



PERFORMANCE  
MANAGEMENT  
IN THE  
AUSTRALIAN  
PUBLIC SERVICE

A STRATEGIC  
FRAMEWORK

MANAGEMENT  
ADVISORY  
COMMITTEE

## **PERFORMANCE MANAGEMENT** in the Australian Public

Service (APS) is the use of interrelated strategies and activities to improve the performance of individuals, teams and organisations.

**PERFORMANCE MANAGEMENT** is an essential tool that is relevant at all levels in all APS agencies. It provides a means to improve organisational performance by linking and aligning individual, team and organisational objectives and results. It also provides a means to recognise and reward good performance and to manage under-performance.

This report provides:

- an outline of performance management in the APS
- a model of environmental factors shaping performance management systems
- key elements of good practice and implementation of performance management in the public sector
- a checklist for design and review

The report is the first of the Management Advisory Committee, a forum of Secretaries and Agency Heads established under the *Public Service Act 1999* to advise Government on matters relating to the management of the Australian Public Service.

For public sector executives, managers and human resource practitioners, this report provides a summary of current performance management as well as identifying good practice, emerging trends and issues.



PERFORMANCE MANAGEMENT  
IN THE AUSTRALIAN PUBLIC SERVICE  
A Strategic Framework

*Management Advisory Committee*

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ISBN 0 642 47538 5

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## CONTENTS

<b>Foreword</b>	5
<b>Executive Summary</b>	7
<b>1 Performance management – definition and rationale</b>	13
1.1 Objectives and methodology	13
1.2 Performance management – what is it and why does it matter?	14
1.3 The current drivers of performance management in the public sector	17
1.4. Comparison with the private sector	18
<b>2 What works – some lessons and some directions</b>	20
2.1 Alignment – establishing performance management systems which work with the texture of an organisation	20
2.2 Credibility – establishing performance management systems which engage people	24
2.3 Integration – establishing performance management systems as part of organisational planning	30
2.4 Evolving trends	34
2.5 Conclusion	35
<b>3 Performance assessment and feedback</b>	36
3.1 Issues in reviewing organisational performance	36
3.2 Measuring individual performance	37
3.3 Performance feedback	38
3.4 Conclusion	39
<b>4 Approaches and trends in rewards and recognition</b>	40
4.1 Performance-based remuneration	40
4.2 Recognising and rewarding teams	45
4.3 Other rewards and recognition	46
4.4 Conclusion	47
<b>5 Implications for the APS environment and APS values</b>	48
5.1 Getting the balance right – managing the performance of behaviours or outcomes?	48
5.2 A career-based service?	50
5.3 Service-wide values	51
5.4 Conclusion	51
<b>Case studies from selected Australian Public Service agencies</b>	52
<b>List of agencies interviewed</b>	78
<b>Contributors</b>	79



# F O R E W O R D

The Management Advisory Committee (MAC) is a forum of Secretaries and Agency Heads established under the *Public Service Act 1999* to advise Government on matters relating to the management of the Australian Public Service (APS). In addressing its broad advisory function the Committee considered a number of management issues where analysis, discussion, and the identification of better practice approaches would inform and promote improvements in public administration.

This report on performance management in the APS reflects the MAC's view that performance management is a fundamentally important tool that can assist agencies to improve organisational capability, to meet broad organisational objectives and to deliver high quality policy advice and program administration for the Government. Performance management is relevant in all APS agencies – regardless of the nature of business activities – and at all levels of the APS.

The APS consists of a diverse range of agencies serving government, and the implementation of performance management must be tailored to the specific circumstances of each agency. Performance management must also be applied in ways that are consistent with the legislative framework and the values of the APS.

In this report, MAC provides guidance to agencies by identifying the factors that will assist organisations in designing, implementing and reviewing their performance management systems. The success factors for performance management systems are summarised as:

- Alignment – within a values-based framework that takes account of the organisational culture and business objectives;
- Credibility – applying across the organisation, and seen as fair, transparent and rigorous; and
- Integration – integrating organisational objectives with the performance of teams and individuals.

MAC has also identified a number of evolving trends and issues that warrant ongoing monitoring and discussion. They include performance review and feedback, reward and recognition strategies, the APS environment and APS values, the management approach and philosophy of Agency Heads, and the management of under-performance.

MAC acknowledges the contribution of the Performance Management Sub-Committee, the Working Group, and the project team.

**Max Moore-Wilton, AC**

*Secretary, Department of Prime Minister and Cabinet/Chair MAC*



# EXECUTIVE SUMMARY

## Performance management fundamental in the APS

Performance management is an essential tool that is relevant at all levels in all Australian Public Service (APS) agencies. It provides a means to improve organisational performance by linking and aligning individual, team and organisational objectives and results. It also provides a means to recognise and reward good performance and to manage under-performance.

## Application consistent with legislation and APS values

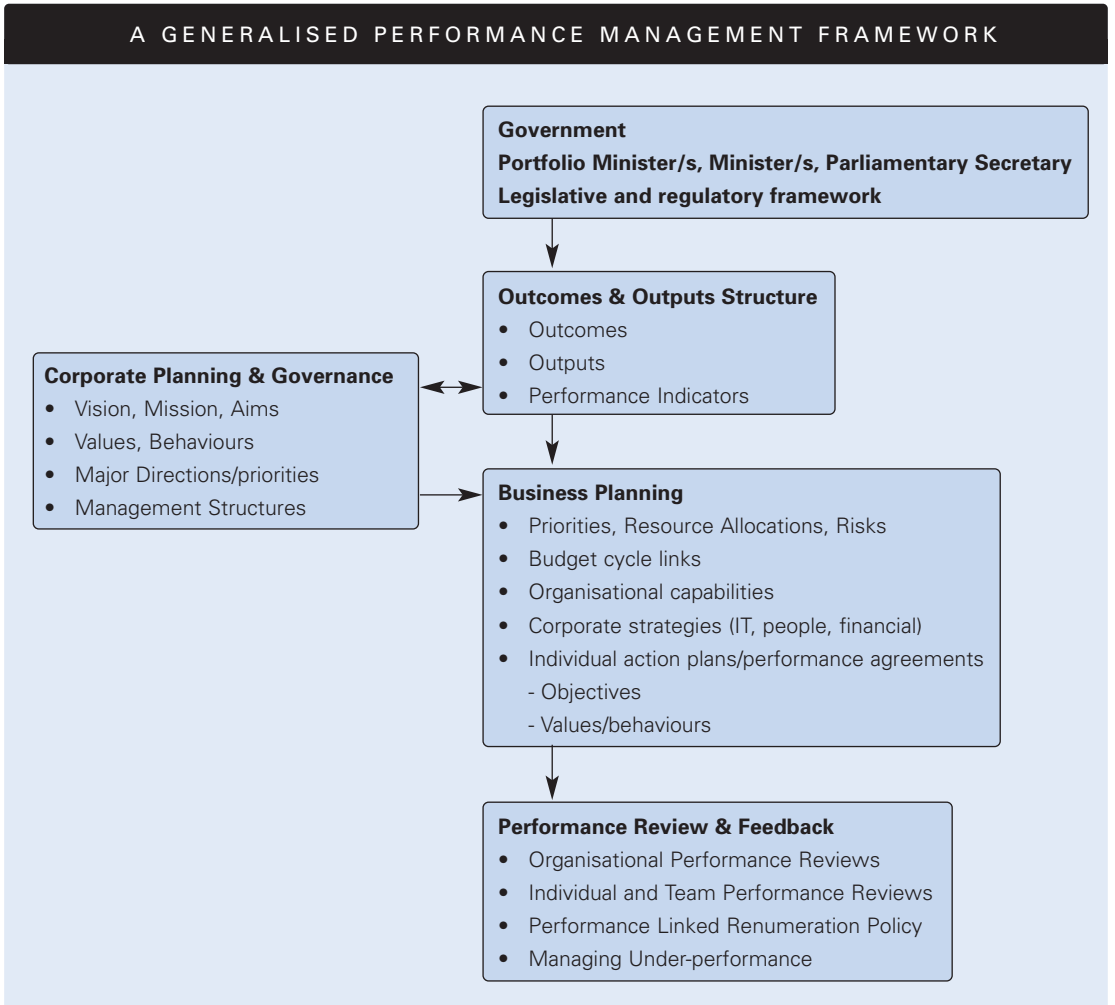
The APS Values, legislated through the *Public Service Act 1999*, make clear that achieving results and managing performance are central to the work of the APS. The ways in which agencies give effect to this value must also take into account, and should be consistent with, the other values and the broader legislative framework of the APS. The new public service management framework is not prescriptive and provides agencies with the flexibility to adopt approaches to performance management that are tailored to best serve the diverse needs of the organisations that make up the APS.

## An integrated framework

Performance management in the APS is the use of interrelated strategies and activities to improve the performance of individuals, teams and organisations. Its purpose is to enhance the achievement of agency organisational goals and outcomes for the government. Effective performance management requires a framework that integrates organisational, business and individual planning and performance. It can involve:

- clarifying performance objectives (this could include tasks, outcomes, behaviours and values based systems or a combination of these) and linking these with organisational business plans;
- periodic performance appraisal of individuals or teams against the achievement of these objectives;
- feedback from this appraisal;
- recognition or reward for performance, including performance pay, salary progression guided by performance or non-pay reward systems;
- team and individual development to build capabilities;
- counselling, or other action to deal with poor performance;
- establishing a link between the development of capabilities with organisational and business planning (i.e. not only cascading down from corporate and business planning outcomes but also having a system that feeds back up); and

- evaluating the contribution of individual, team and organisational performance.
- This definition has a focus on managing performance to meet the Government's required outcomes.



Effective performance management enables employees and teams to understand the goals of the organisation and to identify how individual and team outputs contribute to the achievement of organisational objectives in line with APS values.

Integrating people, planning and performance with organisational objectives develops individual and organisational capability and leads to higher performance. The performance appraisal process articulates the standards of work expected and the values and behaviours employees are expected to uphold in meeting their job requirements and in communicating and working with others. Performance management should focus efforts more closely on the objectives and needs of the organisation. Performance appraisal and feedback assists employees to understand what work they do well, where their development needs are and how they can improve their performance.

### **CEOs have significant capacity and flexibility**

The *Financial Management and Accountability Act 1997*, *Commonwealth Authorities and Companies Act 1997*, the *Workplace Relations Act 1996*, and the *Public Service Act 1999* comprise a legislative framework that focuses on effectiveness and the achievement of organisational objectives. The framework provides Agency Heads with significant flexibility to pursue results and to tailor their approaches to managing performance to best suit the needs of their own organisations.

Although there may be many common elements, performance management frameworks are diverse and what works best in a particular organisation will depend on a range of environmental factors – CEO leadership, nature of business and culture, organisational history, the maturity of performance management systems and the workplace relation's climate.

These environmental issues can influence and guide the development of performance management approaches in particular agencies. However, cultures are not immutable and the application of performance management techniques will in turn influence the direction and development of changes in organisational culture.

### **Key elements of good practice identified**

Key elements of good practice in the design and implementation of effective performance management systems in public sector agencies can be summarised as:

- **Alignment**

Designing performance management based on a detailed understanding of the outcomes sought by government and stakeholders, the nature of the business, its goals, clients, and performance measures, as well as its culture, history and where a CEO wishes to take the organisation.

• **Credibility**

Engaging and winning the support and confidence of staff through transparency, fairness, simplicity, progressive implementation, CEO and management commitment, reducing the gap between rhetoric and reality and by addressing poor performance.

• **Integration**

Ensuring that performance management is part of the overall corporate management structure of the organisation, that there is a clear 'line of sight' for staff between their responsibilities and the objectives of the organisation and that implementation is planned carefully and with an adequate training component.

ALIGNMENT	CREDIBILITY	INTEGRATION
<ul style="list-style-type: none"> <li>• Outcomes sought by government</li> <li>• Consistency with APS values and legislative framework</li> <li>• Nature of the business</li> <li>• Client and stakeholder expectations</li> <li>• History with performance management</li> <li>• Maturity of systems</li> <li>• Organisational values</li> <li>• Industrial climate</li> </ul>	<ul style="list-style-type: none"> <li>• CEO and Executive commitment</li> <li>• Review and simplicity</li> <li>• Fairness and trust</li> <li>• Multi-source feedback</li> <li>• Addressing the rhetoric – reality gap</li> <li>• Dealing with under-performance</li> <li>• Reporting of outcomes</li> <li>• Staff ownership of the system</li> </ul>	<ul style="list-style-type: none"> <li>• Line of sight between corporate and individual goals</li> <li>• Embedded in a system of organisational performance management</li> <li>• Link to training and career development</li> <li>• On-line delivery</li> </ul>

## A checklist for design/review

These factors constitute a good practice checklist for agencies designing or reviewing their performance management systems.

## Significant progress but challenges remain

Performance management in the APS can be described as ‘work in progress’. Significant progress has been made but major challenges remain, especially on the issues of credibility and staff engagement. In addition to this framework for good practice in performance management, MAC has identified a number of issues for further attention.

## Need to understand contribution to organisational performance

- **Performance review and feedback**

Approaches to assessing organisational performance are still being developed, with implications for a range of management responsibilities, including understanding the contribution of performance management to organisations. Better measures of both individual and organisational performance will continue to be developed.

## Performance remuneration only one component of performance management

- **Reward and recognition strategies**

All APS agencies apply performance-linked remuneration in line with the appropriate legislative and policy frameworks – the Commissioner’s Directions under the *Public Service Act 1999* and the Government’s Policy Parameters for Agreement Making in the APS.

The various approaches to performance management build on and complement these frameworks by linking other systems of recognition and reward, ranging from positive feedback through to performance bonus or other performance related rewards. However, it is important to keep performance-related remuneration in perspective as only one component of performance management and of broader approaches to reward and recognition, and to acknowledge the diversity of views and approaches on this subject.

## Important to manage both ‘what’ and ‘how’

- **APS environment and values**

An appropriate balance needs to be struck between managing resources and achieving outcomes on one hand, and managing individual behaviour through a values based system on the other.

Within an environment of devolution and diversity, the APS values and Code of Conduct are an essential cohering force for concepts of a single service. The Public Service Act requires that Agency Heads uphold and promote the APS

values and, similarly, APS employees are bound to uphold the APS values. The balance between greater flexibility on the one hand and accountability on the other hand should continue to be monitored.

### **Management philosophy vital**

- **The management approach and philosophy of Agency Heads**

The devolution of responsibility to Agency Heads has had a marked positive impact on stimulating innovative approaches to performance management. It is important that CEOs continue to have the ability to implement flexible performance management regimes, including as appropriate, performance remuneration schemes, which are tailored to the particular needs of the agency they head.

### **Management of poor performance a key challenge**

- **Handling under-performance**

The challenge of handling under-performance is a key one for the overall credibility of performance management. Managers in the APS are conscious of this need and are starting to respond. Nonetheless, leaders need to give the management of under-performance high priority and ensure that results are achieved.

# PERFORMANCE MANAGEMENT

## DEFINITION AND RATIONALE

This chapter provides a brief introduction to:

- the objectives of this report and the methodology used;
- a definition of performance management and its importance;
- the current drivers of performance management in the APS; and
- comparisons with the private sector.

### 1.1 Objectives and methodology

MAC met in December 2000 and commissioned a report on performance management in the APS.

#### 1.1.1 Terms of Reference

The MAC Performance Management Sub-Committee will undertake a comprehensive study of performance management in the APS.

The outcome of the study will be to assess the overall effectiveness of approaches to managing and rewarding performance in APS agencies. Within the context of recognising the ongoing value of a diversity of approaches and information sharing among agencies, the Project will also identify better practice principles for effective performance management and good practice case studies of effective approaches to performance management in the APS.

The Project will:

- Examine agencies' performance management approaches;
- Identify the key features of the approaches, including refinements or advances in the approach from the first to second round of agency agreements;
- Gain an understanding of agencies' experiences of what has/has not been effective;
- Examine any major implications for performance management arising from the *Public Service Act 1999* and the APS Values;
- Identify approaches to rewarding performance, including remuneration;
- Consider the impact of performance management systems on agency performance and on Human Resource Management more generally;
- Identify trends, challenges, better practice principles and good practice case studies; and
- Examine the use of appropriate measures and benchmarks to assess performance.

