

April 2016

A positive conversation: Performance management in the public sector



What people are saying

"I had continuous advice and feedback over the year from my supervisor. My performance review had no surprises and was a genuine conversation on what I needed to do to get to the next level."

"I wish I had been given feedback during the project instead of waiting for the end-of-cycle discussion."

"My rating had clearly been assigned during a consistency discussion, and as it was a good rating, my supervisor had no specific examples to base my rating on. It meant the discussion was a waste of time."

"I am very open to constructive performance feedback if it occurs regularly rather than having it brought up unexpectedly in a formal performance management conversation."

"My supervisor listened to the things I wanted to achieve over the next year and suggested ideas to assist me in meeting my goals."

"I frequently sought feedback and was told I was doing 'a very good job' ... but in my annual performance review my performance was 'barely satisfactory'. The completely unexpected, contradictory and arbitrary nature of this was absolutely shocking and a highly demotivating experience."

"Assessing performance against a set of criteria drafted up to 12 months prior is an abstract exercise."

"I learned the importance of early intervention and bringing my concerns to the other person's attention and clearly articulating what needs to improve."

"I generally expect that there should be no surprises."

At a glance

The Australian Public Service (APS) has recognised for many years that it has been unable to fully realise the intended value from its individual performance management efforts. The Australian Public Service Commission (APSC) and individual agencies have devoted considerable resources to understanding the problem and making changes to policies, frameworks, systems and tools. Despite this, recent commentary, State of the Service data and our research indicate that the challenge remains.

Our research finds that people's experiences and perceptions of the individual performance management process range from very positive to very negative, regardless of whether they were commenting on a positive or negative appraisal. To fully realise the investment made by the public sector, our research indicates that future improvement efforts should focus less on structural factors such as the particular system in place, and more on developing cultural and behavioural factors to ensure that meaningful performance conversations become the norm rather than the exception.

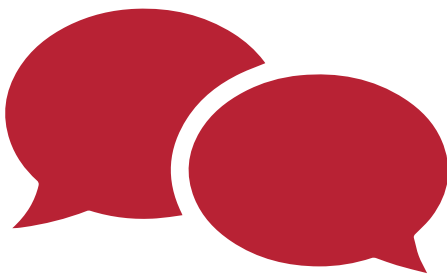
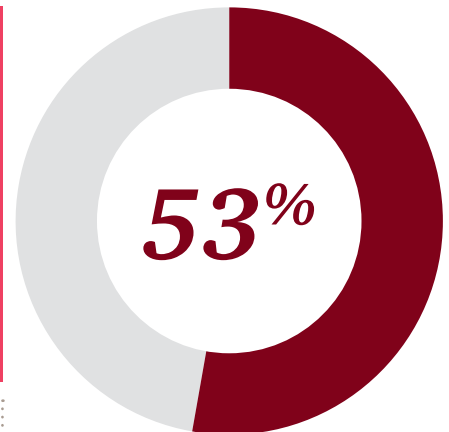
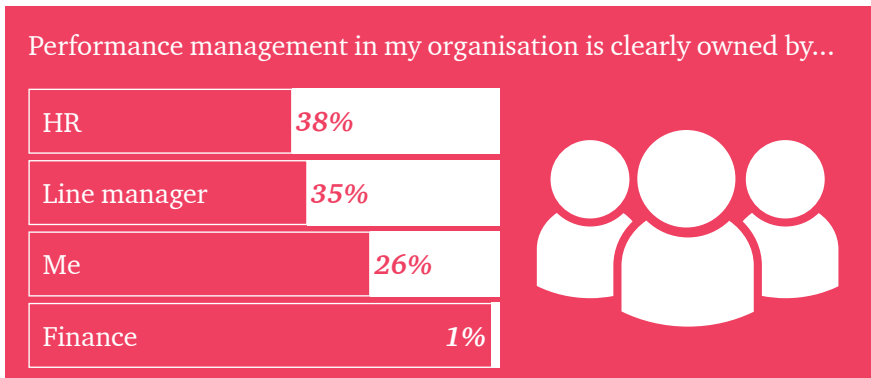
Problems with the existing paradigm need to be acknowledged, communicated, and a dialogue opened across all levels to explore what needs to be done to achieve better outcomes, namely:

- Assumptions about why individual performance conversations are conducted and how they are used in organisations need to be challenged;

- Performance conversations are inherently personal and relationship-based, so the skills and capabilities of appraisers and appraisees need to be improved so that conversations can be approached with confidence and trust;
- Ownership and accountability of the process needs to not only be espoused but visibly and consistently practiced; and
- Performance conversations must be regular, constructive and add value to individuals as well as the organisation.

