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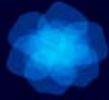
THE IMPACT OF INDIVIDUAL ASSESSMENTS  
ON ORGANISATIONAL PERFORMANCE  
IN THE PUBLIC SERVICES OF EU MEMBER STATES

Survey commissioned by  
the Portuguese EU-Presidency

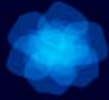
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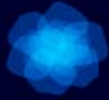


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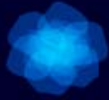


## EXECUTIVE SUMMARY

1. Previous work of the HRWG underlined the strong need for a more in-depth research on the leadership challenges as well as on the relationship between individual performance assessment and organisational performance. The current study commissioned by the Portuguese EU-Presidency therefore focuses on the analysis and comparison of the various performance assessment systems in place, the objectives, working procedures, challenges and effects. The focus, therefore, is less on concepts but on the actual practices of managers doing performance assessments. By that, the survey contributes to a better understanding of the main managerial challenges and success factors of implementing individual appraisal systems in public services in Europe.
2. Research into individual performance assessment systems raises many controversial and sensitive issues. Because of the personal and managerial nature of the subject and the high degree of decentralisation, analysing the world of individual performance assessments and its effect on organisational performance faces various difficulties. A serious challenge when comparing and analysing performance assessment systems concerns the access to valid and reliable data. The Portuguese EU-Presidency therefore decided to introduce an innovative approach and, for the first time, gained additional and unique experiences and ideas directly from public sector managers, who play a crucial role in successfully implementing appraisal systems. Different assessments between country answers and managers' answers in many cases led to valuable stimulations and a broadening of existing discussions.
3. Overall, the study confirms the high relevance of public administrative traditions, geographical and cultural differences as well as the importance of different public service structures (career- vs. position-based systems) on the design, implementation and the effects of performance assessment systems in Europe.
4. At present, we find a great variety of performance appraisal systems in European countries stretching from highly centralised, traditional (ie. based on a number of personal behaviour and performance criteria, job description, tasks and duties) and uniform systems (with common procedures for all employees) to highly decentralised, hybrid (i.e. integrating performance targets and indicators) and fragmented systems (with specific frameworks for different categories of staff, especially for the top executive level). While we interpret the results as development away from centralised performance assessment systems to more decentralised systems, with regard to the focus of the performance appraisal, the traditional systems are not replaced by performance targets. Rather, we see a trend pointing towards the introduction of hybrid systems which combine traditional assessments with competency management and target based systems. Purely target oriented systems are still rather rare in the European public administrations.

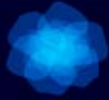


5. However, despite all trends towards decentralisation and more de-standardisation, the results of this study do not point to a clear trend towards 'fragmentation' and 'individualisation'. Common systems that are applicable for all categories of staff are still in use in the majority of the Member States. Most countries that have turned away from common systems employ differentiated systems only for the top executive level.
6. Along the observed introduction of more decentralised practices and different assessment procedures, new responsibilities are often delegated to the middle management. These responsibilities particularly concern requirements to discuss and agree upon the annual objectives, provide feedback, review performance targets, decide upon performance-related pay bonuses, and recommend other rewards and/or sanctions. The managers' competencies to professionally handle these aspects can increasingly be regarded as crucial success factor for effective systems.
7. With regards to centralisation or decentralisation of performance appraisal systems, we find developments in both directions: While some Member States move from centralisation towards decentralisation, others (mostly countries that already have decentralised systems) are concerned with the introduction of measures to secure coherence and coordination in performance assessment policies. As potential disadvantage, too much decentralisation may hinder personnel mobility between the organisations/departments and run against uniform principles for personnel development.
8. With regard to public managers' main objections against performance assessment systems, national respondents and public managers agree on the high practical relevance of the following aspects: workload, lack of incentives, lack of effective tools to manage bad performance as well as an often merely formal execution of the assessments.
9. We find important cultural and geographical differences amongst the countries: Overall, Southern European and Eastern European countries and countries with a centralised performance assessment system weight the objections higher than the other countries. While in position-based countries, the problem to adequately measure performance in public services is seen as main objection, in career-based countries, managers struggle most with managing bad performance. Southern European countries assess the problem of a uniform assessment of all employees and the merely formal handling of performance assessments as most essential. In addition to these two aspects, Eastern European countries also assign high relevance to the workload/time argument. Answers from Anglo-Saxon countries as well as Central European countries point to lacking incentives and means to sanction bad performance.
10. Despite the high degree of conformity among the official and the managers' answers, there are several challenges which are of considerably higher relevance for the managers. The first relates to the topic of managing poor performance. Managers criticise that the assessment system does not provide clear messages to the employees that consecutive poor-performing periods are not tolerated. In practice they also seem to be quite reluctant with giving critical assessments as this also sheds a bad light on their own leadership qualities. In addition, they do not see that performance assessments lead to a substantial information gain and have the



opinion that superiors often overestimate their capacities and skills with regard to performance assessments.