### 1.1.2 Methodology

Information for this report was gathered in a number of ways:

- A report was commissioned from the Public Service and Merit Protection Commission (PSMPC) to review the literature on best practice in performance management and a report on approaches to performance management in APS certified agreements prepared by the PSMPC was examined.
- Case studies and other evidence such as staff attitude surveys were gathered direct from agencies.
- Interviews were conducted with 20 public sector, 6 Government business enterprises/statutory authorities and 6 private sector executives (mostly CEOs) about their experience and reflections on performance management, using a semi-structured interview format.

## 1.2 Performance management – what is it and why does it matter?

Performance management in the APS is the use of interrelated strategies and activities to improve the performance of individuals, teams and organisations. Its purpose is to enhance the achievement of agency organisational goals and outcomes for the government.

Performance management is an essential component of a corporate governance framework, allowing boards, Ministers and committees to lead, monitor and respond to how an organisation delivers against its goals, mission and the outcomes required of it by the government.

Effective performance management requires a framework that integrates organisational, business and individual planning and performance. It can involve:

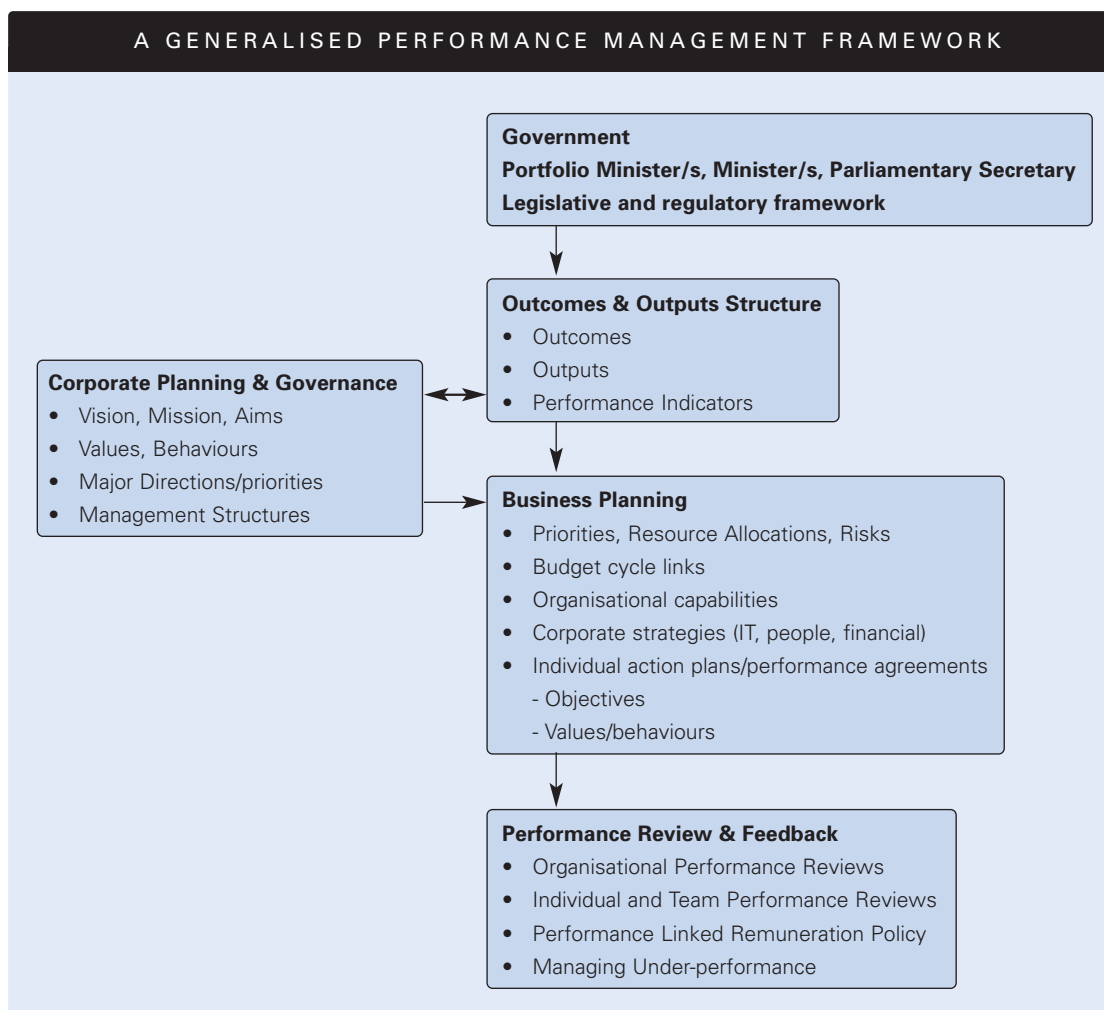
- clarifying performance objectives (this could include tasks, outcomes, behaviours and values based systems or a combination of these) and linking these with organisational business plans;
- periodic performance appraisal of individuals or teams against the achievement of these objectives;
- feedback from this appraisal;
- recognition or reward for performance, including performance pay and salary progression guided by performance;
- team and individual development to build capabilities;
- counselling, or other action to deal with poor performance;
- establishing a link between the development of capabilities with organisational and business planning (i.e. not only cascading down from corporate and business planning outcomes but also having a system that feeds back up); and
- evaluating the contribution of individual, team and organisational performance.

An effective approach to performance management enables employees and teams to understand the goals of the organisation and to see how individual and team outputs contribute to the achievement of organisational objectives and values. This approach identifies, or defines, the performance expectations for individuals and teams that are inherent aspects of their employment.

Integrating people, planning and performance with organisational objectives develops individual and organisational capability and leads to higher performance. The performance appraisal process articulates the standards of work expected of employees and the values and behaviours employees are expected to uphold in meeting their job requirements, communicating and working with others. Performance management leads to higher performance that is more closely directed to the objectives and needs of the organisation. Performance appraisal and feedback assist employees to understand what work they do well and how they can improve their performance.

Performance management is a shared management priority in the APS and organisations are heading towards an increasingly common performance management framework that recognises the need for organisational planning to cascade down into development plans or performance agreements for individual staff. This trend to define performance management in an integrated way is in fact one of the key best practice lessons observed. It is expanded in Chapter 2, which covers the range of best practice lessons observed. Common elements of performance management frameworks operating in both public and private sector organisations are depicted in Figure 1 although the specific design of the various elements differs markedly from organisation to organisation.

FIGURE 1



The comprehensive performance management framework outlined in the model above does not attract the same kind of debate about its validity and effectiveness as performance pay did when that was the narrower focus of attention in the APS in the early 1990s.

This report's focus is on the following questions:

- How does performance management work and what is best practice? (Chapter 2)
- How do we know performance management is working – how do we assess performance at an organisational level? (Chapter 3)

- What part do reward and recognition strategies play within performance management frameworks? (Chapter 4)
- What issues is performance management raising in the contemporary APS environment? (Chapter 5)

The conclusions at the end of each of the chapters of the report provide a summary of the key issues for monitoring and discussion.

### 1.3 The current drivers of performance management in the public sector

There is a long history of engagement by public sector management in issues of performance management. While it is possible to overstate the continuities and gloss over significant shifts in policy and perception, some salient points set a useful context for our current thinking.

How to assess, reward and improve performance has been a constant theme, although it has been inconsistently applied and has had a patchy focus in the APS. The first Public Service Commissioner attempted to introduce a rigorous performance based increment system at the start of the last century but political and industrial pressure worked against him and increments became quasi-automatic.

'The great incentive, which is ever present to the businessman, is, by the very nature of things, absent in public administration. The department of the Civil Service which he administers (or assists in administering) is not his own; he suffers no personal loss; he enjoys no personal gain; and why should he bother? Why should he incur the odium of his subordinates by enforcing strict discipline and insisting on continuous and undivided attention to duty? Why should he addle his brain and burn the midnight oil in studying the literature of other nations for improved methods when he gets no special thanks for it, but probably finds himself in the end far little better off financially than if he had allowed things to drift along in the old way? These are the questions commonly put to himself by the perfunctory official and they constitute one very potent reason why Civil Service administration has not attained the high state of efficiency that the public interest demands'.

Mr D McLachlan, *Public Service Commissioner 1906*

A growing focus on appraisal systems emerged in the 60s and 70s, but they were not embedded as a regular, systematic and effective practice in most agencies.

Through the 1980s a wave of reform in public administration engaged the APS with trends in management thinking, including from the private sector. Significant among these trends was an increasing focus on managing by outcomes and accountability of agencies for improving management and performance. This coincided with a renewed interest in performance management.

Performance pay was first introduced for the Senior Executive Service (SES) and Senior Officers in the early 90s and was seen as a stand-alone initiative, 'dropped on' agencies as a mechanism to achieve improved remuneration. Staff did not see it as part of an overall performance management framework. The implementation was a one-size-fits-all approach that did not allow for agency differences or relate to the stage of development of individual agencies' business planning. Many agencies did not have robust assessment criteria and processes in place, nor had they provided sufficient training to those involved. In a number of agencies moderation was applied after ratings had been given to staff. The result in many Departments was strong resistance, with most deciding at the first opportunity to roll the Senior Officer performance pay pool into that available for more general salary increases. Cynicism was the result.

The *Financial Management and Accountability Act 1997*, *Commonwealth Authorities and Companies Act 1997*, the *Workplace Relations Act 1996*, and the *Public Service Act 1999* comprise a legislative framework that focuses on effectiveness and the achievement of organisational objectives. The framework provides Agency Heads with significant flexibility to pursue results and to tailor their approaches to managing performance to best suit the needs of their own organisations.

This current legislative and policy environment has some important differences from the past. These include:

- Scope for agency differentiation in the type of approach;
- The strong policy and legislative requirement for action in this area (important for management focus and in industrial negotiations); and
- Much greater integration with corporate planning and overall management improvement frameworks.

#### **1.4. Comparison with the private sector**

The private sector has been seen as the pace setter in performance management. The private sector certainly has some advantages in terms of the definition of 'bottom lines', at least in most cases. It has also had the opportunity to reward performance more directly for a longer time. Certainly, performance related remuneration is now widespread at executive level throughout the private sector.

There is, however, a convergence as private sector executives are also grappling with the same issues as the APS. Executives in private companies also tailor their performance management frameworks to fit organisational culture. They talk about the same challenges that their public sector peers face, such as how to establish a clear 'line of sight' between the business plans and corporate strategies and staff performance contracts.

MAC believes that the public sector has also made significant strides in dealing with performance management issues in a sophisticated way. The public sector has always had to work harder to define measures of performance and at its best can be subtle and creative in this endeavour.

All of this said, performance management in the APS could be described as 'work in progress'. Chapter 2 discusses the lessons learnt and highlights some best practice. Much of this best practice is not yet permeating the APS and major challenges remain.

## WHAT WORKS

### SOME LESSONS AND SOME DIRECTIONS

This chapter draws out the key factors to success in performance management systems. It identifies three groups of factors to which anyone designing, evaluating or redesigning a performance management system should attend.

Factors crucial to success can be grouped as follows:

- **Alignment** – designing performance management based on a detailed understanding of the outcomes sought by government and stakeholders, the nature of the business, its goals, clients, and performance measures, as well as its culture, history and where the CEO wishes to take that organisation.
- **Credibility** – engaging and winning the support of staff through transparency, fairness, simplicity, progressive implementation, CEO and management commitment, reducing the gap between rhetoric and reality and by handling poor performance.
- **Integration** – ensuring that performance management is a part of the overall corporate management structure of the organisation, that there is a clear ‘line of sight’ for staff between their responsibilities and the objectives of the organisation and that implementation is planned carefully and with an adequate training component.

#### 2.1 **Alignment – establishing performance management systems which work with the texture of an organisation**

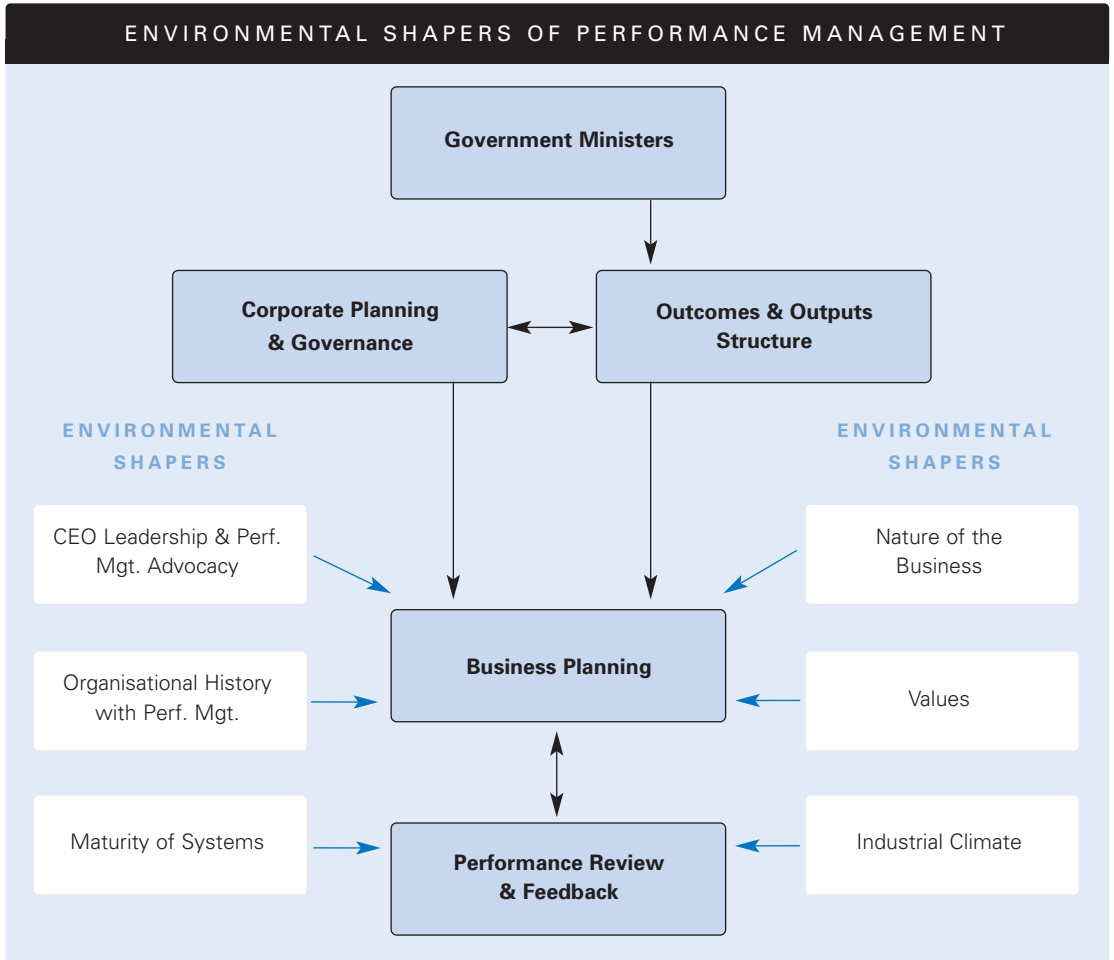
What works best in an organisation will depend on a range of factors, including its size, the nature of its business, and its culture and industrial climate. The most commonly cited reason for failure of performance management initiatives was a failure to take account of the culture and history of an organisation.

This does not mean that the executives were preaching passivity in the face of cultural resistance. Performance management arrangements should be the product of deliberate and strategic decision-making, based on an understanding of the organisation, its objectives, operating environment and culture. With this sort of strategic thought performance management can in fact be a lever for change.

One CEO commented on the importance of getting a strong sense of the culture of an organisation before deciding on a path, ‘otherwise people let you implement change but don’t help’.

Despite having some common elements, performance management frameworks differ. There are some key environmental factors that contribute to the shape of performance management within an organisation. These factors are represented by the six environmental shapers for the performance management framework represented in Figure 2.

FIGURE 2



There is often a discernible trend in the nature of the performance management systems one could expect to find in organisations based on where that organisation fits in relation to each factor. For example, organisations with a more union-based industrial culture will often tend to have a more detailed performance management system based largely on a certified agreement structure, with prescriptive arrangements for assessment, appeal and dispute resolution.