Crucially, any commitment to bringing about change must be genuine and sustained.

Highlights



35%

of respondents do not feel performance management conversations are worth the time and effort

Percentage of respondents who do not have managers role modeling good performance management conversations

The main role or purpose of performance management in my organisation is...



Manage & control finances

11%



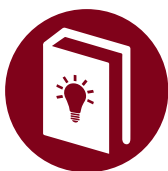
90%

Respondents who believe their managers have not been trained on how to hold positive performance management conversations



Achieve strategic goals

65%



Enhance motivation & learning

24%



18%

of APS Level respondents NEVER check in with their manager or supervisor to discuss progress against their performance goals

The Challenge

For many years, the ability of the APS to manage individual performance effectively has been identified as an area where significant improvement is required. Both the current¹ and former² Australian Public Service Commissioners have remarked that not all APS managers fully understand their role in the performance management process, and that agencies' accountability frameworks do not provide for systemic identification of gaps in understanding to enable those managers to build capability in core management skills such as performance management.

APS Policy

New directions for managing performance in the APS came into effect from 1 July 2015 and require agency heads, supervisors and employees to perform specific obligations to achieve effective performance. Failure to comply is potentially regarded as a breach of the APS Code of Conduct.³

APS Research

In 2010, the APSC commenced a research partnership with the Australian National University, the University of New South Wales and the University of Canberra: "Strengthening the Performance Framework Project" with a view to developing a new approach to performance management in

the APS. Their research found that "most agencies' performance management frameworks are technically sound from a system design perspective, but that problems typically arise when these arrangements are bypassed or ignored". It also found that to be effective, the reason for conducting performance management must be clear to all participants and that employees need to find it meaningful.⁴

The report "Strengthening the Performance Framework: Towards a High Performing Australian Public Service"⁵ (2013) details the principles and foundational elements (shown in the table below) necessary for high performance, when working in concert should result in high performing government.

Principles

Purpose and clarity

Be clear about what high performance looks like and have clarify role purpose

Mutuality and motivation

Employees and management mutually own performance management and managers are aware of what motivates employees to high performance

Alignment and integration

Align high-level strategies and individual goals and integrate human resources practices and other organisational systems

Adaptability and progress

Adapt performance in a changing environment and progress towards agency and government outcomes

Foundation elements

Capabilities

- Assets, routines and processes
- Competencies of staff

Evidence and data

Collect data that is most relevant to achieving goals and communicate performance trends and targets to inform decision making

Pragmatism

Be realistic about what is possible and probable. Actions must be "fit for purpose" and suit the current context

The results from our research indicate that despite the guidance available to APS agencies through the *Strengthening the Performance Framework* report, there is much more work to be done before performance management in the APS will achieve its intended benefits.

¹ <http://www.canberratimes.com.au/national/public-service/john-lloyd-warns-underperforming-public-servants-on-individual-accountability-20160401-gnw09i.html>

² <http://www.canberratimes.com.au/national/public-service/how-to-strengthen-aps-culture-collaborate-tackle-tough-conversations-and-take-responsibility-20150827-gj9jnj.html>

³ www.apsc.gov.au/managing-in-the-aps/performance/performance-management-directions

⁴ http://www.apsc.gov.au/__data/assets/pdf_file/0005/56507/Performance_accessible.pdf

⁵ *ibid.*

Our Research

PwC's People and Organisation team conducted research to better understand why performance management conversations in the public sector are not lifting organisational performance, and more importantly, how they can be improved.