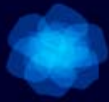
11. With regard to leadership, the findings of this study point to the following aspects as main challenges whereby the assessments of Member States and managers are very similar:
  - Aligning performance appraisal systems with other HR management processes, including career development and succession planning
  - Aligning individual performance objectives with organisational objectives/plans
  - Providing managers with the necessary competencies and training to effectively handle such assessment systems and to give feedback and coaching to their employee
  - Guaranteeing fairness and consistency in the practical application over time and between various organisational units
  - Clarifying and communicating objectives/targets and assessment criteria to staff
  - Aligning performance ratings/scores and rewards/sanctions
12. Although we - almost unanimously - find the suggestion to have more and better communication, staff involvement, feedback and participation of employees in the performance assessment cycle, the practical implementation of these concepts in daily administrative life is often different. Our results indicate that superior-employee relationships are still shaped by a (sometimes) hierarchic work style where involvement, communication, cooperation and mutual trust cannot be taken for granted. Thus, the generally positive idea of a participative agreement of targets - often suggested as way to improving the effect of performance assessment systems - does have its practical limitations especially in traditionally highly hierarchical contexts.
13. Both, national and managers answers confirm the central role of rewarding good performance through monetary rewards and career progress/promotions. However, the practical relevance of rewards differs according to the country clusters: While monetary rewards are the most relevant measure to reward good performance in Scandinavia and Eastern European countries, in Anglo-Saxon countries as well as in Southern European countries career progress/promotions are of highest practical relevance. On the other hand, central European countries, practical relevance is highest for symbolic rewards and learning and development opportunities.
14. Whereas monetary rewards also play a significantly higher relevance in position-based countries career progress/promotions are of similar practical relevance for both types of HR-systems. Overall, position-based countries assign higher practical relevance to most measures to reward good performance compared to career-based countries.
15. There is a growing awareness of the fact that managers need adequate means to sanction and/or to manage bad performance. All participants to this study point to training/personnel development and coaching/counselling as the two most relevant measure when it come handling bad performance in practice. Only in five Member States dismissal is a practically relevant instrument in this respect while in four countries this option is not even applicable at all.
16. Again, the practical relevance of mean to sanction differ according to the country clusters: Eastern European and Southern European countries regard formal coaching and counselling as less relevant than the other country clusters. Especially



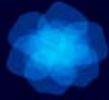
Scandinavian, Central European and Eastern European countries put their main emphasis on training and personnel developments. Overall, in Anglo-Saxon countries, means to sanction poor performance are of much higher practical relevance than in all other country clusters. Here, also the 'tougher' means such as reprimands, disciplinary measures and dismissals are seen as having a high practical relevance.

17. Overall, both the official country answers and the managers' answers indicate that the alignment between individual and organisational objectives has been achieved only to a rather small extent.
18. Managers regard especially the facts that line managers have explicitly formalised objectives for their organisational units only to a rather low extent, that line managers' individual objectives are identical with the goals of his or her organisational unit only to a rather small extent, and that line managers only have a rather small extent of discretion over the process of developing individual objectives for their employees.
19. On the other hand, the official country answers locate the lack of alignment more with regard to system deficiencies, namely in the fact that the business planning process and performance appraisal procedures are not well linked formally, and that formal guidelines, recommendations etc. on how to secure the alignment are existent only to a limited extent.
20. Overall, managers' level of satisfaction with the existing performance assessment systems is only moderate. However, important differences could be observed when comparing the different countries and systems. We find highly satisfied managers only in the Anglo-Saxon and Scandinavian country clusters. On average, Central and Eastern European countries are (rather) dissatisfied. In Eastern European countries one can also find some highly dissatisfied managers. The most critical stance towards the current performance assessment systems in their organisations can be found in Southern European countries.
21. The average satisfaction levels of managers in countries with centralised performance assessment systems are considerably lower than of their counterparts in countries with decentralised performance assessment systems. These results are not surprising since managers in decentralised systems have more autonomy, own responsibilities and "power" than "their colleagues" in centralised systems. Thus, their satisfaction levels with the performance assessment systems corresponds with higher degrees of job control and increases the overall satisfaction
22. This study confirms that it is extremely difficult to measure the effects of performance assessment systems. Detailed studies which evaluate the effects of the existing performance management systems still remain an exception.
23. Despite inherent limitations, in this study, the Member States and the managers express the opinion that the effects on individual performance, awareness of business targets, communication and feedback, and personnel development were, all in all, positive. Especially with regard to the effect on individual performance, the assessment is overwhelmingly positive. Much less optimistic are the results regarding the effects on organisational performance in terms of procedural correctness, effects on public sector ethos and on fairness, honesty and confidentiality.