This does not mean that there are iron rules that apply. One way of using this model is to stimulate thinking about the kind of performance management systems that will align best with the nature and culture of an organisation at a point in time. It may also be useful for considering how performance management systems may be used as a lever in intervening to change aspects of an organisation's culture.

One CEO commented he has always had a clear view of the end system, but chose not to introduce the full suite of components of the system all at once. It has taken 3 years to get where they are now. The approach has been 'Let's grow with this and as the trust and skills develop the system will evolve.'

The six environmental factors are discussed below.

### 2.1.1 CEO Leadership

The performance management advocacy role played by a CEO is a key shaper for the organisation's performance management system. The CEO leadership role influences both the speed of its introduction and its style. CEOs set the vision for an organisation and use performance management to shape the culture of their organisations. The overall commitment, coherence and style of the CEOs senior management team also play an important role in mediating this factor.

A CEO who demonstrates strong commitment to performance management will be a powerful shaper of the system's design and implementation. This raises a challenge for the modern organisation. In both the public and private sectors these days CEOs can turn over relatively often and bring a radically new vision to an organisation. While organisational culture is not immutable, it is also not passive and will tend to resist change. To achieve sustained improvements in performance, a CEO must appreciate the other environmental shapers and take them into account when designing their performance management system.

### 2.1.2 Nature of the business

Performance management systems seem to vary in style according to the nature of the business of an organisation. Influences in this respect include:

- Whether the organisation delivers policy/legislative outcomes or whether it is more operationally focussed on delivery and implementation;
- The measurability of outputs; and
- The particular skills and behaviours management want to reward and develop.

An agency head from a central coordinating Department in the APS, for example, saw an emphasis on values in their performance management system as a corollary of the policy nature of their work. In contrast the head of a direct service delivery agency focussed exclusively on 'results, expectations and achievements.'

Performance management systems can also vary within an organisation. For example, some private-sector organisations, after analysing the internal differences in the nature of work, aligned their performance management systems differently in specific parts of their organisations.

### 2.1.3 Organisational history with performance management

Organisations will be profoundly influenced by their past experience with performance management and related initiatives. Opaque rationales and erratic implementation of performance assessment schemes in the past have tended to create scepticism about the effectiveness and motivation of performance management today. Analysis of past experience will aid agencies in the design, implementation or evolution of performance management within their organisation.

For example, in their 1999 staff survey, the staff of one large APS Department cited their strongly negative experience of the previous Personal Development System (from the late 1980s and early 1990s) as a core reason for resistance to performance pay in the second half of the 1990s.

### 2.1.4 Maturity of systems

Organisations that have in place established systems for internal communication, personnel data analysis, and management feedback will be better placed to implement performance management systems more quickly. A number of CEOs identified deficits in these areas as barriers to implementation and reasons to pace the introduction so as to ensure a smooth implementation process and to avoid alienation of staff.

Two CEOs reflected that the pace of introduction of performance management systems in their agencies was curtailed by systems limitations in communication or business systems.

Several agencies have refined their performance management systems through iterative steps as they built up alignment across, their governance arrangements, business planning, staff appraisal and training and development systems.

### 2.1.5 Industrial Climate

The industrial climate of an organisation may influence both the nature of performance management systems and the pace of implementation. Collective agreements, particularly those negotiated with the unions, tend to be more prescriptive, wary of performance pay and strong in grievance procedures. Agreements with individuals are more likely to incorporate recognition of performance in salary increases or bonuses.

### 2.1.6 Values

A fundamental driver to the shape of a performance management system is whether there is a strong values-based culture in the organisation. Some organisations give a much stronger importance to having values as a component of measurement whereas this may be a second order issue in the cultures of other organisations.

This was marked in one large private sector organisation that had both a high outputs focus and key values in its planning and performance management.

In summary, these alignment factors are offered as issues to consider before deciding on the style and pace of implementation or further development of a performance management system for a particular organisation. The interaction of performance management systems and organisational culture is complicated. To overlook cultural issues can bring a performance management system undone in the implementation. To view culture as absolute and immutable can miss an opportunity to use performance management systems as a lever for change.

## 2.2 **Credibility – establishing performance management systems which engage people**

There are a number of factors that strongly influence the credibility of performance management systems especially with staff, regardless of the culture of an organisation.

### 2.2.1 Keeping the systems under review – move to greater simplicity

Complex systems, which covered too wide a range of issues, have been found to be unsuccessful during initial implementation. The danger is that in trying too much nothing is done well. In this context performance management is seen as an iterative process.

The clear message is to 'keep it simple equals success'. Performance management systems should evolve and mature over time – with the

acceptance of participants. A common result of reviews has been the introduction of changes to performance assessment and ratings systems.

The Public Service and Merit Protection Commission conducted an analysis of certified agreements across the APS. While the results only apply, of course, to staff covered by certified agreements (and therefore exclude many more senior staff likely to be more engaged with some aspects of performance management) they still provide an interesting insight into aspects of the implementation of performance management across the service. The analysis of Certified Agreements showed that in 63% of agreements, agencies have made some modifications to rating scales, performance descriptors and performance review processes as a result of feedback from managers and staff and operational experience from first to second round agreements. Thirty-nine percent of agencies have subsequently adopted a rating scale that provides greater flexibility to reward high achievers.

Two senior executives from a large corporation summed the issue up this way 'Our present system is perceived by managers as valuable because it helps them to manage their staff – they would not welcome something seen as a hindrance.'

### 2.2.2 Fairness

It is imperative too that the system is seen as fair. This will be more difficult to achieve in agencies where trust levels are low, particularly where performance pay is involved. Central to views about fairness are:

- Consistency in application which can be enhanced by clarity and understanding of the system throughout the organisation;
- Systematic training of all players and review of managers' capabilities in their area as part of their performance assessment; and
- A moderation or review process to facilitate greater consistency across different areas of the organisation in the development of performance agreements and assessment of staff against them.

Some effort may also be needed to gain staff acceptance of the role of the performance assessment process, and in consequential pay decisions.

Rating systems and their link to performance based remuneration can be vulnerable to perceptions of unfairness. Ratings can be done on an absolute or relative basis and can be linked to pay or not. It is also possible to give performance feedback without a set rating scale or any link to performance related remuneration. Careful design and implementation of performance management systems is important, whether or not performance is rated or remunerated. Organisations that have decided against using performance ratings have sometimes done so because they judged that this message was too strongly in conflict with the culture of their organisation to be accepted.

Systems that involve ratings need to ensure that any moderation precedes disclosing those ratings or any remuneration outcomes to participants. This minimises the danger of perceptions of forced distributions or quotas. At the same time it is important to reinforce what the ratings really mean. Some organisations do this by providing some detail in the qualitative attributes and outcomes expected of staff.

One of the reasons early experiments with performance pay for Senior Officers faltered was because of lack of trust and acceptance and concerns about the rating and moderation processes being used.

It is also necessary to provide avenues of appeal or review for staff who are unhappy with the processes or its outcomes.

### 2.2.3 Management buy in

Performance management must be consistent from the top of an organisation to the bottom. Often staff feel lectured on the benefits of performance appraisal by managers who are not seen as being appraised themselves. If management does not take part in the process, a discouraging message is sent to the rest of the organisation, and the system is unlikely to succeed.

Commitment to performance management needs to extend consistently through the senior leadership team, with support by all line managers. A key is to ensure that senior and middle managers see themselves as part of a leadership team, that they accept their management roles and responsibilities and are equipped to carry them out.

‘Effective performance management is where the whole leadership group is able to comprehend quickly and easily the performance of the organisation... It is difficult to get managers to be seen as part of the corporate management team rather than as the leader of their team or branch’

The management team must be clear about the system’s objectives and not send mixed messages. This was a major factor in the failure of a number of past schemes.

Equally, management must work to ensure that this consistent message is filtered through the entire organisation. There needs to be an acceptance that performance management (encompassing appropriate assessment and feedback) is more than a faddish mantra that will, in practice, be abandoned in the pursuit of day-to-day tasks. Management and staff need to accept that performance management will require the application of resources and time and that this is an investment towards higher levels of performance.

'There is a long-standing culture in the public service to pay lip service to management and development. There is an endemic culture to say that these matters are less important and to get on with the job... It needs discipline – it does get in the way but we should take time to do it.'

#### 2.2.4 Closing the Rhetoric/Reality gap

There is usually a gap between the supportive rhetoric of senior management regarding the importance of performance management, the values which are articulated in corporate plans and action or implementation on the ground. Often, people do not perceive that senior management consistently model or reward the values to which the organisation aspires. The existence of some rhetoric/reality gap is inevitable. To some extent it exists in all organisations and CEOs from both the public and private sectors were honest about this weakness in their performance management systems.

'There will always be a gap; it just depends on the organisation as to how big that gap is'.

Interviewees also acknowledged that the size of the gap regarding performance management systems in any particular organisation would inevitably reflect other factors as well, in some ways being an organisational health indicator. However, a review of staff surveys makes it clear that the rhetoric/reality gap needs to be consistently addressed by senior managers across the APS.

One CEO has '...been focusing very hard on the Senior Leadership Group. Our organisational renewal strategy rests on getting the involvement of and ownership by this Group. Unless they themselves change their day-to-day behaviour, there will always be a rhetoric-reality gap that undermines our efforts to pave the way to real organisational improvement'.

As well as identifying the issue, a number of CEOs interviewed mentioned key points of intervention to respond to cynical staff perception. These included:

- Providing immediate follow-up and intervention as a mode of giving feedback;
- Recognising the problem, raising the operational focus from outputs and the financials to consider the people dimensions and deal with what is critical for them; and
- Handling under-performance.

## 2.2.5 Managing under-performance

'Managing under-performance is one of the hardest skills of a manager'.

There is no doubt that staff become cynical when poor performance is not dealt with. Staff surveys show this consistently. While inadequate recognition of good performance is often a cause of concern, the inability of an organisation to manage ineffectiveness and poor performance creates even stronger resentment. This cynicism does affect the credibility of performance management systems.

A number of factors can work against the effective management of poor performance. One is a lack of preparedness by managers to take the issue on.

'Managers aren't prepared to confront hard issues and then issues of rights and remedies arise and ... an awareness of the legal pitfalls... It was a weakness in managers to tolerate weak performance but with more experience managers will do it better'.

'I believe that the term 'managing under-performance' is code for supervisors not being prepared to tell people that they are not performing satisfactorily, so they hide behind guidelines and booklets. It is code for saying that you cannot sack public servants, which is incorrect. It means you are not prepared to do it.'

Another inhibiting factor may be the procedural or process frameworks that agencies establish to handle under-performance. Processes obviously need to meet basic principles of procedural fairness. This is important from an administrative law point of view and a basis for staff trust in the system. In many cases the procedures will have been subject to negotiation as part of agency bargaining and it may have been difficult to negotiate streamlined arrangements. As a result many agency Certified Agreements have provisions beyond what is necessary and create an overly cumbersome framework.

For example:

- The period during which the employee's performance is monitored has been extended and become quite lengthy;
- The formal reporting and responding requirements are more than required (for example reporting on a weekly basis); and
- Very complex processes are put in place for arriving at a determination, once the assessment is complete and the report made to the decision-maker.

The bottom line is that management's failure to address under-performance in most workplaces, across all sectors, is one of the persistent factors that undermines the credibility of performance management systems overall. Agencies could re-visit this issue, particularly in the context of negotiating new certified agreements.

### 2.2.6 Reporting of Outcomes

A number of organisations have mentioned the provision of feedback to staff about the outcomes of performance management systems as an opportunity to build the credibility of their systems. The scope of disclosure needs to include remuneration-related outcomes for this strategy to reach the nub of much staff mistrust. That, however, requires strategies to protect the privacy of individuals. This of course is a common dilemma in public administration.

Some organisations report on aggregate results to staff and more generally as part of accountability mechanisms.

'The public want more transparency in administration but they also are increasingly sensitive about their privacy'.

### 2.2.7 Multi-source Feedback

A number of APS agencies are using multi-source feedback systems to collect perceptions about managers' and team members' behaviours, and the impact of those behaviours on the team and the work activity. Some 24% of certified agreements refer to either upward feedback to managers and/or the SES from staff and 17% adopt a multi-source or 360 degree feedback process of manager, peer, staff and client.

Many more agencies are using multi-source feedback but do not see it as necessary or appropriate for these arrangements to be included in their CA. Most agencies using multi-source feedback do not directly link pay to its outcomes.

An emerging trend is the use of external feedback from stakeholders, including ministers. This is a development which could be of use in improving the credibility of evaluating organisational performance. It could also support the internal credibility of performance management systems, in organisations with a high degree of involvement with stakeholders, including outsourced delivery agents and a culture of identification with clients.

Examples in relation to the use of multi source feedback include:

- Implementation of an on-line 360 degree feedback process;
- Use of an upward feedback mechanism to conduct assessments.

Multi-source feedback can be resource-intensive, and consideration should be given to the frequency of such appraisals. In at least one agency, multi-source feedback is used to help frame future performance arrangements, rather than as an annual contribution to performance appraisal.

### 2.2.8 Staff ownership

'If employees have greater input in the performance appraisal they are less likely to feel resentful when they are being appraised – people support what they help create'.

**Joison.C: Making sure employees measure up.** *HR Magazine, March 2001*

Some organisations have tried to build the sense of staff ownership of performance management systems by involving staff or their representatives in the design of the process. Staff ownership is very important and will go a long way towards overcoming the cynicism and scepticism of performance management systems. Staff involvement in design and review processes also assists in the awareness raising and education of staff.

One agency has introduced a system that allows the staff consultative committee to determine awards for individuals or teams using a small pool of money that has been allocated for this purpose.

In another agency a staff-initiated change to the performance management rating scale was introduced.

## 2.3 Integration – establishing performance management systems as part of organisational planning

Hewlett Packard and Kraft have both been cited by a 1999 study as best-practice companies for operating with strong strategic linkage to corporate aims and developing an objective process that links individual objectives to annual business goals in a clear and articulated manner.

Performance management should be and be seen to be part of the agency's overall corporate management strategy. It must be linked to other change management approaches (such as workforce planning, recruitment and retention and capability development). This more comprehensive planning approach then needs to be kept simple enough for all the pieces to be kept in view at least down to middle-management level.

A number of APS Departments integrate the use of *Plan on a Page* with other people issues – building effective performance, encouraging learning and career development, building an environment of communication, trust and leadership by example.

### 2.3.1 Establishing a clear line of sight

Performance management systems will work when staff can see a clear link between their work and the goals of the organisation.

Agencies are striving to achieve this, with varying degree of success. Important elements appear to be clear articulation of organisational objectives and relating performance agreements and assessments to them.

Line of sight is also a two way process. The ideal is not only to make the corporate priority transparent to staff but to make staff activity transparent to management, by making performance reporting clear and meaningful, reducing levels of supervision and enhancing direct accountability for performance.

One APS Department described their system: Business planning closely links resource allocation, change management, work management activities across the Department – directions and priorities for Group, States and Teams Business Plans cascade into individual actions plans/performance agreements. Business planning and the development of action plans and performance agreements are closely linked to the Budget cycle.

A CEO of another public sector agency observed that he needs to improve communication and the understanding by staff of the vision and goals of the organisation in order for performance management system to reach its potential for his staff.

### 2.3.2 Make implementation progressive and evolutionary

The more effective performance management arrangements are progressively introduced – to ensure that the fundamentals are in place and a genuine exchange on performance is established.

'A bells and whistles system won't help get the fundamentals right'.

Organisations appear to have benefited from building trust and acceptance of performance review procedures and developing the skills of the players involved before going further.

'Performance management systems should change over time as the organisation evolves'

The evolutionary approach means regularly reviewing and evaluating the system's effectiveness.

One agency has regular internal reviews of its performance management system, which is to be complemented by an external review agreed as part of the organisation's Certified Agreement.

Many organisations use staff surveys, and include questions testing the regularity and quality of feedback processes and understanding of corporate and work area goals to assess if they are measuring up to the best-practice lessons we have also been describing.