In order to properly target our research, the team spent time becoming familiar with current and previous work on the topic of performance management. Specifically, we reviewed past

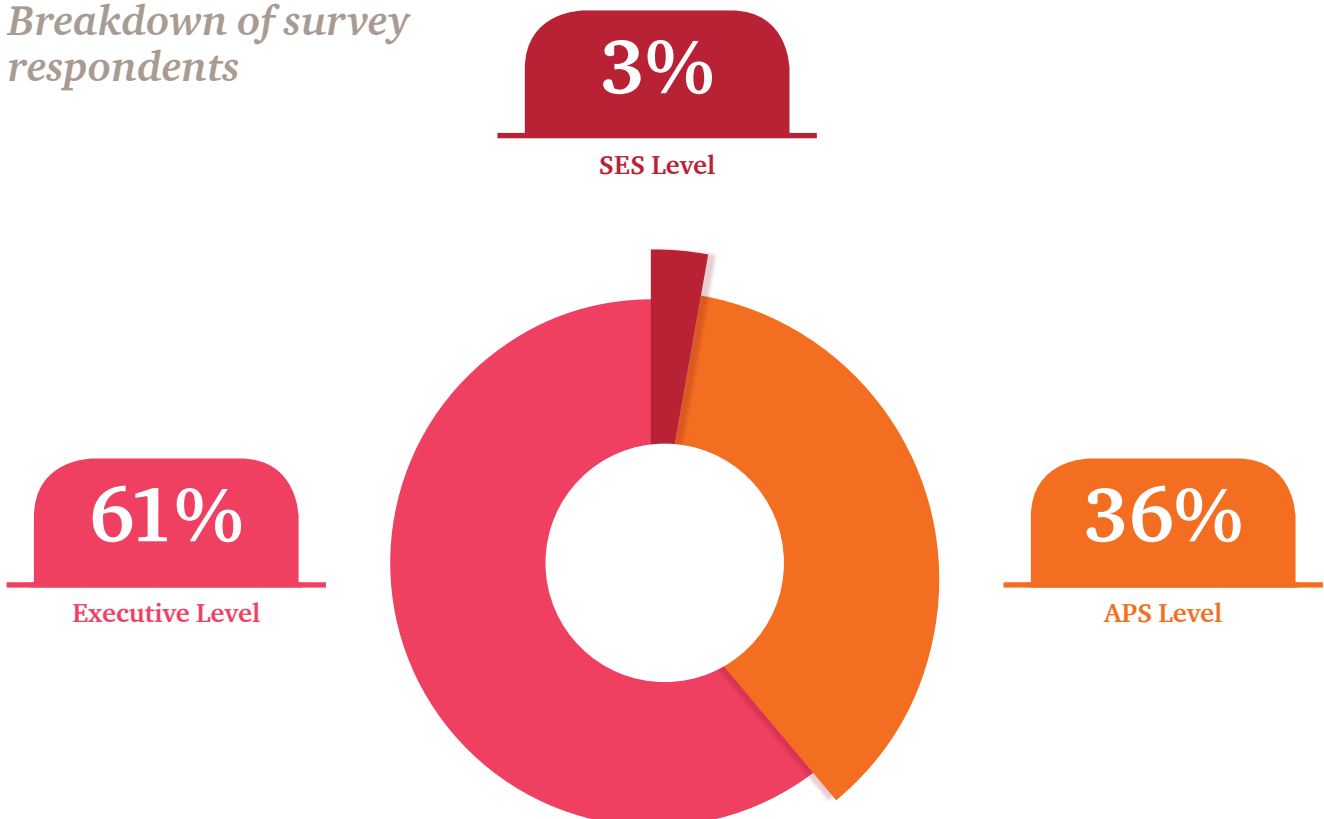
reports and academic literature, and discussed key themes in a roundtable forum with several federal agencies of different sizes and purposes. We then distributed a targeted survey across the public service.

The distribution of respondents to our survey across Senior Executive (SES), Executive Level (EL) and more junior employees (APS level) was largely consistent with the distribution of levels across the Service.

The findings and conclusions discussed in this report have been drawn from the results of the roundtable and survey as well as our experience with a diverse range of public and private sector clients.