24. As regards administrative traditions, Anglo-Saxon countries have a considerably more positive opinion of their current performance assessment systems, followed by the Scandinavian countries. Southern European countries are much more sceptical regarding their systems in place. Countries with position-based HR systems and countries with decentralised performance assessment systems see the effects clearly more positive than career-based countries or countries with a centralised system.
25. Because of the diversity of systems and the existence of great cultural and organisational differences, this study concludes that performance assessment systems cannot be purchased as standard “off-the-shelf” products without taking their roles and repercussions in the respective administrations into account. Especially because there are so many different degrees of centralisation/ decentralisation of systems and such a multitude of procedures and experiences with the instrument of performance appraisal, it is not possible to aim at suggesting a “patent recipe” for a “better” organisational and individual performance assessment system.
26. A recommendation for more flexibility and/or decentralisation would be impossible and also send a wrong signal. Success is only possible if these systems are shaped to the needs of the specific administration, paying heed to the particularities of the administrative culture with regard to the effects of the systems.
27. The main challenges surely lie in finding transparent, fair and well communicated performance appraisal systems that address both over- and underperformance and are, at the same time, simple enough not to produce a new performance assessment bureaucracy.
28. This study comes to the conclusion that the present reform “boom” in the field of performance assessment can lead to a costly investment in more bureaucracy, rather than do what it is intended to do: increase efficiency. Defining new performance assessment systems cost time (mostly for managers) and money (mostly for the organisation). The Member States are advised to avoid the creation of a new measurement bureaucracy.



## I. INTRODUCTION

### I.1. Objectives of the survey

This comparative study on individual and organisational performance assessment systems has been conceptualised as a follow-up study to the work done under the German EU-Presidency in the first semester 2007 (Demmke, 2007a). It compares and analyses the different individual and organisational performance assessment systems in the Member States of the European Union (and Norway). More precisely, this study focuses on the analysis and comparison of the various performance assessment systems in place, the objectives, working procedures, challenges and effects. The focus, therefore, is less on concepts but on the actual practices of managers doing performance assessments.

Overall, the results of the study under the German EU-Presidency underlined the strong need for a more in-depth research on the leadership challenges as well as on the relationship between individual performance assessment and organisational performance. How is individual performance assessment linked to organisational issues? How do the different performance assessment systems function in practice, and what is their effect on organisational performance? What is the role of superiors and top executives in the performance management cycle? How do leaders cope with their new tasks and responsibilities in setting, revising and assessing individual performance targets and objectives? Although these are crucial questions, there is still a lack of profound knowledge both from practitioners and research.

Because of this lack of international comparative data in the area of performance assessments in practice, the Portuguese EU-Presidency has proposed to look deeper into these questions in order to shed more (empirical) light on these issues with a specific focus on the management perspective. Thus, this study should be seen as complementary to the previous study under the German EU-Presidency. The study completed under the German EU-Presidency also clearly highlighted the high acceptance and increasing relevance of individual performance assessments as a cornerstone of performance management which has become an essential tool for all levels of public services in Europe. At least in theory, performance assessment provides instruments and means to improve organisational performance by aligning individual, team and organisational objectives and results. It also provides instruments in order to recognise and reward good performance as well as to manage under-performance.

Related to the general trend in the field of performance management and performance related pay towards an increased delegation of responsibilities, line managers play an increasingly important role in the performance management process. They are in the specific position of being both assessed by their superiors and assessing their employees and are, thus, the essential persons making such systems work. In addition, they are responsible for aligning individual objectives for assessments with broader organisational objectives and are therefore the key to integrating assessments into broader performance management frameworks.



Despite all reforms that have taken place within the last years in this field, there are still considerable practical challenges in implementing individual assessments and aligning them with organisational performance management systems. Most difficulties and challenges might be obvious: For example, managers see individual assessments purely as a matter of duty without clear benefits; a general lack of incentives and motivation for managers to invest their time into such assessments; competency problems regarding target setting, assessing staff and giving feedback; difficulties to assess poor performance and take consequences or the rise of a new appraisal bureaucracy. As a result, performance appraisals of both managers and staff often do not bring about the expected benefits but rather lead to frustration and resistance (actively or passively) both by managers and employees.

The overall goal of this survey is to explore the main managerial challenges and success factors of implementing individual appraisal systems in public services in Europe. Based on deepening insights and practical experiences, the study intends to

- make available up-to-date information on experiences in European public administrations;
- identify the main leadership challenges in successfully conducting individual assessments and linking them to organisational performance;
- present and discuss good practices in the field;
- provide practical guidance by identifying the factors that will assist organisations in the design, implementation and reevaluation of their systems

in order to make performance assessments run more smoothly and contribute to improved organisational performance.

The main areas of interest to be covered by this study are:

- Individual assessments and appraisals of both managers and employees within public services;
- the role, expectations and experiences of managers in such assessments and the main leadership challenges resulting from that role;
- the alignment of assessments with HRM decisions and other aspects of performance management systems.

Another purpose of this study is to present more empirical evidence on the relationship between the assessment of individual and organisational performance. What are the criteria used? What is the relationship between organisational performance and individual performance? How can organisational and individual performance be measured? What are the main challenges in measuring organisational performance and individual performance? Are recent reforms in the field of individual performance assessment enhancing organisational performance?