### 2.3.3 Link to Training and Development

There is an increasing emphasis on the importance of all staff having an individual performance agreement and that their agreement also links to a personal development plan or learning agreement.

One APS Department has established a career development process as the second element of the agency Management Model. The annual career development system identifies skill development opportunities for future roles to complement the skill development needs for current roles, which form a key element in the six monthly performance appraisal processes. A manager one removed conducts this longer-term assessment of an individual. This process is popular with staff and has led to the identification of core training and development needs for the agency.

Performance management systems should facilitate staff development but this is not universally practiced. During interviews, agencies generally indicated that they had structured approaches to skill development. One interviewee, however, expressed concern about the extent to which agencies see training as a separate event, not connected to performance.

'Training and development plans tend to be shopping lists rather than linked to performance expectations and capabilities. Plans should be key tools to provide feedback on current skills and identify ways to improve skills'.

The PSMPC's analysis of Certified Agreements shows that 95% of those agreements include a planned approach to individual learning and development to encourage staff to improve their skills and capabilities. Further 27% of agencies make specific linkages to other people management strategies such as corporate training strategies, workforce planning and succession planning. The use of Individual Development Plans or development components within performance agreements and assessment documentation is common but still needs to go further in relation to strengthening the linkages with strategic people management issues including training and development.

An important emerging trend, however, is a move to articulating competencies and capabilities at an organisational level and the use of these systematically to devise human resource strategies. This has potential to tackle the problem of staff development being unplanned and resembling more a wish list than a corporate priority.

A large private employer noted that they had moved the performance management area to their Learning and Development unit so that that unit could look at the bigger picture and ascertain whether their managers/supervisors had, or could, develop their subordinate staff. They also noted that performance management and skill development was an element of their career and succession planning database.

Some agencies are also using a 'manager one removed' approach focussing on career development with staff to supplement performance management arrangements.

Healthy performance management systems also depend on the quality of skills in giving and receiving feedback and the integrity of any rating processes. Training is critical to give managers the courage and ability to speak openly and honestly to staff, and for staff to receive feedback positively and provide constructive upward feedback. It is also important in developing coaching and mentoring skills.

One organisation is tackling the skills training issue from the management perspective through provision of leadership and management programs and for the individual through 'managing your supervisor' training.

Training can also be used to build manager's understanding of the overall framework. Without this, managers may feel that performance appraisals take too long, are too complicated and do not serve any real purpose. It is essential that managers regard appraisal and performance feedback as a core component of their duties. In this way training can be used as a strategy to build the credibility of performance management as well as simply providing the requisite skills.

#### 2.3.4 On-line activities

Some agencies have introduced on-line performance management systems. Opportunities for use of on line facilities to support performance management systems include:

- Making information, guidelines, performance agreements, pay rates and work level standards accessible;
- Enabling training and development needs to be mapped, fed into a structured process to assist in the identification of corporate needs and assist with workforce planning;
- Monitoring procedural compliance, rating outcomes and evaluating against fairness criteria; and
- Generating multi-source feedback questionnaires, processing results and generating reports at individual and organisational levels.

## 2.4 Evolving Trends

MAC has identified three evolving trends that warrant further attention. These are discussed in the following three chapters.

### 2.4.1 Performance Review and Feedback

There is an increasing focus on how agencies can review and evaluate organisational performance, both to meet external reporting requirements and as a way of validating their performance management systems. This report was not able to answer a number of questions conclusively because organisational performance cannot be measured with confidence. That said, reporting of agency performance under the accrual budgeting framework provides a measure of how well agencies are delivering their respective outcomes and outputs, and in essence, this is also a measure of organisational performance. If an agency has poor organisational performance it is unlikely to be delivering the outcomes for which it has been appropriated funds.

Chapter 3 explores this issue further and examines the implications for strategies for measuring organisational performance and providing feedback.

### 2.4.2 Rewards and Recognition Strategies

The use of reward and recognition strategies is now much wider than solely remuneration-linked approaches. New and innovative approaches are being developed all the time that demonstrate the link between the type of rewards and recognition being used and the culture of the organisation (or the culture to be achieved). However, remuneration-linked approaches are an area of debate.

A particular issue which provoked considerable discussion but which organisations in both the public and private sector find very difficult to implement is the recognition and reward of teams and teamwork.

Rewards and recognition strategies and the issues for the APS raised by performance-related remuneration is explored further in Chapter 4.

### 2.4.3 Measuring Values or Output

Performance management typically focuses on the timely and quality completion of an activity or output. Performance management can also focus on the values or behaviours shown in conducting work. There is an increasing emphasis on the need for a 'balanced performance management system' that takes account of both the outputs delivered and also the leadership behaviours and organisational values displayed. This is an issue for APS agencies and the private sector.

Considering values questions in performance management systems in the APS context also raises the much-discussed issue of the impact of performance management systems on APS values and the APS environment. This is explored further in Chapter 5.

## 2.5 Conclusion

Key elements of good practice in the design and implementation of effective performance management systems in public sector organisations are summarised in the checklist below. This checklist also identifies the three related areas where thinking is evolving.

ALIGNMENT	CREDIBILITY	INTEGRATION
<ul style="list-style-type: none"> <li>• Outcomes sought by government</li> <li>• Consistency with APS values and legislative framework</li> <li>• Nature of the business</li> <li>• Client and stakeholder expectations</li> <li>• History with performance management</li> <li>• Maturity of systems</li> <li>• Organisational Values</li> <li>• Industrial climate</li> </ul> <p><b>Evolving factors:</b></p> <ul style="list-style-type: none"> <li>• Integrating organisational values with output based performance</li> <li>• Achieving alignment in outsourced functions</li> </ul>	<ul style="list-style-type: none"> <li>• CEO and Executive commitment</li> <li>• Review and Simplicity</li> <li>• Fairness and trust</li> <li>• Multi source feedback</li> <li>• Addressing the rhetoric – reality gap</li> <li>• Dealing with under-performance</li> <li>• Reporting of outcomes</li> <li>• Management buy in</li> <li>• Staff ownership of the system</li> </ul> <ul style="list-style-type: none"> <li>• Constructing reward and recognition strategy - especially for teams</li> </ul>	<ul style="list-style-type: none"> <li>• Line of sight between corporate and individual goals</li> <li>• Embedding in a system of organisational performance management</li> <li>• Progressive and iterative approach</li> <li>• Link to training and career development</li> <li>• On-line delivery</li> </ul> <ul style="list-style-type: none"> <li>• Performance measurement and reporting</li> </ul>

## P E R F O R M A N C E

### A S S E S S M E N T   A N D   F E E D B A C K

A fundamental component of any Performance Management Framework is the ability to measure performance at both the organisational and individual level. The nature of such measurement can vary significantly depending on the environmental shapers described in Chapter 2 that impact on any given organisation.

Assessing organisational performance is, however, a particular challenge for organisations. There are a number of questions that the report was unable to answer because of limits in our ability to measure performance, especially at the organisational level. For example the report was not able to draw a firm conclusion on the relative efficacy of different performance-linked remuneration strategies because it is not possible at this stage to compare the performance of organisations that use different approaches with any confidence.

Assessment of individual performance needs to be cast in the context of organisational performance. CEOs are engaged with this priority, emphasising both the desirability and difficulty of relating individual and organisational performance, particularly in the public sector. All also emphasised the importance of the quality of feedback provided on the basis of judgements about performance.

#### **3.1 Issues in reviewing organisational performance**

All APS Agencies are required to publish through Portfolio Budget Statements and Annual Reports performance information against their outcomes and outputs structure.

The Department of Finance and Administration has developed criteria for performance information in Portfolio Budget Statements and Annual Reports and the Australian National Audit Office is currently undertaking a performance audit of six Departments to review the adequacy of performance information against these criteria.

This external accountability represents the first key point of performance measurement for all APS Agencies. While the nature of performance indicators may vary significantly across agencies, the existence of such information is mandated.

This high-level performance information then tends to cascade down into key performance indicators at organisational unit level within agencies.

Interviews suggested, however, significant variations in approaches across agencies in the way organisational performance is measured. For example, in operational/service delivery environments high quantitative measures were used while in organisations dealing predominantly with policy issues such measures tended to be far more qualitative. Other agencies use ratings provided against briefs from their minister's offices to provide an indication of policy-advice performance.

Other CEOs are also focussing on very tangible measures.

In the APS one Secretary talked about modifying his feedback mechanism with the Minister and Minister's office to focus less on perception (always individual and often different between advisers.) He now uses highly quantitative measures from ministerial statistics, comparing for example response times, overdue rates and returns of letters and briefings as an indicator of responsiveness.

Some agencies have adopted a broader performance management approach using 'balanced scorecard' concepts. Typically, this includes the measurement of additional indicators (e.g. people, clients, innovation) beyond the outcomes/outputs and financial indicators traditionally used.

Other examples include:

- Some agencies use staff surveys to assess the rhetoric/reality gap in the perceptions of staff and to gauge staff engagement and attitude to performance management and other initiatives.
- Some are actively seeking structured feedback from ministers and their staff on the quality and timeliness of work, given that ministers are the key client.
- Some seek input from external stakeholders in a structured way.

Finally, a recent challenge is cross-organisational performance. APS agencies have always collaborated but with increased emphasis, for example, on funds pooling between agencies and jurisdictions, we also need new ways to encourage and measure jointly produced outcomes or even the connectedness of organisations.

### **3.2 Measuring Individual Performance**

The concept of integration is also strongly apparent in measuring performance at the individual level. Organisations attempt to have the measures included in performance agreements to be logically linked with organisational performance. This approach helps achieve 'line of sight' between the organisation's outcomes and individual performance measures and supports measurement of the individual's contribution to organisational outputs.

Performance measures used in individual performance agreements usually contribute directly to remuneration outcomes for that individual. The credibility

of the overall performance management system and pay outcomes will therefore be linked directly to the perceived appropriateness and fairness of the performance measures.

In general, more quantitative measures could be expected to result in a more credible performance appraisal outcome. However, in an environment where hard measurement against objectives is unachievable, the use of highly quantitative indicators can equally result in credibility problems. So, like the Performance Management Framework as a whole, the performance measures used need to be appropriately aligned to the organisational environment.

Many organisations interviewed were using values as well as business objectives in individual performance agreements. In this area in particular, quantitative measures were not used to any great extent. The exception to this was one large private sector organisation interviewed which used an on-line 360 degree feedback system to directly assess performance against values in their employees' agreements. Most organisations using 360 degree feedback tended to use this for developmental purposes rather than as a measure of behaviour against values in performance appraisals.

### 3.3 Performance Feedback

A consistent theme emerging from interviews was the view that considerable room for improvement exists in the provision of feedback from supervisors to individuals.

Several organisations had invested substantially in training managers in techniques for more effective feedback to their staff together with coaching and feedback skills.

A 'moment of truth' in any performance management system is the point of interaction between the staff member and their immediate manager. A well integrated and aligned performance management system can still face major credibility problems if the process of feedback is not handled well by the manager.

Many CEOs stressed that giving and receiving feedback is a key benefit of performance management. They saw it as an essential component of performance management systems and a fundamental skill that managers need to ensure the effectiveness of performance management. Without effective giving and receiving of feedback, performance management was unlikely to improve individual or organisational performance or be credible to staff.

'The strengths of the system are that it improves communication and obliges managers to do their job'.

Given the importance of effective feedback in performance management, there is an ongoing need for training to achieve high levels of competency. Managers and staff skilled at giving and receiving accurate, constructive feedback are fundamental to effective systems.

### **3.4 Conclusion**

This is an area where there are no right answers or single solutions. Neither organisational nor individual performance can be measured by itself. It will always be a composite of measurables and judgements. There also needs to be a credible performance management system in place that is based on ethical behaviour and trust.

It is an area that needs further consideration. Relying purely on annual high-level organisational performance indicators or just on an individual's performance agreement loses a number of key opportunities. One of these is the ability to make more confident assessments about the relative effectiveness of different performance management approaches.

Approaches to assessing organisational performance are still being developed with implications for a range of management responsibilities, including understanding the contributions of performance management to organisational performance. Better measures of both individual and organisational performance are needed.

## APPROACHES AND TRENDS IN REWARDS AND RECOGNITION

There is general agreement on the need for rewards and recognition to form part of any effective performance management system. There is less agreement – both amongst the people interviewed for this project and the literature surveyed – on the best approaches for this.

Recent years have seen marked changes in APS approaches to rewards and recognition, notably through agency bargaining, increased differentiation in pay and conditions and a much stronger focus on performance-based remuneration. This was a strong theme in the interviews conducted for this report. A growing trend to complement remuneration policies with broader reward and recognition strategies such as point-in-time rewards was also identified, as was a desire to reward teams.

The move to enterprise and individual agreements in the APS has had a significant effect on improving flexibility. Agencies have taken responsibility for their own financial and human resource management. Overall, there is considerable diversity in systems and approaches, and a strong view among CEOs that this was an appropriate reflection of the diversity of businesses and organisational cultures.

### 4.1 Performance-based remuneration

Agencies are using a range of different approaches to performance-based remuneration. Virtually all agencies link performance to remuneration in one way or another, consistently with the Government's Policy Parameter that performance management should guide salary movement.

#### 4.1.1 Trends

The two most common forms of performance-based remuneration adopted by APS agencies are:

- A base salary increase for satisfactory or higher performance, usually in terms of incremental progression through pay points or through a percentage increase; and
- A performance bonus, usually a one-off bonus payment in recognition of higher than satisfactory performance.

Agencies are also increasingly including retention bonuses, where the retention of an individual is seen as crucial to short-term organisational performance.

Frequently a combination of approaches is used.

Although some confusion has developed from the interchangeable use of terminology, the term performance pay has increasingly been used for either a performance bonus or for a system of proportional increases in base salary for higher than satisfactory performance. Systems that link the full base salary increase to the attainment of satisfactory performance can be seen as performance-based remuneration but are not generally seen as denoting a performance pay system.

Agencies are mostly using a combination of Certified Agreements (CAs) and Australian Workplace Agreement (AWAs) to underpin their performance-based remuneration approaches. The latter are used particularly for SES and Senior Officers and (quite frequently) reflect different approaches than for other employees covered by the agency's certified agreement.<sup>1</sup>

An analysis of the approaches adopted in certified agreements undertaken by the PSMPC provided the following broad findings:

- Agreements generally include strong links to organisational goals, APS values and the basis for providing employees with a clear statement of expectations.
- Systems have been evolving with many agencies reviewing and revising arrangements in their second and third round agreements.
- Nearly all agreements include some form of performance review (mostly with an annual formal assessment).
- There has been a noticeable trend away from semi-automatic increments to performance based advancement. However, we would note that a small number of agencies are still using the old efficiency, diligence and attendance for duty criteria and approach. We would expect this to be addressed in subsequent agreements.
- Ranges of review and rating procedures are used and, while increasing, the use of multi-source feedback is not generally linked to pay.
- There is a considerable diversity of approach with agencies using a mix of remuneration and rewards – wage increases and productivity bonuses, performance linked remuneration, retention bonuses and cash/non-cash rewards.
- The most common approach to performance linked remuneration in Certified Agreements is salary advancement through multiple pay points within a classification or broad band of classifications – either by itself or in combination with some other approach, e.g. bonuses.
- Use of performance bonuses in Certified Agreements was less common with only 27% of agreements including provision for this form of payment. In addition, bonuses were mainly used in combination with other approaches.

<sup>1</sup> State of the Service Report 1999-2000, Public Service and Merit Protection Commission, pages 73–74.

Material provided through interviews and case studies and informed by the SES Remuneration Survey conducted by DEWRSB, indicates that the following observations can be drawn on the importance of performance assessment in AWAs:

- Greater use is made of performance bonuses for AWA employees, with over half the agencies interviewed providing for them as part of their remuneration arrangements (this includes a small number of cases where the employees concerned are given the option of choosing a performance based bonus or salary advancement).
- A greater proportion of pay is generally based on performance and therefore at risk.
- The DEWRSB survey shows that 84% of agencies (covering 90% of APS SES employees) provide pay incentives (98% in the form of cash bonuses and 33% in the form of salary increases). Of those SES employees who were eligible, 80% received an incentive payment in 2000.
- 18% of SES Band 1 increasing to 35% of SES Band 3 were last year eligible to participate in agency retention pay plans.
- Arrangements for executive remuneration generally allow for greater flexibility in the salary range that applies and capacity for differential location of employees in that range, as well as greater flexibility in total remuneration packages. The DEWRSB survey shows a significant widening of SES Band ranges.
- There is increasing differentiation emerging across agencies for executive remuneration (including performance based elements).
- In some instances access to performance-based remuneration is limited to staff who choose to sign an AWA.