Figure 1: Areas of future focus for public service agencies to generate meaningful performance conversations

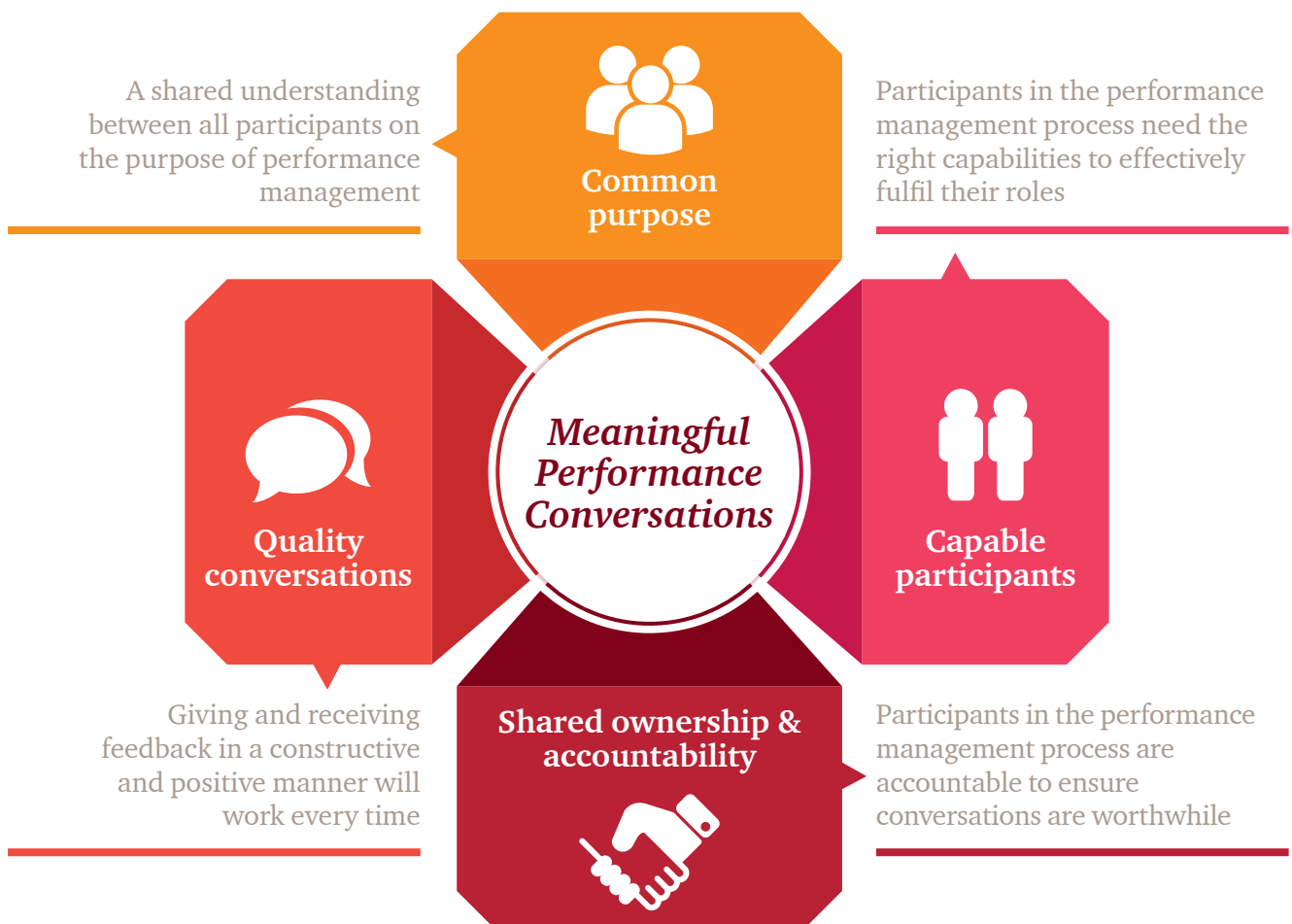
Breakdown of survey respondents



Key Findings and Conclusions

We found that without **meaningful performance conversations**, all other aspects of an organisation's performance management process will be less than effective. Many agencies have focused their improvement efforts on changing frameworks, policies or systems and while these are important, they should be fit-for-purpose and suited to each organisation's maturity and cultural norms.