It is obvious that such an analysis is no easy task. Research on individual performance assessment systems raises many controversial and sensitive issues. Because of the personal and managerial nature of the subject and the high degree of decentralisation, research on the world of individual and organisational performance measurement faces tremendous difficulties. Overall, we have to keep in mind that we are analysing practices not only in different countries, but also in hundreds of different organisations (and cultures). Therefore the difficulty to compare various systems that are rooted in very different legal and administrative traditions must not be underestimated. In addition, a serious challenge when comparing and analysing performance assessment systems concerns the access to valid and reliable data (or how to obtain 'honest' answers to sensitive questions). In order

to balance different views and get access to a broader spectrum of perspectives, for the first time this analysis has enriched the information gained from an 'official' national point of view (based on the country answers) with direct answers from individual managers in the EU Member States. A main objective of this study, thus, is to add empirical evidence and compare the experiences of managers (who are in charge of carrying out performance assessment systems) with the national replies of the Member States.

## I.2. Scope of the survey

In 2007, the Portuguese EU-Presidency commissioned the European Institute of Public Administration in co-operation with the Institute for Public Management at the Wirtschaftsuniversität Wien to undertake a comparative study entitled: "*The impact of individual assessments on organisational performance in the public services of the EU Member States*".

The scope of the survey encompasses the different organisational and individual performance assessment systems in public administrations/public services in the Member States of the EU (and Norway). Since in most Member States the responsibilities in the field of performance management are highly decentralised, many Member States have answered to this study only for the central (federal) level. Whereas some Member States have replied for the whole public administration and/or the core public services of their countries, other Member States have reported on individual case studies, selected public sector organisations (ministries, agencies) or specific employee groups (senior civil servants, top-officials) as, in many cases, responsibilities for appraisal systems had been decentralised to individual ministries or agencies.

In this context, performance appraisal or assessment (both notions are used synonymously in this survey) is understood as method by which the performance of an employee or manager is assessed against a set of predetermined criteria (generally in terms of quality, quantity, cost and time) with which an individual fulfils an agreed set of tasks.

In the EU Member States, different types of performance assessment systems are being employed. We find especially the following two main forms:

- a) Performance assessment systems that are based on a number of personal behaviour and performance criteria, job description, tasks and duties, and
- b) performance assessment systems that are based on performance targets and indicators following a Management by Objectives (MbO) logic.

In this survey, both forms are subsumed under the notion of performance assessment which should guarantee that the topic is broad enough to make the survey relevant for all kinds of public administrations in Europe.

It is also central for the survey that performance appraisal is inextricably tied to the broader topic of performance management which involves elements such as:

- Clarifying performance objectives and linking these with organisational plans;
- periodic performance appraisal of individuals or teams against the achievement of these objectives;
- evaluating the contribution of individual, team and organisational performance,
- feedback from this appraisal;
- recognition or reward for performance;
- team and individual development to build capabilities;
- counselling or other action to deal with poor performance.

### **I.3. Structural features of performance assessment systems - the importance of tradition and structure**

An earlier survey on decentralisation and accountability commissioned by the Austrian EU-Presidency (Demmke et al. 2007) has given evidence that different historical traditions and cultures as well as HR systems have a considerable impact on public management modernisation paths and on the introduction of performance management. Equally, the OECD, which in the past has shown a strong preference for observing 'universal trends' of public administration modernisation, has underlined diversity and the relevance of context in its most recent publications. The 2005 report 'Modernising Government - The Way Forward' came to the conclusion that "modernisation is dependent on context" and that "there are no public management cure-alls" (OECD 2005, p.13). This relevance of context and diversity in European public administrations has important implications for the concept of mutual learning and good practice.

To adequately tackle the questions of context and diversity in this study and to go beyond descriptions of individual countries or cases, the participating countries were clustered according to the following two dimensions:

- 1) Public administrative tradition
- 2) Main orientation of HR-system

#### **I.3.1. Different administrative traditions**

The relevance of different public administrative traditions such as the classic contrast between continental public law systems on the one hand, and Anglo-Saxon common law systems on the other hand, is often found in comparative administrative research. In this survey, the 24 participating countries were assigned to the different public administration traditions or models as follows:

Public administration tradition	Countries
Anglo-Saxon tradition	Ireland, Malta, UK
Continental European tradition	Austria, Belgium, France, Germany, Netherlands
Mediterranean/South European tradition	Cyprus, Greece, Italy, Portugal
Scandinavian tradition	Denmark, Estonia, Finland, Latvia, Norway, Sweden
Eastern European tradition	Bulgaria, Czech Republic, Lithuania, Poland, Romania, Slovenia

Table 1: Categorisation of public administration traditions in Europe

This categorisation is based on existing public administration literature and was already used for an earlier survey in 2006 where the categorisation was discussed and agreed upon within the HRWG-members to secure plausibility. Nevertheless, shortcomings and difficulties of such categorisations - e.g. the fading relevance of certain differences - remain and have to be kept in mind. For example, assigning the Netherlands to the Continental European tradition and Malta to the Anglo-Saxon tradition as well as the classification of the Baltic States to different categories seem open for discussion. Moreover, the authors are well aware that there are considerable differences amongst the Eastern European countries.