In the private sector a common option for rewarding high performance is through the issuing of shares to staff, which has the effect of linking at least a notional component of income to the performance of the organisation overall. This mechanism is used by at least one private sector employer we interviewed.

In the public sector this sort of mechanism is less available and in the APS not at all. However, several of the APS agencies we interviewed are providing a bonus based on organisational performance paid to all employees or those rated as performing.

#### 4.1.2 Issues

There is universal acceptance of the importance of performance management. However, arguments surround the usefulness of performance bonuses or salary at risk. Proponents argue that it is an effective way of getting people to focus

on making the performance management system work and comply with the process, putting ratings and raters under scrutiny. They say it is a powerful tool for sending a message and aligning people with organisational objectives. Interestingly almost all the proponents cited the outcome of getting people to focus whereas the proposition that money is a strong motivator was only cited by a couple. Some proponents see bonuses as an effective method of rewarding superior performance even where they do not see it necessarily as a means of driving performance.

'Performance pay is certainly not a motivator to work harder. Managers who think so, particularly in the public sector, misunderstand what drives their people. Rather, the way I use performance pay is to acknowledge or recognise high performance after the fact. A personal thank you is one thing; a personal thank you and a meaningful cheque means that you are serious. You honour and value the person and their performance'.

'Performance pay will keep going because it puts pressure on managers to carry out performance appraisals ... On balance it helps to make performance appraisals happen, it makes it more honest'.

Critics argue that there is no conclusive research proving that pay at risk or bonuses are effective at improving organisational performance. Also they can cause friction, a sense of injustice and can undermine team solidarity.

'I am not aware of any place where it works. I would be happy to be shown literature which proves otherwise'.

On the other hand...

'The very widespread and increasing use of performance linked remuneration by the private sector at executive levels throughout so much of the developed world points to their confidence in performance pay as a tool for organisational performance improvement'.

Proponents of bonuses or salary at risk argue that the problem with base salary movement linked to performance is that it locks the employer in to a (superannuation linked) pay level even if performance drops subsequently. Others contest this assumption about employees' motivation pointing out that is implausible that effort rewarded with a pay rise would be followed by a diminution of effort. If performance drops, they say, then that is an issue for the management of poor performance, requiring a whole range of interventions, not just the big stick of pay level, albeit that might be an issue at some point.

In today's more flexible labour market APS employers also want the ability to be able to reward skill gained and applied without the contrivance of created vacancies and promotion processes. AWAs are used to provide APS employers with the means, for example, to retain specialist staff without promoting them into supposedly generalist SES management jobs, to add salary points into the top of a pay range or to pay staff bonuses for staying with an agency for a specified period or project.

The different approaches in different agencies reflect in part the different views of CEOs. It is, however, important that without constraining their operations, CEOs appreciate the other environmental shapers of performance management in their particular agencies, and design their approach in the light of such considerations as:

- How best to ensure performance feedback occurs universally and regularly now and into the future;
- How best to ensure performance feedback is clear and honest, and consistent;
- The appropriate balance between positive feedback and criticism, to best motivate improved individual performance;
- The importance of monitoring and rewarding an individual's development over time, as well as monitoring individual's performance relative to others;
- How best to manage under-performance to reverse a deterioration and/or to remove an obstacle to the performance of a team;
- How best to ensure systematic succession planning and career planning;
- The importance amongst staff is for pay to reflect individual performance as well as work value and market consideration.

Even strong supporters of performance bonuses accept that these are but one option.

To quote a supporter of performance bonuses, 'If there was no performance pay, it would not be the end of the world – the public service would not stop and the very best would not leave – but we would not be as effectively managed'.

To summarise in relation to performance related remuneration; all APS agencies use it, which is clearly consistent with good practice. They differ in their construction, with CEOs accepting that diversity is appropriate and that no one system is inherently superior. Not only do the limits to our capacity to measure outcomes with confidence inhibit such judgement but there is also a fundamental consideration about alignment. One of the challenges in performance management is to align the design of any system with the culture (or desired culture) of the particular organisation.

## 4.2 Recognising and rewarding teams

Proponents of team-based reward and recognition argue that this encourages employees to work collaboratively, to achieve goals and to share resources and information rather than compete for them. They argue that complex organisations require employee collaboration to succeed. Critics argue, however, that concentrating on team performance robs the organisation of the opportunity to focus on individuals and upgrade the quality of its employees. It detracts from the achievement of individuals by not differentiating clearly enough between various levels of contribution, and devalues individual excellence. At a practical level, critics highlight problems in comparing teams, and handling problems of poor performers in good teams and good performers in poor teams. Nonetheless, there is considerable attractiveness in reward or recognition structures that embrace both individual effort and the contribution of teams. Team-based reward and recognition should not be inherently in conflict with much of the workplace culture of the APS. However, it is not widely practised except in some agencies, which measure teamwork as part of individual performance. This was singled out in several interviews as a challenge for current performance management systems.

One agency established a team-based reward and recognition system but abolished it when it proved too problematic with staff and lost widespread support.

Interestingly a small APS agency had eschewed individual performance-related remuneration but decided instead to reward staff on the basis of organisational performance. They believed that this had produced a several-fold increase in organisational productivity.

The research for this report observed a number of different approaches to taking account of the impact of the individual on the group in individual appraisals. These were all aimed at ensuring that people did not achieve their individual targets at the expense of the well being and/or performance of other staff, the team or the organisation as a whole.

Many organisations give strong weighting to alignment with corporate values and behaviours that are in accordance with these values. Some went as far as ensuring that financial rewards linked to performance were not available to anyone unless they met a minimum standard on both performance against targets and alignment with the values/behaviours of the organisation.

Another approach to achieving a balance between individual and group performance was found in some public companies where the formula for calculating performance-linked remuneration contained a percentage for individual performance, a percentage for the group performance and a percentage for the overall performance of the company.

### 4.3 Other Rewards and Recognition

Many organisations recognise the benefits of giving rewards and recognition more immediately than is possible through an annual performance cycle. These include both formal and informal rewards and recognition and range from nominating individuals for Australian honours and awards to the simple, but effective, thank you for a job well done. The range of strategies actually used has increased in the APS in the last few years, as agencies have developed human resource management strategies tailored to their own organisational needs.

Listed below are good examples of the types of rewards and recognition being used:

#### 4.3.1 Formal

- Nominating individuals for formal Australian Honours and Awards including the Order of Australia, the Public Service Medal and the Conspicuous Service Decorations. These may also recognise achievements outside of the APS.
- Secretary's Awards and Commendations, which can be awarded to both individuals and teams, are usually presented at public award ceremonies.
- The Australia Day awards sponsored by the National Australia Day Council, which is awarded to individuals or teams. In one organisation outsourced providers sponsor the award.
- Employee of the Year, Monthly Rewards or 'Instant Recognition' Rewards, which can range from the awarding of a certificate to small monetary rewards such as a dinner for two, movie or theatre tickets or gift vouchers. There is now considerable variety: one organisation even provides a prized car parking spot next to the CEO for the month! These types of awards can be either management or employee initiated (awarded by the social club, staff consultative committee or branch/divisional heads).
- Access to specific learning and development opportunities such as leadership development programs, specialist knowledge development, overseas conferences or representation.

#### 4.3.2 Informal

Informal rewards and recognition are very effective and often one of the things that employees seek most. These types of rewards and recognition being used include:

- Timely praise and thanks to both individuals and teams (private thanks, comments at meeting/morning tea, comments written on work undertaken, e-mail).
- Small presentations or gestures of appreciation from managers.

- Provision of work/home balance programs which provide employees with the flexibility to manage both work and home commitments. This may include time off in lieu arrangements, job sharing, part time work, family rooms, work-based childcare facilities, home-based work, provision of carer's leave and health programs.
- Publicity of achievements such as articles in internal or external newspapers and magazines and public recognition through external awards and recognition.
- Provision of additional recreation leave to employees who have been required to work long hours in order to meet performance targets.

#### 4.4 Conclusion

In summary:

- All APS agencies apply performance linked remuneration in line with the appropriate legislative and policy frameworks;
- Performance management works best where there is a strong link between organisational culture (or culture to be achieved) and the types of rewards and recognition used, alignment between outputs/outcomes and values/behaviours and rewards and recognition, and consistency in application of rewards and recognition;
- When these factors are aligned rewards and recognition strategies can be a credible and effective part of a performance management system. Where that is not the case, reward and recognition can undermine the credibility of the whole system;
- Best systems make good use of point in time rewards and recognition and there are a lot of good ideas out there to pick from;
- Views vary on the effectiveness of performance-related remuneration strategies – but where the method chosen is aligned with the culture of the organisation or the culture you are trying to achieve, and supported by employees, it is a very effective way of reinforcing a performance-based culture; and
- While performance linked remuneration is a motivator for many people it is ranked behind other motivators such as the quality of work, the work environment, intellectual stimulation, interaction, achievement, and worthwhile notion of public service.

MAC considers the various approaches to performance management build on and complement these frameworks by linking other systems of recognition and reward ranging from positive feedback through to performance bonus or other performance related rewards. However, it is important to keep performance-related remuneration in perspective as only one component of performance management and of broader approaches to reward and recognition, and to acknowledge the diversity of views and approaches on this subject.

## IMPLICATIONS

### FOR THE APS ENVIRONMENT AND APS VALUES

A number of issues in performance management have specific implications for the APS, in particular the compatibility of performance management systems with, and their impact on, APS values.

#### 5.1 **Getting the balance right – managing the performance of behaviours or outcomes?**

While effective planning and evaluation processes targeted at producing value for money are important components of performance management, people are the real key to high-performing organisations, and the provision of a rewarding workplace is both a major benefit of effective performance management and a fundamental plank in any successful framework.

'The 'how' you do it has an impact on future sustainability as well as an immediate effect'.

For performance management to work in a sustainable manner it is important that the right balance be struck between managing resources and achieving outcomes, and managing individual behaviour through a values-based system.

In the APS the degree to which performance management systems are values-based varies significantly. This is the result of the flexibility that agencies have in the current environment to adopt the most suitable means of integrating performance management systems into their particular organisational cultures.

One policy-making department has a system for assessing individual performance against exclusively values-based criteria.

Several agencies at the other end of the scale focus very strongly on key tasks and outcomes, with less structured assessment against values and behaviours.

'The focus is on results, expectations and achievements'.

The majority of agencies surveyed, however, considered values to be important and use a combination of behavioural and task-oriented criteria to assess individual performance.

'Values and principles are as important as outcomes and outputs. Outcomes and outputs may be achieved in the short term without values and principles but not in the medium term'.

It was not expected that values would feature as strongly in the private sector. The APS has a long tradition of adherence to a widely accepted set of standards, including acting in the public interest, while private-sector companies are supposed to be principally driven by the need to generate a profit. Nonetheless values were clearly in focus for the same reasons for several of the private-sector CEOs we interviewed.

One organisation had developed leadership competencies that 'cut across all parts of the organisation' and were one of three elements used in performance reviews. Assessment against the competencies was conducted by way of 360 degree feedback.

Another company had a variety of systems in place, and was currently attempting to standardise them. It measured performance according to roles in the organisation but also included behaviours because it wanted 'quality outcomes that may lead to repeat business'. Individual performance plans included a combination of tasks and behaviours, but the degree of importance of each was variable depending on the role and level of a person in the organisation.

A third was in the process of building organisational capabilities. It thought that at present performance management was not driving behaviour, although it was providing some employees with positive reinforcement.

One private sector organisation articulated a set of values very similar to the APS values but their use of values and measurement was more rigorous, including a 360 degree feedback process to assess behaviour.

One issue, which APS CEOs are now confronting, is the issue of managers who are high achievers in relation to delivery of outputs but poor at dealing with their colleagues or staff in behavioral terms. This illustrates the importance of taking account of both outputs and values (leadership behaviour).

There are four types of managers. There's the type of manager that has the values, is open, is boundless, et cetera, and makes the numbers. That's easy. You promote him, up and onward. There's the type of person who doesn't make the numbers and has all the values. You give him a second chance and a third chance. Then you have the person that's also easy, who doesn't have the values and doesn't make the numbers – they go out the door.

And then you have the toughest one of all in corporations – the fourth guy – the manager who makes the numbers and doesn't have the values. And that's the one people have hung on to over the years too long, because if you're trying to talk values and you don't walk the talk because you've got somebody making the numbers, you lose the confidence of the people.

**Jack Welch**, *CEO General Electric – AFR's BOSS, October 2000*

## 5.2 A career-based service?

Those interviewed generally regard the diversity of performance management systems in the APS as a good thing; agencies believe that a framework allowing them to adapt performance management to their individual needs is preferable than applying a generic or uniform approach to performance management in the APS.

Individual agencies in the APS have always had to compete with the private sector and, to a certain extent, with other agencies for the available pool of talent. In the current environment, however, there are indications that due to the variety of pay and performance regimes, the competition between APS agencies to attract and retain valuable staff has increased.

'Indeed, the development of a labour market within the devolved APS will ensure the public interest ethos is maintained, including a career service, at a very high standard – rather than tending towards a lowest common denominator.'

A number of agencies are employing various strategies, including the use of performance bonuses and Australian Workplace Agreements (AWAs), to help them retain high performing employees. While there are obvious benefits for individuals through these arrangements, such as acknowledgment of their value to the organisation and increased remuneration or other benefits, we encountered some concern about the negative implications in terms of career development, particularly in regard to mobility.

This said, there are also financial and accountability issues which may constrain too great a divergence.

'I do see divergence with agencies, particularly small ones. Within the broad church of the Service, I don't detect great fragmentation. We will be moving at the same sort of pace – there may be greater diversity but we will tic-tac. There will not be any great breakouts because we don't have the money or inclination. Some agencies have been able to downsize significantly so they can be more creative – but there are some tensions here'.

### 5.3 Service-wide values

For much of its history, the ethos of the APS was defined by a set of unwritten public service values that employees across the whole spectrum of Commonwealth employment were taken to share. It is only comparatively recently that a set of APS values have been articulated and included in legislation; initially in the Public Service Regulations in 1998 and now in the *Public Service Act 1999*. The Public Service Act not only codifies these values; it makes it a requirement that all APS employees, including Agency Heads, uphold them. It also requires Agency Heads to promote them.

The notion of a common APS ethos is reinforced by the APS Value that states that 'the APS is a career-based service to enhance the effectiveness and cohesion of Australia's democratic system of government'. In practice, however, the idea of a career-based service sharing a common ethos is subject to an increasing number of tensions in an environment in which individual agencies are encouraged to forge their own corporate identities. This report has not identified problems in service values or unity being precipitated by performance management.

The challenge is to ensure that the values expressed in individual agencies' corporate plans and performance management systems continue to be based on and complement the APS Values.

Out-sourcing of functions in the APS raises additional issues in performance management and its relationship to values – those of specifying and managing high performance through contracts and service agreements, rather than line accountabilities, and of maintaining a values-based service with a shared ethos in an outsourced operating environment.

### 5.4 Conclusion

Within an environment of devolution and diversity, the APS Values and Code of Conduct are an essential cohering force for concepts of a single service. The PS Act requires that Agency Heads must uphold and promote the APS Values and, similarly, APS employees are bound to uphold APS Values. The balance between greater flexibility on the one hand and accountability on the other hand should continue to be monitored to ensure the core public interest ethos is maintained, and in particular the concept of the SES and a career service.