The key to achieving meaningful performance conversations in public sector agencies is to dedicate improvement efforts.



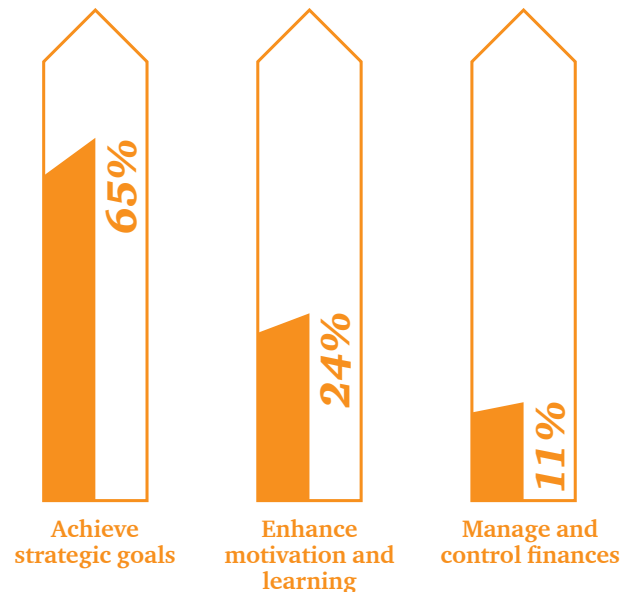
Common purpose

APS-wide requirements

The APS define performance management as both:

- An aspect of the management relationship between a supervisor and employee in which work responsibilities, priorities and expectations are communicated and clarified, and
- A process of defining, aligning and evaluating employee duties in relation to organisational goals and objectives.⁶

Performance management in my organisation is best described as being used to?



Our findings

A recent Harvard Business Review study (March 2016)⁷ confirmed that there is a direct correlation between employee satisfaction and good performance, which also has a direct and positive impact on organisational outcomes. It also found that the benefits from investing in employee satisfaction are realised over the longer term. A focus on achieving short term outcomes is more likely to reduce the investment an organisation makes in its employees, and this has a direct impact on the organisation's longer term performance.

The majority of respondents to our survey (65%) indicated that the main role or purpose of performance management in their organisation is to achieve the organisation's strategic goals. Almost a quarter of respondents (24%) felt its primary purpose is to enhance employee motivation and professional development. The remainder's (11%) view was that it is conducted to manage or control finances.

When asked about the objectives of their agency's performance management process, 85% of respondents indicated that it is undertaken as a compliance exercise.

Employee satisfaction with performance management conversations is low; only 25% of respondents agreed that "the quality of my performance conversations with my manager/supervisor increases my job satisfaction".

⁶ Australian Public Service Performance Management Directions – overview guidance <http://www.apsc.gov.au/managing-in-the-aps/performance/performance-management-directions>

⁷ HBR (March 2016). "28 Years of Stock Market Data Shows a Link Between Employee Satisfaction and Long-Term Value." <https://hrb.org>



“My manager is sceptical about the usefulness of the process and treats it like an unnecessary administrative burden. As a result, the discussion is rushed and treated as low priority if more urgent things come up.”

Our conclusions

In our experience, organisations that achieve maximum value from their approach to individual performance management are those that focus on:

- Supporting the vision, values and strategy of the organisation;
- Developing the skills and capabilities required to deliver the organisation’s purpose; and
- Enriching the individual’s development to discover their potential.

If public sector organisations – and the managers/supervisors and employees within them – continue to approach performance management as a compliance exercise it is unlikely that they will ever achieve the intended benefits, both from an individual or organisational perspective. Active participation needs to be supported and employees need to be able to fully engage with their personal development and careers.

Individuals need to experience the positive impact that meaningful performance conversations have not only on achieving organisational goals, but for their own professional development.

A clear definition of the purpose of performance management for both organisation and individuals that is visibly promoted, will provide the basis for improving the culture of performance management.