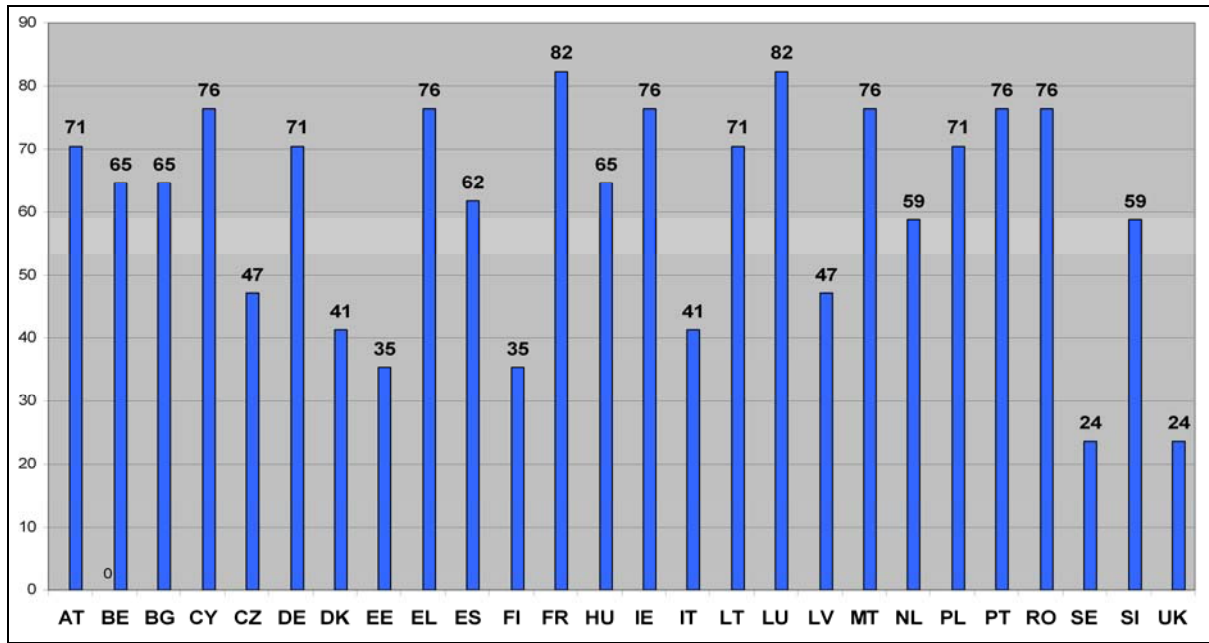
### 1.3.2. Career- and position-based systems

As the main focus of this survey lies on HR topics, the states were also clustered according to the predominant orientation of their HR system. We thereby followed the OECD (2005, p. 164ff) distinction of two main models of public service employment that are assumed to have a profound effect on a country's public administration culture:

- a) **career-based systems** are characterised by the dominance of life-long public service careers, specific criteria for initial entry, a strong emphasis on career development with a high relevance of seniority and a relatively strong differentiation between private and public sector employment;
- b) **position-based systems** are characterised by a focus on selecting the candidates for each position, more open access and a higher mobility between private and public sector employment.

As a result of a broad range of other reforms in most public administrations over the last decade, there is, at the beginning of the 21<sup>st</sup> century, no longer a civil service model that could be described as a 'classical career model'. Today, pure career or position models do not exist anymore. Instead of clear-cut categories, there seems to be a distinctive trend to blurring the systems. The clustering now has to be understood as indicating the prevalence of the characteristics of the one system over the other. A recent analysis of HR systems on the basis of 17 indicators/characteristics (such as specific civil service employment rules,

existence of life-time tenure, specific pension scheme or degree of centralisation of HRM competencies<sup>1)</sup> shows that there are still considerable differences between the HR systems in the various countries (see graph 1).



Graph 1: Characteristics of public administration systems in the EU Member States (in% of all career-system indicators)

For this survey, in order to assign the countries to either of the two types, a 60% mark of all career-system indicators was used to draw the line between career-based and position-based systems.

HR System	Countries
Career-based HR system	Austria, Belgium, Bulgaria, Cyprus, France, Germany, Greece, Ireland, Latvia, Lithuania, Poland, Portugal, Romania
Position-based HR system	Czech Republic, Denmark, Estonia, Finland, Italy, Malta, Netherlands, Slovenia, Sweden, UK
Categorisation not possible	Norway

Table 2: Categorisation of public administration traditions in Europe

<sup>1</sup> Own calculations based on a HRWG-survey in the Member States of the EU, EIPA, 2007/2008.

## I.4. Work methodology

The study commissioned by the Portuguese EU-Presidency has been carried out by researchers from the European Institute of Public Administration and from the Institute for Public Management at the Wirtschaftsuniversität Wien.

Following positive experiences under the previous presidencies at working group level, two workshops were organised with the HRM Work Group to initiate discussions on some of the topics and questions for this survey, and also in order to gain additional input from the EU Member States. The workshops were held in Lisbon on September 17<sup>th</sup> and on November 20<sup>th</sup> in Brussels where the preliminary findings of the survey were discussed and cross-checked within the Working Group.