## CASE STUDIES

### FROM SELECTED AUSTRALIAN PUBLIC SERVICE AGENCIES

#### EMPLOYMENT, WORKPLACE RELATIONS AND SMALL BUSINESS PERFORMANCE MANAGEMENT

##### OVERVIEW

DEWRSB has been actively developing a performance management framework over the past two years. This framework has four key elements:

- 'Our Directions' (the Department's Corporate Planning document)
- The DEWRSB Outcomes and Outputs structure (including key performance indicators)
- Business planning (this integrates business directions and priorities with resource allocation, change management and risk management throughout the Department and cascades down to individual action plans or performance agreements for all staff).
- Performance review and feedback (structured quarterly performance review process has been introduced for both organisational and individual performance).

##### KEY FEATURES

###### Integration:

- A very close linkage has been developed between organisational performance planning and review and individual performance planning through the use and promotion of the integrated performance management framework.
- Business Planning has closely linked resource allocation, change management, risk management activities across the Department – directions and priorities for Group, States and Teams Business Plans cascade into individual action plans/performance agreements.
- Individual Action Plans/Performance Agreements include values and behaviours identified within the Department's 'Our Directions' Corporate Plan – performance assessment gives 50% weighting to values and behaviours and 50% weighting to achievement of business objectives.
- Business Planning and the development of Individual Action Plans/Performance Agreements are closely linked to the APS budget cycle.

**Structured Performance Review and Reporting:**

- During 2000/2001 particular emphasis has been placed on the introduction of formal quarterly performance reviews covering organisational performance – individual performance feedback has to date been occurring biannually but will also move to a quarterly basis.
- DEWRSB uses balanced scorecard performance reporting arrangements through an Executive Information System (DOORS) that reports on performance against:
  - Business plan key performance indicators (kpi's)
  - Financial resources (departmental and administered)
  - People management kpi's (using HRM Inform)
  - Client satisfaction indicators.
- The Department has recently introduced a 'DEWRSB Dashboard' which presents an on-line view of performance across all four performance quadrants with 'drill down' capability.
- During 2000/2001 360 degree feedback processes against the SES capabilities were also introduced for all SES and EL2 staff.

***Performance Agreements/Individual Action Plans***

- Feature both business objectives and values and behaviours with assessment of 'what is done' and 'how it is done' given equal weighting.
- Development plans for individual staff are a key component of these documents – these are linked closely to the Department's Organisational Capability Framework.

**Organisational Capability Framework**

This defines the key things that DEWRSB must do well to perform at it's best. The skills and knowledge required to do these things is also identified as part of this Capability Framework.

**History of Changes**

The DEWRSB Performance Management Framework is under ongoing development. During the past twelve months, major developments have been made in the following areas:

- Integrating organisation and individual performance planning and review;
- Establishing the Capability Framework to better align people management strategies with Departmental business requirements;
- Introducing 'balanced scorecard' concepts to performance review and reporting;
- Undertaking extensive training of staff in feedback and coaching associated with performance agreements/individual action plans;

- Strengthening the Department's mobility, rewards and recognition and managing under-performance policies;
- Implementing the HRM Inform software which provides extensive information on people management kpi's benchmarked against other organisations; and
- Refinement of key performance indicators used throughout the Department.

#### **How Well Does it Work?**

- Integrated Business Planning has been well received at managerial levels throughout the Department.
- Performance Agreements/Individual Action Planning processes are generally well regarded by staff – although there is clearly room for improvement in the effectiveness of these processes and the quality of feedback provided.
- The use of formal performance review processes and balanced scorecard concepts have resulted in issues being identified and follow up action being taken (eg Management of Administered Budget, Expense Budgeting, Absenteeism, Use of Temporary Staff)
- The use of the Organisational Capability Framework has been particularly valuable resulting in a number of new directions in people management strategies for the Department.

#### **Key Messages**

- An integrated approach is essential.
- Implementation of better performance management practices is an ongoing process which evolves as the organisation's performance focus and management practices and systems mature.
- Feedback, coaching and managing under-performance are areas requiring particular attention.
- The use of Organisational Capabilities can be vital in better aligning people management strategies with business directions and needs.

## TREASURY PERFORMANCE MANAGEMENT

### OVERVIEW

The Treasury Performance Management framework applies equally to all employees in the Department whether they are on an AWA or covered by the CA. It provides:

- Context setting processes to ensure consistency
- Open, two way feedback
- Upwards feedback on managers in Treasury
- The basis for skills development
- System controls to facilitate transparency and fairness
- Reporting of organisational performance outcomes
- Provisions for addressing under-performance

Performance appraisals are conducted six monthly, with regular feedback and coaching being provided on an ongoing basis. Two performance schemes operate within the Treasury Performance Management Framework: the non-SES appraisal scheme based on the behaviours in the work value matrix and the SES appraisal scheme based on the Leadership Capability Framework.

Common to each scheme, employees and their managers:

- Agree job statements linked to business plans
- Identify skills development linked to current roles
- Discuss performance to date

### KEY FEATURES

Staff are assessed against a matrix of behaviour based performance criteria relevant to their level (including Output Management, Communication, People Skills, Conceptual and Analytical and Judgement). In the case of SES, the PSMPC leadership dimensions are used. In addition, staff responsibilities (eg as Managers, Specialists or Analysts) are defined by a Role Accountability matrix.

For the non-SES, six monthly performance appraisals provide base salary, salary progression within broadbands and temporary loading, prospective and retrospective, based on work performed at the next level.

For the SES, six monthly performance appraisals provide base salary; performance ratings based on a quintile ranking, performance bonuses and salary progression for sustained longer-term performance.

All appraisal outcomes are subject to a review panel process, comprising managers in the respective Division or Group and chaired by the Manager-one-Removed, to ensure consistency and fairness. A dispute resolution process is also available to any employee who is not happy with the either the appraisal process or the outcome.

In Treasury context setting meetings are held prior to each appraisal cycle to ensure relevant and consistent information is cascaded down the organisation. The senior management team meets to discuss strategic management issues relating to the context for the next appraisal cycle with outcomes disseminated to all staff. Further context setting meetings are held at group and divisional level to reinforce key messages and enhance consistency.

Briefings on the Performance Management System for new staff and skills training for all staff in giving and receiving feedback are offered prior to each appraisal cycle.

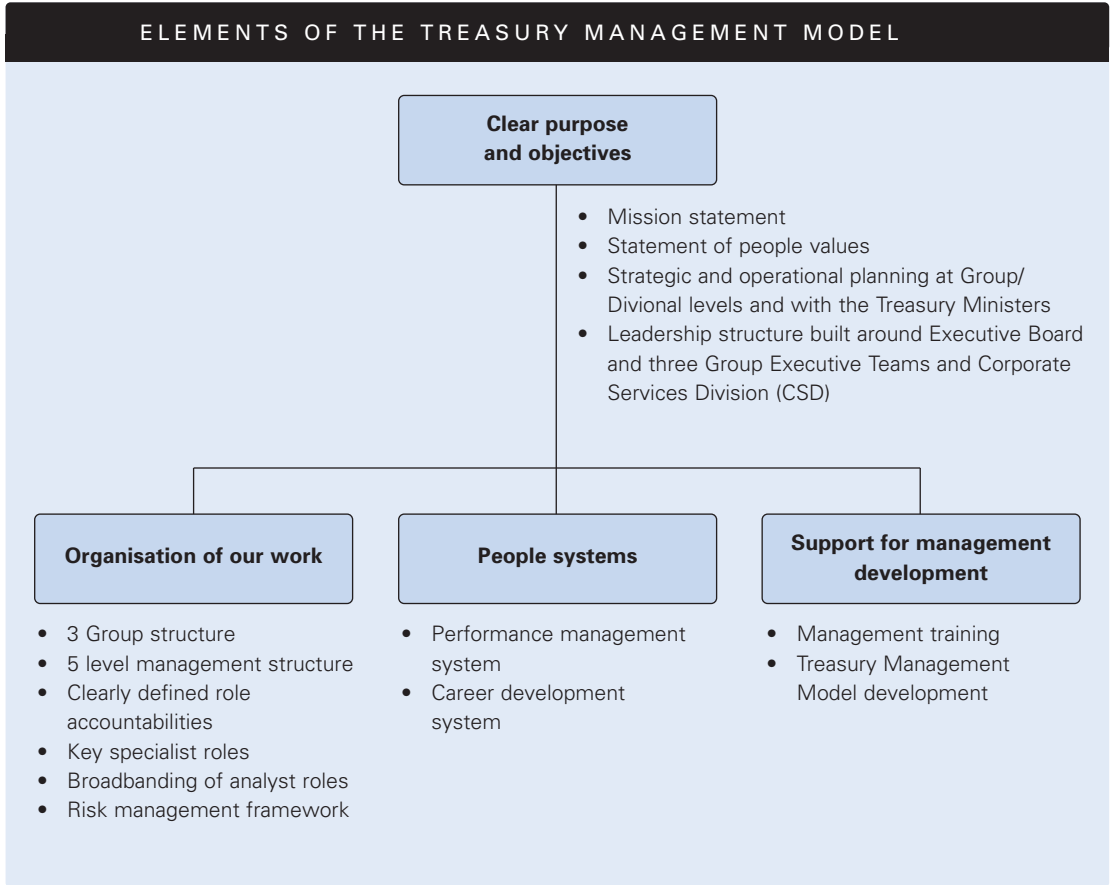
To ensure transparency of the system all employees will be able to view job statements and aggregate data is distributed throughout the Department following each appraisal cycle.

Senior management is committed to continuous improvement of the performance management framework and consults regularly with staff on enhancements to the system. A commitment to formally audit the Performance Management System was given to staff as part of the negotiations for the second Certified Agreement and will be completed in June 2001.

The Performance Management Framework together with the Career Development System underpin the Treasury Management Model which introduced improved corporate planning processes, a streamlined organisational structure, enhanced people management systems and leadership development (Figure 3).

Treasury's Career Development System provides mentoring guidance for staff. Employees and managers-one-removed meet annually to discuss longer-term development for future roles including changes in role, work placements and job rotation. The Career Development System facilitates dynamic operational and resource planning and articulates to Treasury's recruitment, development, and succession planning and retention strategies.

FIGURE 3



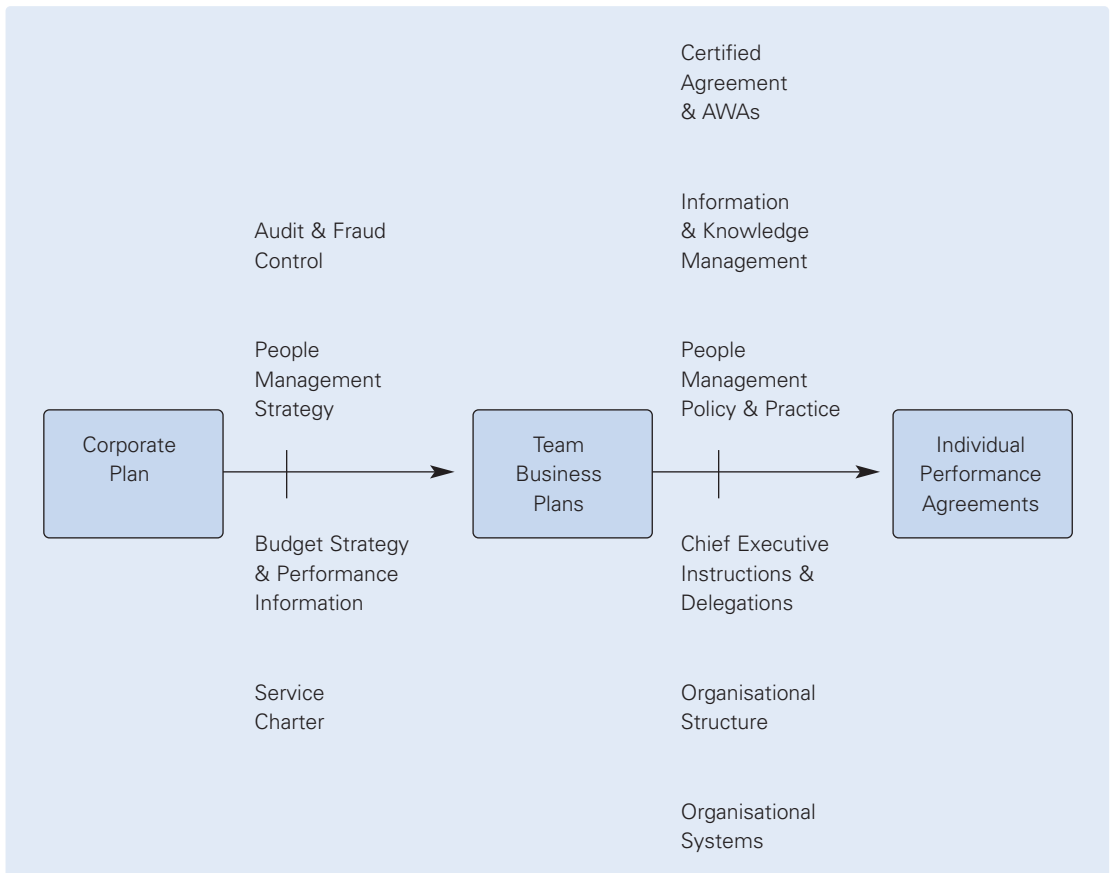
**PUBLIC SERVICE AND MERIT PROTECTION COMMISSION  
PERFORMANCE MANAGEMENT**

**OVERVIEW**

The PSMPC’s Corporate Performance Planning and Management Framework links its Corporate Plan, team business plans and individual performance agreements.

The PSMPC’s approach to performance management:

- Is located within an overall corporate performance planning, management and accountability framework;
- Relies on an achievements and values based performance appraisal;
- Articulates a desired culture through organisational and workforce characteristics; and
- Links individual development planning with corporate level planning.



## KEY FEATURES

A key element is the Performance Appraisal Scheme, which is aimed at further fostering a performance culture and contributing to achieving corporate outcomes. The Scheme operates on an annual business planning and management cycle and its key features are:

- All employees, except those employed for very short periods, participate;
- Individual performance agreements articulate expected achievements and are linked to Team business plans;
- Individual development plans feed into an annual corporate training calendar;
- Mid-cycle and end-cycle feedback and reviews of performance; and
- Use of a five point rating scale; with performance based salary increases and payment of bonuses to superior and outstanding performing employees; and
- Initiation of action and a process for addressing poor performance.

The Scheme promotes the APS Values through their inclusion in all performance agreements.

It is complemented by 360 degree feedback processes. These are not directly linked to appraisal ratings or remuneration, but do contribute to individual development plans.

Team Leaders are responsible and accountable for their management of the Scheme. The Executive, as the Remuneration Committee, determines salary increases and the allocation of bonuses in consultation with Team Leaders.

The Scheme is included in the PSMPC Certified Agreement 2000–03 and all AWAs.

### Broader Performance Management Context

Performance expectations and planned use of resources are set out in the Corporate Plan and Portfolio Budget Statements, with corporate performance and use of resources accounted for through the Annual Reports.

Team Business Plans are developed annually to support the achievement of agreed outputs and provide the basis for agreeing team priorities, allocating internal budgets and accounting for team performance and use of resources through the appraisal of Team Leaders' performance.

The Certified Agreement and AWAs articulate the characteristics of the type of organisation and the workforce we are seeking to foster.

### History of the Scheme

A Performance Appraisal Scheme was introduced on a six-month trial basis in 1996, with indicative remuneration outcomes provided but not delivered. Minor modifications were made as a result, with the Scheme then authorised through the PSMPC's Certified Agreement 1997–99.

The rating scale and its impact on remuneration and poor performance were included in the Certified Agreement, but the Appraisal Scheme Guidelines were not included in the Agreement. The guidelines were revised for clarification during the term of the Agreement.

Some substantive changes were made in the PSMPC's second Certified Agreement 2000–03:

- Replacement of the four point rating scale with a five point scale;
- Adoption of bonuses, in the place of accelerated salary advancement, for superior and outstanding performing employees;
- More clearly establishing responsibilities under the Scheme;
- More clearly setting out the links between the Scheme and other dimensions of performance planning and management within the PSMPC; and
- Discontinuing a team recognition and reward scheme criticised by staff as being potentially divisive and focusing on high profile work.

#### **Effectiveness of the Scheme**

From a corporate perspective the Scheme has proved to be an appropriate means for linking Team performance to overall corporate outcomes, for better articulating individual responsibilities in relation to Team Business Plans and providing the basis for twice yearly feedback on performance. It has also proved to be an effective mechanism for assessing employee's performance and managing salary advancement in a broadbanded environment.