Capable participants

APS-wide requirements

Under the APS Performance Management Directions:

- Agency Heads are required to “support supervisors to enable them to effectively manage the performance of duties by APS employees under their supervision, including through appropriate training and coaching in performance management”;
- Supervisors are required to “work to improve his or her capability in effectively managing the performance of duties by the employees, including through appropriate training or coaching in performance management”; and

- Employees are required to “participate constructively in the Agency’s performance management processes”.⁸

Our findings

Forty-one percent of APS level employees, 46% of EL employees and 25% of SES employees agreed that the performance management conversations they have with their managers are worth the time and effort, highlighting a large gap between appraisers’ perceptions of their own capability and the perceptions of their appraisees.

A very small percentage of EL respondents (11%) agree that managers/supervisors in their organisation are effectively trained to hold positive and constructive performance management conversations.

Further, only a slightly larger proportion of EL respondents (17%) agree that early in their career, they had regular access to coaching and training that helped them to build the skills they need to conduct quality performance conversations.

Similarly, it appears that appraisees need to be more comfortable in seeking and responding to feedback if they feel they are not getting what they need to improve their performance. Almost two thirds of APS Level respondents will only check in with their manager/supervisor to discuss progress against their performance goals as part of the six monthly formal review, while 18% never do this.



⁸ Australian Public Service Performance Management Directions, Clause 4.1A
<https://www.legislation.gov.au/Details/F2014L01769>



“Managers in the APS are terrible at performance management. They are not trained in how to manage staff. They lack of ability and desire to manage staff performance, in particular bullying and underperformance. When this kind of behaviour is allowed to continue, the process becomes a joke and is not worth the time or the paper it is written on.”

“The best performance discussion we had was where they gave me some negative feedback. Because they were positive in their outlook and language, I felt motivated to improve. It also helped me to accept positive feedback as genuine.”

Our conclusions

An effective individual performance management process requires two capable participants, the individual and the manager/supervisor. Skills such as the giving and receiving of feedback often need to be learnt and, if provided at an early stage in a person’s career, will develop a cohort of capable role models.

However, our experience tells us that it is difficult for managers to acknowledge these conversations do not always come naturally to them and they do not always have the skills required to achieve a meaningful outcome. Similarly, if employees have never experienced a good performance conversation it can be difficult for them to receive constructive feedback without perceiving it as criticism.

An organisation’s leadership need to practice what they preach. Positive role modelling of quality performance management conversations at all levels will over time, improve the capability of both appraisers and appraisees.

In addition, access to performance management training and coaching at all levels is necessary so employees are properly supported to have these conversations. This is particularly important in the levels below management to ensure that those who are stepping up into acting arrangements are properly supported and avoid the need to learn on the fly.

Shared ownership and accountability

APS-wide requirements

Agency Heads are legally obligated (under the APS Performance Management Directions) to ensure that their agency's performance management policy and associated processes and practices are aligned with APS best practice. They also must support, promote and strive towards high performance and ensure that appropriate performance feedback is provided.⁹

Supervisors are explicitly required to:

- Manage and assess the performance of employees under their supervision, and
- Work to improve their performance management skills and capability.¹⁰

Our findings

Ownership of performance management is unclear and perceptions vary greatly. Survey responses from APS level participants indicates an underlying helplessness and/or unwillingness to own and drive their performance management conversations.

Employees and their managers appear to be coming together and setting performance goals in a cooperative and joint conversation. Almost half (48%) of respondents agree that they and their manager set performance objectives in a collaborative manner based on a two way conversation. Whilst this is positive, 37% remain neutral toward this statement suggesting plenty of room for improvement.

Our findings also show that managers are not being held to account for the role they play in effective performance management conversations. When asked about their manager's accountability, only 18% of APS level, 23% of EL and no SES level respondents agree that managers are held accountable for developing, maintaining, and improving the performance management conversations they have with their staff.

“I’ve never had one [feedback conversation].”

“It’s important to me that my supervisor approaches the performance feedback discussion with a sincere eye to devising a genuine strategy to develop my skills to lift my performance. If it’s a positive exploration of what can be done to support my development, then I’m very open to discussing my shortcomings so that they can be addressed through the strategies developed in a performance discussion.”