As to the working methodology a questionnaire was sent in electronic form to the EUPAN HR Working Group members from all EU countries (plus Norway) to be returned by October 1<sup>st</sup>, 2007. In addition, the national coordinators were also invited to contact managers from their own or other administrations to complete a similar but shortened online version of this survey until October 1<sup>st</sup>, 2007. This innovative approach had been chosen by the Portuguese EU-Presidency for the first time to gain additional and unique experiences and ideas directly from public sector managers, who - as outlined above - play a crucial role in successfully implementing appraisal systems.

In fact, this methodology worked well and received quite positive comments from several Member States. The Medium Term Programme 2008-2009 for the Co-operation among the Directors-General responsible for Public Administration in the EU Member States that, as a consequence, for future HRWG surveys questionnaires should "if possible, be submitted to different levels of respondents".

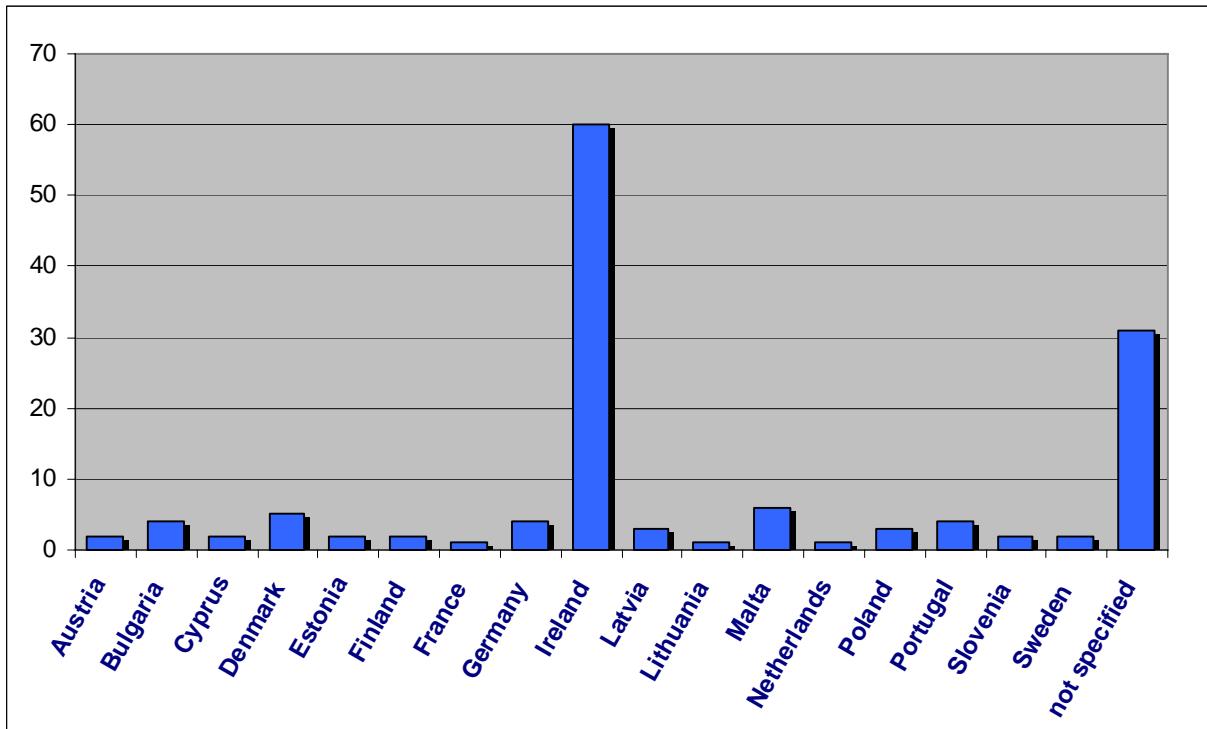
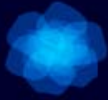
23 Member States of the EU plus Norway sent in their official national replies to the above mentioned questionnaires. In addition, one Member State replied through an official statement.<sup>2</sup> Spain and the European Commission did not participate because of ongoing reforms in the field of performance assessment.

In addition, 135 managers from at least 17 Member States responded to the online version of the questionnaire (37 of which preferred not to indicate their country). The following graph shows the origin of these managers' answers.