Staff surveys conducted in 1997 and 2000 indicate generally positive views of the scheme and the nature of feedback processes.

## TRANSPORT AND REGIONAL SERVICES PERFORMANCE MANAGEMENT

### OVERVIEW

The Performance Exchange process is the last part of the performance management process that begins with the development of the Portfolio Budget Statement and the Corporate Plan and then cascades down through Divisional and team business planning processes to the individual's *Plan on a Page*. Performance management workshops are conducted regularly and involve skilling in feedback to staff and to supervisors. All employees are encouraged to attend.

The Performance Exchange is a twice-yearly dialogue between supervisor and employee on work performance and development. It includes a comparison of results with objectives set out in the previous exchange. It also includes a discussion about how results were achieved and their contribution to organisational goals and a review of any factors hindering achievement and how these might be addressed. The results of the discussion are recorded on the *Results on a Page* form. A new *Plan on a Page* document is then prepared for the following six-month period.

Supervisors aggregate development information for collation at divisional level. This data then contributes to divisional and corporate development planning processes. The on line development booking and evaluation system will (from April 2001) require employees to record development and related costs on-line and to provide feedback on the suitability of the training. This information will be an additional source of data to help assess the cost effectiveness of training and development strategies.

The Department has a credo of *Results through People* which links together what the Department does and how it achieves it. A *Results through People Taskforce* was formed in July 1999 from a cross-section of staff. The Taskforce actively assists in implementing strategies aimed at fostering organisational excellence. The Taskforce also acts as a reference group for new policy initiatives.

### KEY FEATURES

Distinctive features of the performance management system (PMS) currently in use within the Department are:

#### **Improved linkages between the Portfolio Budget Statement, Corporate Plan, Divisional and individual plans**

The issue of better aligning performance measures at all levels across the department is currently being addressed. We are working to develop an integrated performance management framework for DoTRS. The performance exchange process and forms have been redesigned to focus on: DoTRS purpose and values; work performance goals and measures; and aligning development with the Secretary's Statement of Future Skills Requirements.

A framework for the business planning process has been developed which facilitates clear linkages between the Portfolio Budget Statement, Corporate and Divisional plans. The new *Plan on a Page* format includes linkages between individual, corporate and divisional outcomes.

### **Strong development focus**

The current arrangements require employees to agree on developmental needs with their supervisor and work towards agreed developmental goals during the six-month review period. In 1999, the Department was accredited under the Investors in People Standard in recognition of the high quality of its development strategies and its people management.

### **High level of employee acceptance**

A recent review of the Performance Management System revealed high satisfaction with the current system, which is seen as encouraging positive dialogue between the employee and the supervisor.

### **User-friendly documentation**

The individual performance management form is in one page. It is called *Plan on a Page*. The Department will soon be trialing a new one-page form called *Results on a Page*, which will take the total documentation to be completed to two pages. The wording is simple and there are no ratings scales or requirements for assessment.

### **Links to pay arrangements**

The *Plan on a Page* is one of the elements taken into consideration by supervisors, when confirming salary progression for staff under the terms of the Certified Agreement. The Secretary also takes it into consideration, when considering allocation of bonus payments under individual performance agreement arrangements agreed through the AWA process.

### **Evaluation of Effectiveness of the PMS**

The PMS is widely accepted by people at all levels of the organisation, however, as with many systems, compliance is patchy in some areas. Feedback from employees and also the 2000 Staff Survey results, indicate that the only area of the system which causes slight unease is upward feedback

The supervisor is required during the Performance Exchange process to solicit upward feedback from the employee. Some people have indicated they have difficulty in providing this, due to the perceived imbalance in power in the relationship. Anecdotal evidence also suggests, however, that there are many areas of the Department where this process is working increasingly well, and that the barriers are gradually being overcome.

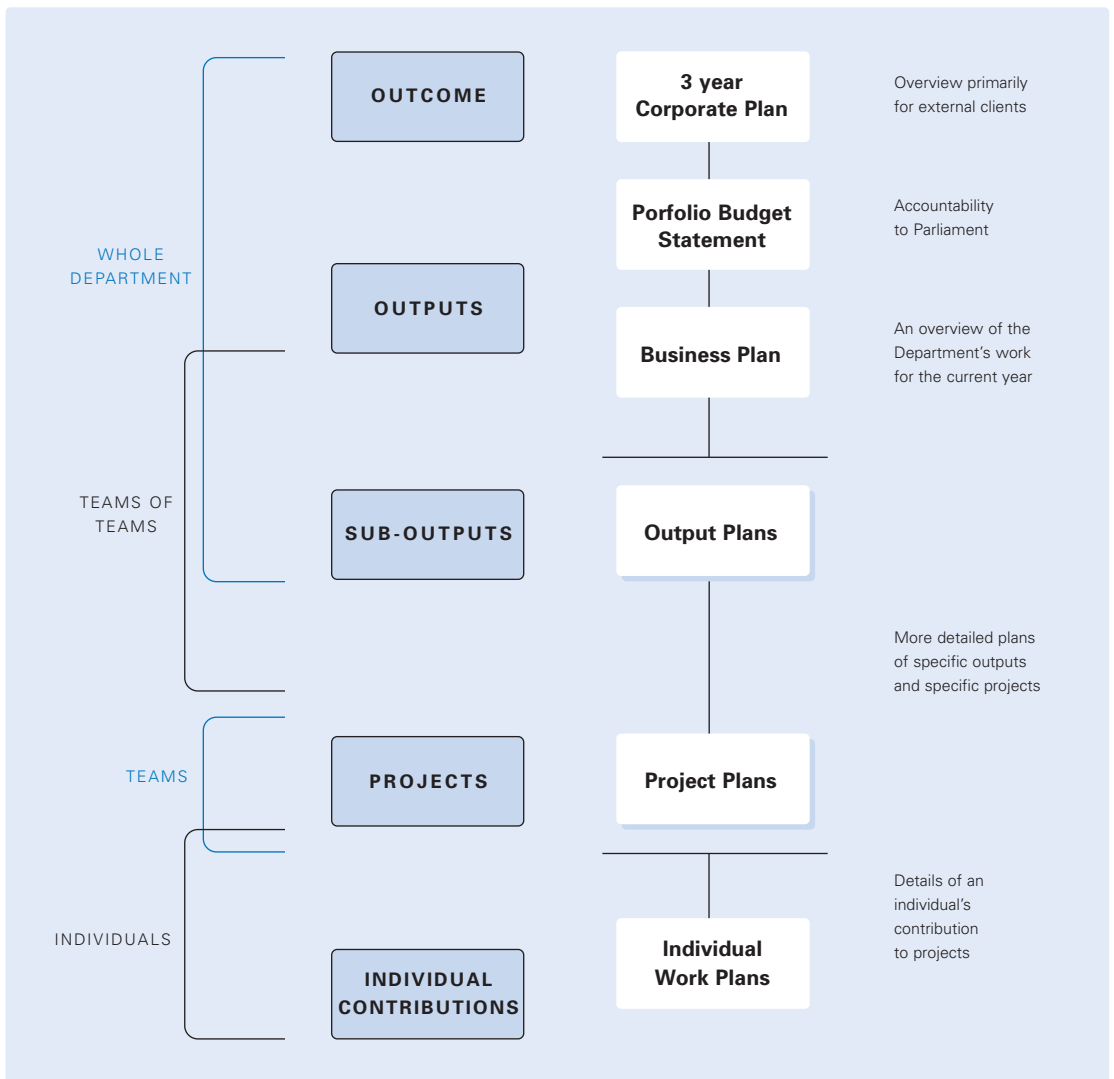
### **Future Initiatives**

The Department will be introducing 360 degree feedback as a development tool over the next six months, and it is expected that this will further encourage a culture of feedback and open discussion of performance expectations.

## AGRICULTURE, FISHERIES AND FORESTRY – AUSTRALIA PERFORMANCE MANAGEMENT

### OVERVIEW

Performance management is the main element of AFFA's Performance through People Program and a key priority for people management in the Department. It is about all employees understanding the planning framework, priorities, directions and the job to be done, possessing the right skills, achieving results to the required standard and getting feedback and recognition for good performance. Its aim is to improve the management of individual and team performance and increase morale and job satisfaction, and thereby, the productivity, efficiency and effectiveness of AFFA.



The Department recognises that all involved need to devote time and effort to giving fair, considered and continuous feedback to their staff as a large part of the AFFA performance management system involves self-assessment.

AFFA's commitment to people management and its integrated approach to planning and performance management has assisted in achieving Investor's in People accreditation within the Bureau of Rural Sciences (BRS).

### **AFFA Planning Framework**

AFFA has implemented a comprehensive planning process that cascades down from the AFFA Corporate Plan through to Business Plans to the individual performance agreements of AFFA officers.

### **KEY FEATURES**

The scheme operates on a 12 month planning cycle, its key features are:

- Managers and employees jointly develop, maintain and regularly review a work plan and learning agreement
- Managers and employees receive and provide ongoing and constructive feedback
- Managers assist employees to identify their learning and development needs in the context of skills that will need to do their job effectively
- Performance management outcomes are used to determine advancement through pay points within work levels
- Employees' conduct a self-assessment that is used as the basis for regular (quarterly or six monthly) feedback discussions.

All staff in the department have a Performance through People folder that contains:

- AFFA Corporate plan and relevant Business/Group plans
- Client service charters
- AFFA Performance through People plan
- Individual Work Plan
- Individual Learning agreement
- Diversity program.

## DEFENCE PERFORMANCE MANAGEMENT

### OVERVIEW

Defence has three performance schemes in operation for civilian employees: the Research Scientists' Performance Management Scheme (RSPMS); the Legal Performance Management Scheme (LPMS); and the Civilian Performance Framework (CPF). The SES Performance Framework complements the schemes.

15,000 or so civilians, and their military supervisors, participate in the CPF. The following information refers to the CPF only, as it is the main scheme operating in Defence. The principles of the CPF are found in the Defence Employees Certified Agreement 2000–2001.

The Civilian Performance Framework (CPF) aims to:

- Provide a clearer link between individual performance and organisational priorities and plans;
- Improve communication and trust between supervisors and employees;
- Provide opportunities for employees to participate in formal exchanges about their performance;
- Determine learning and development needs; and
- Define supervisor and employee responsibilities and expectations.

The CPF has a web site for access to all supporting documentation and hard copies are made available where electronic access is limited. The Civilian Personnel Policy Group supports the CPF, by the strategic HR managers in each Group and by the Recruitment, Organisational Management and Field Case Management Directorates within the Defence Corporate Support Centres. The CPF is introduced to all new starters at induction and is part of probationary reporting.

The CPF is made up of two elements: the Performance Exchange and the *Plan on a Page* (PoP).

The Performance Exchange is a formal meeting between the employee and their supervisor to review what the employee has achieved over the past months; how the achievements have been met, in terms of values and behaviours; what support the supervisor has offered the employee; to evaluate any learning and development activity undertaken; and to establish key expected results and learning and development for the forthcoming period. The PoP is a one page record of the Performance Exchange.

PoP should be developed or amended when ever necessary, but at a minimum, each August and February to follow the SES PoPs with the Secretary in July and January. Each PoP should reflect the Defence Plan as it cascades through the organisation and should help people understand how they contribute to Defence's outputs.

The CPF is an integral part of developing and maintaining effective performance and addressing under-performance. Effective performance is acknowledged through participation in a supportive workplace that encourages personal and career development, including an annual 4.5% progression through the salary band for each classification, until the top of the salary band is reached. Performance bonuses are not a feature of the CPF.

### **History**

The CPF started in August 2000 and replaced the Civilian Performance Management Scheme (CPMS) which had been in operation since July 1999. The CPMS introduced civilian employees to the benefits of working within an organisation that valued and acknowledged good performance. The PoP refined and simplified the process.

### **Effectiveness**

The impact of the PoP after a life of only nine months is being monitored closely. Results to date show a high level of participation, which is no doubt linked to eligibility for salary progression. Comments on the effectiveness of the CPF range from seeing the PoP as being a formal record of current work place practices (and therefore not adding value), to being a tool that has encouraged people to discuss their work and to give feedback (and therefore has been of great value). The fact that the CPF does not result in performance ratings or performance bonuses and is not automatically linked to job selection, is seen by most people as a positive. However, the lack of performance bonuses is seen as a fault by some who are on the top of the salary range and who have limited prospects for promotion.

### **KEY FEATURES**

Key features of the CPF are:

- Its simplicity in desired outcome and in its process – PoP is only one side of an A4 page;
- No performance bonuses or pay as a means of recognition and reward;
- No performance ratings;
- Its integral connection to other Defence people issues – building effective performance, encouraging learning and career development, building an environment of communication, trust and leadership by example – which will result in Defence becoming an employer of choice;
- Its integral connection to the broader Defence performance framework. This is articulated through ‘Defence Matters’, the Defence Business Model which defines our relationship with the Government; through the Defence Leadership Model which aligns the values, principles, capabilities and behaviours we need in order to create the sort of environment where people can give of their best; and through the measurement of overall performance using the Defence Scorecard.

- The 'clear line of sight' from the PoP to the key priorities of Defence. The strategic objectives of the White Paper cascade down through the Defence Plan to the individual Group, Division, Branch and Section Plans to each employee's PoP .
- The key features of the PoP are also its strengths. The scheme has been built on the lessons learned from previous experience – that is:
- A scheme where performance is formally discussed and reviewed needs to be introduced in as simple a format as possible so that people are engaged and can see the benefits as they become more comfortable with the policy and processes;
- A performance scheme should be a fundamental management tool; and
- A scheme that measures performance with scores and ratings can increase anxiety in the workplace rather than build confidence.

### **Key Messages**

Key messages that the CPF aims to send are:

- That performance can be built through feedback and a developmental focus;
- That performance can be rewarded by providing a vital, supportive workplace where people are encouraged to work towards their aspirations and potential; and
- That it is not only what we achieve that is important, but how we achieve those results. Each employee has a mandatory Key Expected Result: to adhere to the Defence Values, APS Values and Code of Conduct, and to demonstrate behaviours consistent with those values and Code.

However, these messages will need demonstrated support over time before people have confidence in them. Defence needs to ensure that there is:

- Significant investment in support of performance management to demonstrate its importance and to support people in its ongoing use;
- Strong support and commitment to the CPF from the SES Band 1 and Executive levels;
- Strong support and commitment to the CPF from Military Star Officers so that military supervisors understand their role in the PoP;
- Action taken, and seen to be taken, in respect of poor performing managers and employees;
- More attention given to providing non-financial rewards and recognition to high-performing employees.

## FINANCE AND ADMINISTRATION PERFORMANCE MANAGEMENT

### OVERVIEW

Finance's performance management system was established in 1997. It:

- Applies equally to all employees – SES and non-SES, ongoing and non-ongoing;
- Is mandatory for all employees employed for more than 3 months;
- Provides access to performance pay for any employee whose performance is rated competent or better;
- Does not set predetermined distribution profile or limits to levels of performance pay to be paid;
- Includes active management of under-performers to improve performance; and
- Allows for ongoing monitoring of changes in performance at individual and group levels, which demonstrate effectiveness of the system.

Performance management benefits both employees and the Department by:

- Aligning individual effort with organisational and Branch business plans;
- Encouraging regular feedback on performance;
- Monitoring, reviewing and evaluating performance;
- Rewarding high performance;
- Supporting job and career goals with development strategies; and
- Improving working relationships between managers and employees and within Branches and Groups.

### KEY FEATURES

The process is an ongoing and cyclical one in which each employee and their manager:

- Agree on the employee's key performance areas;
- Identify outcomes for the period ahead;
- Determine individual development needs; and
- Discuss performance on a regular basis.

Performance agreements are developed on an annual basis for the forthcoming business cycle (which usually coincides with the financial year). Formal reviews of performance take place in the middle and at the end of each year, with regular feedback being provided on an ongoing basis.

### Performance Pay

Levels of performance pay are determined in accordance with the Certified Agreement or by the relevant General Manager for employees on AWAs. At the end of the performance cycle, Finance's Management Board considers the

indicative outcomes recommended by each of the Groups to ensure that there is acceptable level of consistency between ratings across groups. This minimises the risk and impact of 'hard' or 'soft' assessments by managers.