⁹ Australian Public Service Performance Management Directions, Clause 4.1A <https://www.legislation.gov.au/Details/F2014L01769>

¹⁰ *ibid.*



Our conclusions

An effective individual performance management process requires ownership by the organisation itself, its managers/supervisors and employees. All three parties need to be held to account for their commitment, capability development and participation in the processes.

Our experience tells us that organisations achieve maximum value from their approach to individual performance management when their leaders:

- Clearly define what they expect;
- Hold their managers and supervisors to account for achieving quality outcomes; and
- Drive organisational behaviours so improving performance becomes a cultural norm.

It is also clear to us that that appraisers and appraisees need to have a role in shaping how they enact the process and are empowered to manage underperformance, should it arise.



Quality conversations

APS-wide requirements

Supervisors are required to:

- Promote and foster high performance of duties by employees;
- Provide each employee with clear, honest, timely feedback about the performance of their duties; and
- Manage and assess the performance of duties by each employee.¹¹

Employees are required to be open to receiving feedback and act on such feedback in a timely manner.¹²

Our findings

Our survey participants indicated that regularity and quality of performance conversations across the APS is patchy.

When asked about the frequency with which feedback is given, the majority of respondents regularly receive useful and constructive feedback from their manager (61%) and receive feedback that helps them improve their performance (59%). However, less than half of these respondents regularly receive clear advice on how to improve when their performance is not up to expectations (43%).

The majority of both APS (57%) and EL (57%) respondents will wait until a formal performance management conversation is scheduled before they check in with their manager to discuss progress against performance or development goals. While positive, this is not ideal. Waiting until formal meetings may not provide enough real time or ‘in the moment’ feedback for an individual to develop and improve.

Almost half of APS Level respondents (45%) agree that the outcomes of their formal performance management conversations seem predetermined. If outcomes are predetermined, this perpetuates the “tick and flick” compliance culture that appears to exist in many organisations. Improved employee engagement will be reliant on a true conversation regarding performance rather than a predetermined rating.

“The feedback must be a two-way process, such that the supervisor demonstrates a willingness to listen to your concerns and professional development needs.”

¹¹ Australian Public Service Performance Management Directions, Clause 4.1A <https://www.legislation.gov.au/Details/F2014L01769>

¹² *ibid.*



Our conclusions

Performance conversations need to happen 'in the moment' and be highly constructive to develop high performing individuals and teams. Employees need to engage by asking for regular feedback, changing from a passive to active participant in performance management conversations.

Ensuring both supervisor and employee plan and prepare for formal performance management conversations is fundamental to effective performance outcomes, with a two-way conversation more likely to deliver value to both the employee and manager, and therefore the organisation as a whole.

The role of the employee is important in enabling a quality conversation. In PwC's experience, quality conversations are very much enabled by employees who drive their career and take a proactive approach. These individuals actively seek feedback from their managers and colleagues and take action on areas for development.

“I am less open to performance feedback that is only raised at the time of formal performance meetings. I am very open to constructive performance feedback if it occurs regularly rather than having it brought up unexpectedly in a formal performance management conversation.”



Where to from here?