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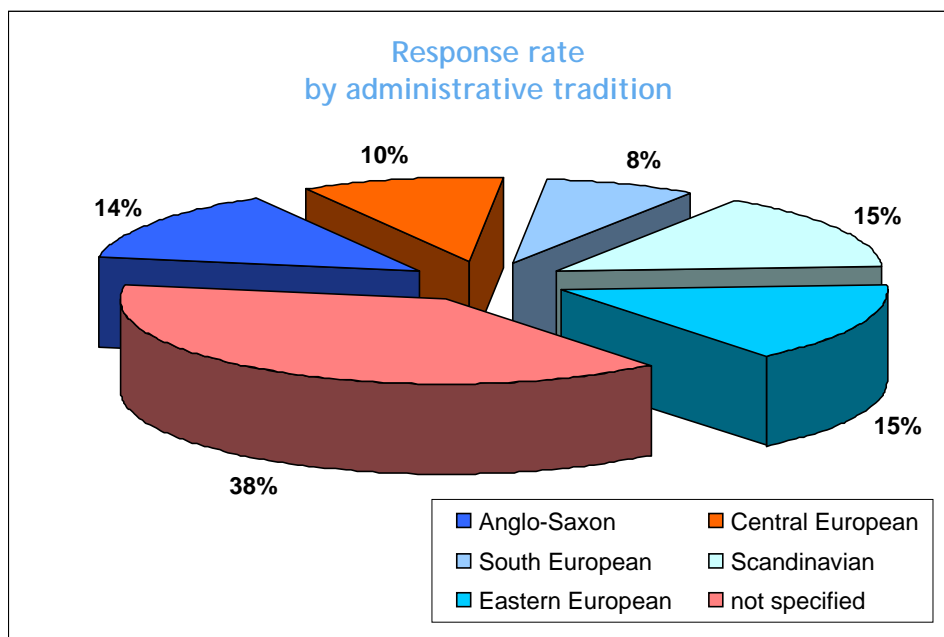
<sup>2</sup> Luxembourg sent in a statement which contained a number of detailed explanations why – despite the absence of a generalized performance assessment system – different mechanisms exist that have motivational effects on civil servants. These are the a) grade extensions, b) the substitution grades and c) the possibility to apply for a higher grade.



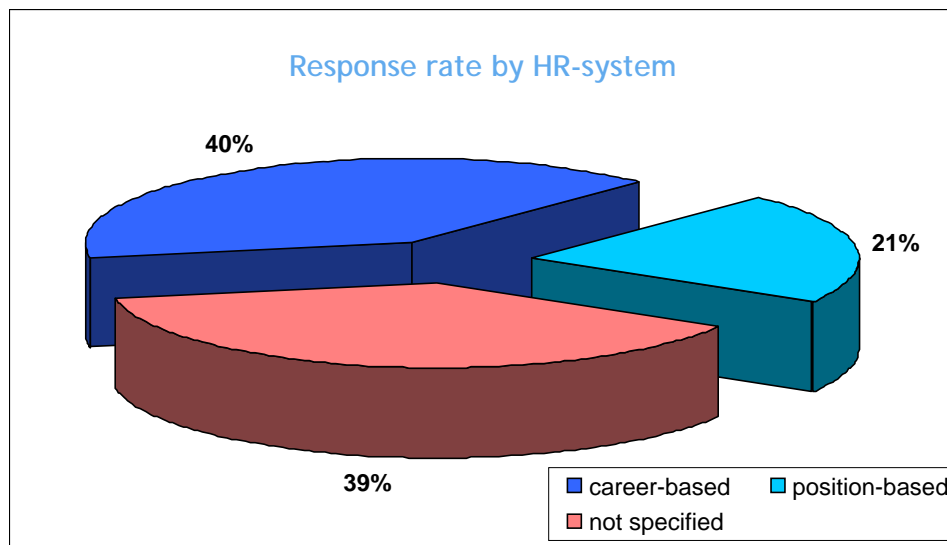


Graph 2: Number of manager survey responses (n=135)

The strikingly high number of respondents from Ireland indicates the strong relevance of the topic in Ireland. However, on a methodological level, this poses considerable challenges as the results are to a large degree (44.4%) mirroring the Irish experiences with performance assessment practices. We have therefore decided to balance this by giving the Irish answers a lower relative weight than in the original sample. As there were manager answers from 17 countries, the relative weight given to the Irish answers was 1/17 resp. 6%. This results in the adjusted response rates by administrative tradition and HR-system as shown in graphs 3 and 4.



Graph 3: Manager survey response rate by administrative tradition (after balancing the answers)



Graph 4: Manager survey response rate by HR-system (after balancing the answers)

Within this study, the opinions, recommendations and suggestions of the individual managers are quoted or presented in italics. However, we will refrain from mentioning their (national and organisational) affiliation. In addition, we would like to emphasise that the goal of this additional survey is explicitly not to get a representative picture of national experiences but to increase the range of information and include experiences from practitioners. At the same time, this enables us to compare the managers' experiences with the national replies of the Member States.

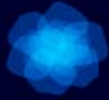
Because of the comparative and innovative empirical approach, this study may be considered as a pioneering work in the field of comparative HRM research within the EUPAN network and we are well aware of the difficulties and challenges involved. To begin with, the fact that this study had to be accomplished within less than four months, without doubt, represented one of the biggest challenges. Further, this study concentrates on the experiences of high-level managers whereas other crucial groups such as middle-level managers or street-level bureaucrats are left out. In addition, although the high rate of participation in this new form of study (in total 24 countries and a total of 135 individual managers) exceeded our expectations and confirms the great interest in this subject, the study is still based on a very limited sample of national and individual data on an issue that is highly sensitive and 'political' and in some countries also rather controversial. While performance assessment systems are considered to be a real challenge in some countries and, consequently, governments, organisations and even national experts shy away from discussing them openly, other countries see much less of a problem and speak more frankly about opportunities and concerns. Furthermore, apart from structures and systems in place, performance assessment always remains a human exercise and no clear or unambiguous answers can be expected.

