perception that training of supervisors and individuals would be a cost – rather than a combination of cost and investment (an intangible asset). Given the frequently reported reservations and suspicions both individuals and supervisors hold about performance review systems, the opportunity to 'seize the moment' and implement the new performance management system has arguably been diminished by this decision. With this is also a diminished capacity to 'create knowledge repositories, to improve knowledge access, to enhance the knowledge environment, and to manage knowledge as an asset' (Rowley 2000, p.32).

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[1] The Leadership and Management Competencies Instrument was developed as a separate research project by Erwee, Willcoxson, Smith and Pedersen. It has been accepted and approved by VCC for use by HoD's, Deans, Senior Managers, and Vice-Chancellors as part of their respective performance reviews.

The holistic nature of the *BUILD* Program has not been adequately promoted to the three levels of stakeholders – individuals, supervisors and the University. The program is still largely viewed as performance appraisal and perceived as a 'control' approach and many of the multi-faceted and developmental features incorporated in the design (refer to Figure 1-1) are still to be utilised. This deficiency highlights two important developmental considerations proposed by Bailey and Clarke (2000, p.241) in their Knowledge Management Matrix. Their matrix highlights the importance of moving from a core managerial focus on performance management to 'the managerial arena of performance development and potential where the focus is on *kaizen* and continual improvement' (p.240).

Arguably, the main deficiency of the *BUILD* Program, at this early stage of implementation, is that is has not yet been promoted to and embraced by Heads of Department and especially not in terms of its holistic potential. The Academic Working Party held a strong view that the new Program may 'rise or fall' on the basis of whether HoD's could see improved staff performances and reduced personal management workloads for themselves. The findings by Middlehurst (1993, p.138) are especially relevant to this consideration:

- Many Heads express concern about the power and authority at their disposal and the difficulties of managing academics.
- Many academics do not see themselves as belonging to a structure that has to be managed at all.
- The problem in managing academics is they are highly individualistic with no strong sense of corporate identity either to their Department or to the University, and
- Heads of Departments in Universities have no effective managerial power and operate by inspiring or engineering consent.

Conclusion

This paper summarises the data collection strategy and the design of the new performance management program for the University of Southern Queensland. It is therefore reflective and descriptive in its nature. Different institutions typically impose different restrictions on performance management system designers and for such reasons it is not prudent to proffer models which cannot accommodate situational variations. The above account avoids such criticism by emphasising instead a framework within which some of these context-specific differences can be captured in overall system design. Attention has been drawn to the need for consultation and input from senior and middle managers in particular. Where numbers and time permit, there is considerable value in inviting as many opinions as possible in the data collection as this inclusion minimises the risk of users later rejecting the new performance management procedures.

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