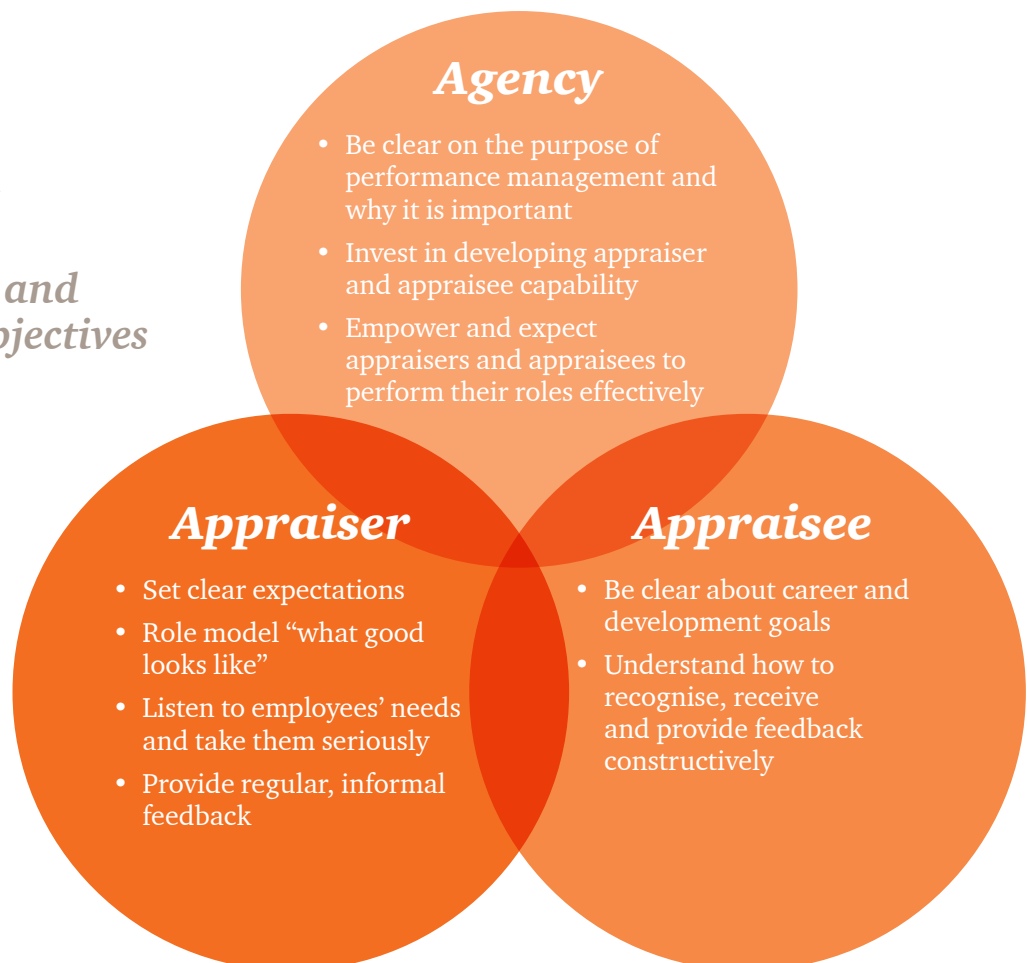
Future improvement efforts by public sector organisations should focus less on the ‘harder’ factors such as frameworks, systems and processes, and more on the ‘softer’ cultural and behavioural factors to ensure that meaningful performance conversations can occur.

There are a number of different and equally useful measures that can be used during performance management conversations. There cannot be a “one size fits all” approach. To be effective it

is actually the opposite – “one size fits one”. There needs to be a balance between the individual’s as well as the organisation’s objectives. For managers, the challenge is understanding the needs of the employee and tailoring the conversation to meet and manage those needs. At the other end, employees must recognise that a successful performance management conversation requires them to take ownership of their performance and career objectives in light of

what the organisation wishes to achieve. At the centre is a discussion that allows both to explore which tools they find most useful to enhance their performance relationship.

Jointly identify meaningful organisational and development objectives



What can be done?

Understanding what it means to engage in meaningful conversations is central to the success of a performance management framework. If performance management is central to achieving organisational objectives and proclaimed to be important, then investment in quality conversations is imperative and non-negotiable.

Holding performance management conversations is not something that comes easily to everyone, but it is a critical management capability that must be developed. It may be a process of trial and error, but with commitment, support and empowerment will result in more engaged employees, higher performing teams, and

ultimately higher performing APS organisations.

To bring your organisation's performance management framework to life, we recommend that you:



Contacts



Nick Myburgh

Partner

People and Organisation

nick.myburgh@pwc.com

www.linkedin.com/in/nickmyburgh



Govert Mellink

Director

People and Organisation

govert.mellink@pwc.com

www.linkedin.com/in/govert-mellink-944698



Linda Holmes

Senior Manager

People and Organisation

linda.j.holmes@pwc.com

www.linkedin.com/in/linda-holmes-93a23413



Deborah Robson

Manager

People and Organisation

deborah.robson@pwc.com

www.linkedin.com/in/deborah-robson-628b003a



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