### **Under-Performance**

In cases where an employee's performance is rated borderline or unsatisfactory, a formal performance improvement plan is put in place. Employees rated as borderline are given a 6 month period to meet agreed improvement objectives or they are deemed to be unsatisfactory, and those employees rated unsatisfactory are given 3 months to meet agreed improvement objectives.

In 2000–01 only 1% of employees were rated as borderline and for the first time, no employees were rated as unsatisfactory.

In 1999–2000 less than 3% of employees were rated as borderline and one third of these have left the Department, others are still employed and are working with managers to improve performance.

In 1998–99, approximately 5% were rated as borderline. Of those rated borderline or unsatisfactory in 1998–99:

- 17 have improved their performance to a competent or higher standard in the following performance cycle;
- 29 have voluntarily found other jobs more suited to their skills, abilities and interests; and
- None (0) have had their employment terminated following unsuccessful attempts to help them improve their performance.

### **Upward Appraisals**

Finance's performance management framework incorporates upward appraisal processes. General Managers determine the process for formal upward feedback in their group. Options include:

- Group feedback face to face with the manager and the manager's manager;
- Group feedback to the manager's manager who then provides the feedback to the manager;
- Use of a facilitator (e.g. someone with relevant skills in the Department or an external facilitator); and
- Feedback on an individual and face to face basis.

Feedback discussions and written reports identify behaviours of the manager that employees:

- value and find helpful;
- would like the manager to use more to improve team performance and work home life balance; and
- would like the manager to use less so as to improve team performance and work home life balance.

**Dispute Resolution**

The emphasis of the performance management framework is on open and ongoing discussion and agreement. In the event of disagreement between an employee and their manager on any matter relating to the framework, they are to make every effort to resolve the matter. If it is not resolved, it is to be referred to the manager’s manager. If that fails, the matter can be taken up with the Branch Manager and if necessary the General Manager.

If an employee remains dissatisfied with the outcome, the disputes settling procedures of the Finance Certified Agreement, or relevant AWA are available to employees and managers.

**How well does it work?**

Overall, Finance’s performance management system has proven effective in improving individual and organisational performance.

Outcomes for individual employees against the four rating categories used by Finance over the 4 years since the introduction of the performance management framework are set out below. The table indicates an increase in the levels of employees rated superior over the period and a decrease in the proportion of employees rated borderline or unsatisfactory.

TABLE 1

PERCENTAGE OF EMPLOYEES IN EACH PERFORMANCE CATEGORY FOR LAST 4 YEARS				
YEAR	SUPERIOR	COMPETENT	BORDERLINE	UNSATISFACTORY
2000-2001	34.76%	64.21%	1.03%	0%
1999-2000	27.29%	69.78%	2.76%	0.17%
1998-1999	23.46%	70.26%	5.26%	1.03%
1997-1998	21.62%	72.68%	5.24%	0.46%

On an organisational level and using a ten-point scale, the overall aggregate performance rating for Finance has increased from 6.45 in 1997–98 to 6.61 in 1998–99 to 6.68 in 1999–2000.

**Key Lessons**

- Successful performance management needs to be integrated into the culture and operations of an organisation and not be seen as something separate or disconnected with day-to-day business;
- Performance management is an investment in the success of individuals and the organisation and, as an investment, comes at a cost;
- Using the same system of appraisal for all employees provides for easier communication and understanding of the processes involved and a certain level of comfort that the system is fair, transparent and equitable; and
- It is important to monitor changes in performance over time, at both individual and organisational levels, so you can evaluate the success of the program.

## **ATTORNEY-GENERAL'S DEPARTMENT PERFORMANCE MANAGEMENT**

### **OVERVIEW**

At the commencement of each 12 monthly appraisal cycle, each employee and their manager enter into a performance agreement, which takes account of the work area's operational plan, the corporate plan, as well as individual job descriptions, work level standards and capability profiles.

Each agreement identifies between three and seven Key Results Areas (ie the employee's work objectives and outcomes for the coming appraisal cycle). They also agree on Key Performance Indicators and key aspects of the Generic Capabilities that are relevant to each Key Result Area.

The program includes two common annual performance appraisal cycles. The cycle for SES and Executive Level employees is from 1 July to 30 June and for APS Level 1–6 employees the cycle is from 1 August to 31 July. This allows for performance agreements for managerial staff to be formulated at a time when business plans and projected budgets have been determined for the coming financial year, and for those of other staff to be prepared in the light of agreements already made by their managers.

The appraisal cycle involves a mid term review, approximately six months from the commencement of the cycle and an annual review, which is completed within four weeks of the end of the 12 month cycle. Ratings are attributed as a result of both mid-term and final reviews and the rating assigned following the annual review may lead to salary progression for employees below SES level. For SES employees PPI ratings are used by the Secretary, in conjunction with the relevant General Manager, when deciding whether a performance bonus is payable.

A rating of 'does not meet performance targets' at the conclusion of an appraisal cycle will automatically result in under-performance procedures being initiated.

Personal development plans form an attachment to the agreement. Guidelines emphasise the need for employees, with their managers, to develop strategies in support of their job and career goals and, over the course of the appraisal cycle, to review progress in achieving those identified goals.

The emphasis is on constructive discussions and agreement, however, if disagreements do arise, the program provides for mediation by more senior managers to assist agreement to be reached. In the event that disagreements cannot be resolved by these means, the dispute settlement procedures in the Department's Certified Agreement or an employee's AWA may be employed.

The four General Managers must each appoint a 'Group PPI Manager', responsible for monitoring and reporting on the operation of the program in their Group, including identifying any apparent deficiencies in processes and

outcomes and bringing these to the attention of the General Manager. The Group PPI Manager also collects summary information of planned training and development initiatives, compiled from completed personal development plans contained in performance agreements. The data collected by the Group PPI Managers forms the basis of an annual report provided to the Executive Committee by each General Manager on the operation of the PPI during the preceding cycle, and feeds into the annual review of the operation of the PPI across the Department.

### KEY FEATURES

The key features of the Department's performance management system, known as the Program for Performance Improvement (PPI) are:

- It is part of an integrated performance management model, linking individual and corporate planning processes;
- All employees employed for longer than three months, participate;
- A strong focus on support for career progression and development opportunities;
- Includes a focus on the management of under-performance.
- Workplace skills and behaviours are assessed against a set of Generic Capabilities (with the exception of SES employees who are assessed against the *SES Leadership Capability Framework* itself).

### History and changes

The PPI applies to all employees and was introduced in March 1999, through the agency of the Department's first Certified Agreement. The PPI superseded the Performance Management Program for SES, Senior Officers and Legal Officers that had previously been in use.

Following a review in March 2000, a number of improvements to the program were introduced via the Department's second Certified Agreement. These included:

- Increased emphasis on support for career goals and the identification of training and developmental opportunities (50% of employees were at the top of pay bands and saw this as a real benefit aside from pay increases);
- Changes to the performance rating descriptors, now described as: exceeds most performance targets; meets all key performance targets; meets most performance targets; and does not meet performance targets;
- Inclusion in Managers' Performance Agreements of their responsibility to develop and maintain employee performance agreements;
- Strengthening of the reporting and monitoring aspects of the program;
- Incorporation of the AGD Capabilities into the PPI; and
- Adoption of a standardised framework for PPI assessment cycles across the Department (rather than using employee increment dates.)

**Evaluation of effectiveness**

An independent evaluation concluded that the PPI was on track to meet its objectives, and was largely integrated with the Department's planning process, primarily through the use of Divisional planning objectives as a basis for employee Performance Agreements. However, those general findings were qualified by the need to address several key issues, and to make some improvements to the processes. The revised PPI has a stronger emphasis on reporting and monitoring, and future reviews of the program's effectiveness will be assisted by these more rigorous reporting requirements.

**Key lessons**

- To be effective, a performance management scheme must be an integral part of an organisation's corporate planning and management processes.
- If it is to be successful, staff must embrace the system, and if this is to happen it must be understood, both in terms of process, and of the benefits that flow to individuals and the organisation as a result of effective performance management. To this end well-targeted training and logically formulated procedures are vital.
- A strong focus on the positive aspects of the system in improving communication between employees and management and assisting individuals to further their longer term career goals is particularly important in an organisation such as AGD, where a significant percentage of employees are at the top of their salary range.

## HEALTH AND AGED CARE PERFORMANCE MANAGEMENT

### OVERVIEW

The purpose of the Department's Performance Development Scheme (PDS) is to ensure staff are achieving outcomes and outputs deriving from the Corporate Plan (which embodies the Government's objectives and Minister's directions) and from consequential Business Plans. As well as measuring individual performance, the PDS identifies skills and skill and training needs of individual staff.

### Principles and Objectives

The following are the key principles of the PDS:

- Agreement between the team member and team leader;
- Fairness, equity and consistency;
- Flexibility;
- Two-way communication;
- Participative management;
- Development; and
- Joint responsibilities.

It has been designed to interact with other departmental strategies to encourage/provide:

- Role clarity for team members and team leaders;
- Staff participation in the planning and management of work activities;
- Development opportunities for present job and future career;
- Recognition and rewards;
- Increased accountability for team members and team leaders; and
- The effective assignment of tasks to team members and teams.

### KEY FEATURES

The PDS operates on a 12-month cycle and is comprised of a 3-step process.

#### Step One

- Identify work goals and expectations and associated performance measures. Ensure a link is made to the business planning process and consideration given to position documentation, work level standards, and the Task Assignment Model.

#### Step Two

- Identify the skills necessary to achieve at step 1
- PDS Core skills; there are 9 Core Skills, each with 8 levels.

- Business Units Statements of Knowledge and Abilities (BUSKAs) and job-specific skills; list those relevant to the particular work area and note development needs

### Step Three

- Develop an Individual Development plan by identifying the skills strengths and gaps from Step 2, and identify development career goals.

A multi-source feedback option is available to staff on a voluntary basis.

This system is a computer based system and has been developed to ensure anonymity of all respondents (except supervisor/team leader feedback which is identified).

### Supporting Tools for PDS

There are a number of tools that are used in conjunction with the PDS on top of the Corporate Plan and Business Plans. These are:

- *Business Unit Statements of Knowledge and Abilities (BUSKA):*
  - The BUSKA has two parts, the first being the broad departmental knowledge and abilities that we need to meet our corporate objectives. The second part is comprised of Business Unit specific knowledge and abilities to achieve business objectives. These statements identify the specific knowledge and abilities required for people to perform effectively in each unit.
- *Management Matrix Model:*
  - To strengthen the role of managers throughout the department, a 'matrix' of accountabilities has been developed to clarify accountabilities from EL2 to Secretary level. These accountabilities fall under three broad headings/dimensions:
    - Business** – ensuring that the specific technical outputs from divisions/offices achieve the department's outcomes for health and aged care.
    - Resources** – planning, prioritising, organising, scheduling, monitoring and delegating work, ensuring effective use of time and resources, including staff, contractors, financial and other resources.
    - People** – leading, coaching and developing staff, gaining the respect and trust of staff, (managing performance, career and employment relationships openly, fairly.
- *Task Assignment Model:*

The task assignment booklet has been developed for use by individual staff and work units when assigning out or accepting significant work. Both projects aim to help both staff and team leaders be clear about our work and the skills required to complete it successfully.

- *Fair Treatment Policy*

A number of areas of concern by staff have been identified, particularly around the accountability and trust of managers in relation to people management issues. The fair treatment process has been developed to:

- Complement the more formal review processes;
  - Clarify the accountabilities of managers and next-level managers;
  - Provide an avenue for building trust in the workplace; and
  - Support the PDS in managing performance, career planning, training and development.
- *Performance Development Scheme Skills Planner*
    - The Planner incorporates information on the PDS and People Management Framework with the aim of improving links between learning and development activities and performance management in the Department. Learning and development activities are clearly aligned to the PDS core skills. The Planner also makes reference to the BUSKA.

### **Current Review of PDS**

The impact of the PDS in terms of increased productivity and increased skilling of staff is very difficult to measure for the organisation. We are hopeful that the current internal review will form the basis from which these questions can be answered positively over time. It is anticipated from initial feedback received, that a simplification of some aspects of the PDS will result (e.g. documentation, core skills).

We are coincidentally looking at how we can test the performance or well being of the organisation, using measures additional to traditional ones such as exit data and recruitment rates. In the interim, we rely on anecdotal experience and the organisation wide implementation of the scheme to assert that its purpose is being achieved and that staff are benefiting from the opportunities it provides.

### **Key Lessons**

Performance Management at an individual and organisational level is of pervasive concern for the Department of Health and Aged Care.

The raison d'être of Performance Management is to ensure that individually and collectively we are pursuing vigorously and successfully the agenda of the government and Minister of the day. Performance management tools are thus derived from the Corporate Plan, which reflects Minister's priorities.

In the broadest sense almost every action and behaviour in the organisation can enhance or dilute performance. We recognise this and therefore strive to achieve the greatest possible consistency across values, actions and decisions including recruitment and promotion decisions, performance pay decisions, and all rewards including expensive development opportunities. In other words we

engender a culture where people are motivated and confident that overall governance is fair; where we strive continuously to narrow the gap between rhetoric and reality.

Performance Management is also enhanced by work systems including IT and it is crucial to make sure these are first class.

Given that the underlying purpose is the achievement of the Minister's objectives, it is important to demonstrate that good individual performance leads to good organisational performance. Currently we are trying to establish, through headline indicators, a 'line of sight' linking individual to organisational performance.

## LIST OF AGENCIES INTERVIEWED

### APS Agencies

1. Department of Agriculture, Fisheries and Forestry – Australia – Mike Taylor
2. Attorney General’s Department – Rob Cornall
3. Department of Employment Workplace Relations and Small Business – Peter Shergold
4. Treasury – Ted Evans
5. Department of Transport and Regional Services – Ken Matthews
6. Department of Health and Aged Care – Andrew Podger
7. Public Service and Merit Protection Commission – Helen Williams
8. Department of Finance and Administration – Peter Boxall
9. Department of Defence – Allan Hawke
10. Australian Customs Service – Lionel Woodward
11. Australian Taxation Office – Michael Carmody
12. Centrelink – Lesley Tannahill
13. Department of Prime Minister & Cabinet – Max Moore-Wilton
14. Aboriginal & Torres Strait Islander Commission – Mark Sullivan
15. Intellectual Property Australia – Ian Heath
16. Australian Bureau of Statistics – Dennis Trewin
17. Productivity Commission – Robert Kerr
18. National Gallery of Australia – Brian Kennedy
19. Australian National Audit Office – Pat Barrett
20. Screensound Australia – Rob Brent

### GBEs/Authorities

1. CSIRO – Paul Wellings
2. Australian Broadcasting Commission (ABC) – Colin Palmer
3. AUSPOST – Graham Johnson
4. Australian Sports Drug Agency (ASDA) – John Mendoza
5. AUSTRADE – Marcia Kimball
6. Health Insurance Commission (HIC) – Dr Harmer

### Private Sector Companies

1. Ford Motor Co – Bill Dirksen
2. Australian Stock Exchange (ASX) – Richard Humphrey
3. SAS Institute – Allan Russell
4. Qantas – David Bryant
5. Lend Lease – Eric Goodwin
6. Cable and Wireless Optus – Paul Fletcher

## CONTRIBUTORS

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Mr Michael Taylor, Secretary, Department of Agriculture, Fisheries and Forestry – Australia (Chair)

Dr Peter Boxall, Secretary, Department of Finance and Administration

Mr Robert Cornall, Secretary, Attorney-General's Department

Mr Ted Evans/Dr Ken Henry, Secretary, Department of the Treasury

Dr Allan Hawke, Secretary, Department of Defence

Mr Ken Matthews, Secretary, Department of Transport and Regional Services

Mr Andrew Podger, Secretary, Department of Health and Aged Care

Dr Peter Shergold AM Secretary, Department of workplace Relations and Small Business

Ms Helen Williams AO, Public Service Commissioner.

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Mr Bob Correll, Department of workplace Relations and Small Business

Mr Jim Hagan, Department of the Treasury

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