

Research Update: Employee performance management in the public sector

Tai Anh Vu, Dr Geoff Plimmer and Professor Evan Berman - Schools of Management and Government, Victoria University of Wellington

Employee performance management (PM) has become increasingly popular in the last three decades. It supposedly improves individual attitudes, and then organizational performance. It does this through a continuous process of goal setting, feedback, communication, coaching and rewarding (Kinicki, Jacobson et al. 2013). Ideally, it differs from the traditional misery of annual performance appraisals by being more continuous, forward looking, developmental, job relevant and linked to rewards.

Many countries have introduced employee PM in their public services, at least rhetorically. Ideally it is a management tool to promote result-driven cultures, accountability, and transparency in order to improve public service delivery. This study of the Vietnamese public service outlines how performance management can work in public services. Some of the findings are probably very contextual and apply only to Vietnam. Others seem more global and likely apply here as well.

Despite the strong theoretical case for performance management (think goal-setting, expectancy, equity, reinforcement and social exchange theories), getting it to work is still a global challenge. Even in the most developed countries, the failure rate has been estimated at 56 percent (Haines III and St-Onge 2012). Irrespective of efforts devoted to improve this practice, “the formula for effective performance management remains elusive” (Pulakos and O’leary 2011 p1) and negative outcomes are still repeated (Azzone and Palermo 2011). In reality, employees and supervisors often dislike employee PM and see it as a control mechanism or an unnecessary administrative burden, and are sceptical about whether employee PM actually improves employee experiences and organizational performance. In the public sector implementation is even more challenging because of problems regarding conflicting goals, the need for transparency, inadequate budgets for incentives, and so on. Performance management is also largely a product of western countries. In government it appeals mainly to those attracted to new public management theories. We know that contextual factors such as institution, capacity and culture can’t be overlooked in the implementation of PM.

In order to provide a better understanding of if, and under what conditions employee PM in the public sector might work, this mixed method research investigated the implementation of five employee PM practices, including goal-based appraisal, feedback, reward for performance, addressing poor performers and employee participation. The data (interviews, survey and document analysis) was collected in 29 diverse public organizations within five central ministries and two provinces in Vietnam.

Selected research findings

1. Employee PM can influence job satisfaction, commitment and organizational performance.

The research found that broadly designed and well implemented employee PM systems are associated with improved job experiences and perceived organizational performance. However, for employee PM systems to have these effects, all five strategies should be implemented in combination and at quite high 'dosage levels'. For instance, goals have to be clear and job relevant, feedback frequent and useful, rewards meaningful, and participation has to be genuine rather than token. Previous studies have shown that employee performance improvement may fail when appraisal is separated from consequences (Liu and Dong 2012); when pay-for-performance is not based on objective performance standards (Randma-Liiv 2005), and when goal setting and rating lacks employee input and participation (Chiang and Birtch 2010). Hence, for an employee PM system to be effective, it should involve a bundle of practices rather than a "pick 'n mix" of half-hearted reforms. In some jobs such as those concerning policy development, performance management is very difficult or even impossible as goals are so hard to specify. In others, such as service delivery it can be quite effective.

2. Effective employee PM is driven by executive accountability, entrepreneurial leadership and HR autonomy

Only some organisations are able to implement employee performance management. The first requirement is that executives must be accountable, in order to have the mandate, and take the effort to implement the reforms. To put it another way, if public service executives are not held to account to, say, a higher agency or the public, they won't hold the people in their organisations to account either. In more detail, they won't set clear goals, give feedback, let staff participate in this process, reward good performance or address poor performance. Executives also need to be entrepreneurial, in other words to want to make reforms, be willing to try new things and sometimes take on entrenched interests. Competent HR people can make a difference too, but only if they have the backing of entrepreneurial and accountable executives.

Implications for practice

In the New Zealand context this means seeking and developing chief executives with entrepreneurial leadership and then *meaningfully* holding them to account for their stewardship, as well as wider performance. Reformed employee PM, as with other reforms, needs chief executives who have vision, capability, an innovative spirit and in particular the courage to take risks. It also means ensuring HR competence. Following are some implications for practitioners.

First, employee PM is best implemented as a bundle of five integrated practices: goal-based appraisal, feedback, reward for performance, dealing with poor performers, and participation. Of these, it is critical to ensure that:

- employees are appraised by the criteria related to their jobs,
- goals are set at the beginning of the performance period, there are consequences, and there is
- feedback that includes input from employees and participation in the process.

Pay for performance has a very patchy record in government (Plimmer, Bryson et al. 2017). But in this Vietnamese study it was found to work – perhaps because the reasons people work for government are different in Vietnam compared to New Zealand. Unfair allocation of rewards annoy all types of workers, and the harmful effects of not dealing with persistently poor performers is well established (Taggar and Neubert 2004).

Second, performance based pay should be based on both individual performance and team performance. This finding in the Vietnamese public sector may not readily apply in New Zealand's public sector, but the international evidence is clear that group rewards can be very effective when the work is both interdependent and within the control of groups, connections between performance and reward are clear and valid, and management is competent (Shields, Brown et al. 2015). Group rewards not only encourage cooperation between members within the team but also promotes honest feedback.

Third, supervisors need to be held accountable for their rating. Given political motivation and cultural factors such as face-saving, harmony, and personal relationships, rating results might not reflect actual performance objectively and fairly. To curb this distortion, organizations can stipulate that providing objective and fair appraisal is one criterion used to appraise the performance of supervisors.

Fourth, Organizations will benefit if they can create a friendly and open atmosphere where employees feel comfortable to raise issues. Employee participation enables goal-based appraisal and performance-based reward to be more effective because it helps clarify goals and performance standards, align contributions, increase constructive feedback, and

improves the accuracy of performance ratings. There are three critical conditions for effective employee participation:

1. Employees need to be convinced that the chief executive is committed and not self-interested.
2. They also need to be convinced that supervisors are open-minded and impartial.
3. Third, they need to understand that this process is not only critical for the organization's development but also directly relates to their own interests.

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