Due to the divergent backgrounds of the participating countries and the lack of additional empirical 'hard facts', this study never intended to assess which countries or administrations evaluate individual and organisational performance more accurately and more objectively - that is 'better' - than others. Instead, this study intends to initiate a critical, open and constructive dialogue on performance assessment. Such a comparative dialogue necessitates the ability to address difficult issues (such as fairness, trust,

competence and professionalism) and the courage to also express openly dissenting opinions. We believe that the interest in contributing to this study and the findings - several are very promising and others are surprising in that they contradict some common sense doctrines of public management reform - can be interpreted as an indicator of the increasing level of awareness, the growing care and diligence devoted to the implementation and handling of assessment systems, and of the willingness to engage in such a dialogue. Thus, despite the inherent limitations, we hope that this study will generate a productive debate within the EUPAN network.

The authors of this study would like to thank Mafalda Santos from the Portuguese EU-Presidency and her excellent team, the members of the EUPAN-HRM-group and all national managers who have contributed to this study for their valuable support and for helping us to successfully carry out this study.

Christoph Demmke, Gerhard Hammerschmid and Renate Meyer



## II. CONTEXT AND RELEVANCE OF THE SURVEY

### II.1. Performance measurement and performance assessment over time

Public organisations and public officials perform many crucial functions and it is imperative that they perform them effectively and efficiently. However, only a few decades ago, discussions around individual and organisational performance were highly inappropriate. Being a civil servant, as it were, implied 'performing well'. The ethos of civil servants was to serve the public interest in an impartial manner.

In the early 20<sup>th</sup> century only few organisations (mostly military) conducted individual performance assessments. Organisational performance assessments were even more the exception. Moreover, for a long time people were not allowed to question government authorities at all. Since the notion of social services did not exist (until the 1950s only a few countries had anti-poverty programmes or initiatives in the field of food safety, social security or environmental protection), most existing 'public services' were in the area of tax, transport, health, inspections, research, military, and police. Consequently, the most important task of the state sector was to control society, rather than to serve society and its citizens. The Leviathan (T. Hobbes) stood above society and governments as well as civil servants were - until the 1970s - more concerned with regulation, control and the implementation of programmes than with evaluating their activities' outcomes, citizens' concerns and consumer satisfaction. The classical concept of public administration and civil servants implies that managing organisational and individual performance is still a relatively recent phenomenon.

Another reason for the observed difficulties in assessing public and individual performance may be found in the distinct tasks of public sector organisations. Almost thirty years ago, the now 'classic' thinker in management theory, Peter Drucker (1978, p. 427), stated that "public service institutions always have multiple objectives and often conflicting, if not incompatible, objectives". Such diverse goals make it difficult for public organisations to develop performance standards that can serve as a basis for effective incentive systems (Baldwin 1984). Other problems in measuring the impact of reforms on performance can be found in the fragmentation of the public sector as such and in the difficulties of obtaining better data and information about 'performance' across different units, departments, sectors and countries. In his historical analysis of performance measurement, van Dooren (2006) identifies no less than fourteen movements since the 19<sup>th</sup> century that have promoted performance management and measurement in government. However, van Dooren comes to the conclusion that, when looking back, "change is not the path of glory which is often portrayed" (van Dooren, 2006 p. 227). This does not imply that performance management movements were at all useless. Rather, performance measurement also transformed over time and became more systematic, specialised, professionalised and institutionalised.

The first organisational performance management concepts emerged only in the late 19<sup>th</sup> century and date back to Woodrow Wilson's business approach to government (1887) or to

the Scientific Management movement that promoted the detailed analysis of workers' tasks with the objective of maximising efficiency by processes according to a mathematical and logical formula (Taylor 1911). In Germany, Max Weber published 'Wirtschaft und Gesellschaft' (1922) and tried to demonstrate that the emergence of the 'bureaucratic organisation' was the incarnation of rational and efficient organisational and management structures.

In the first decades of the 20<sup>th</sup> century, most European public and private organisations designed their structures according to the bureaucratic model until, in the 1970s, more scholars (especially in the US) started to concentrate their research efforts on monitoring policy effectiveness (and less on structures and processes). Many of these so-called implementation studies showed that organisational performance fell short of policy expectations and concern shifted from the 'what?' of policy outcomes to the 'why?' of policy failures. At the time, Implementation Theory became famous when Pressman and Wildavsky subtitled their classic implementation study "How great expectations in Washington are dashed in Oakland; or why it's amazing that Federal Programs Work at all" (1984). Parallel to the emergence of implementation as a concept, the Management by Objectives approach (MbO) departed from Scientific Management theories. In "What Results Should You Expect? A User's Guide to MBO" (1978), Drucker defined several pre-conditions for an effective public management system. According to Drucker, the ultimate result of management by objectives is decision. "Filling out forms, no matter how well designed, is not management by objectives and self-control. The results are!" (Drucker 1978, p.436). This was a direct assault against the traditional bureaucratic career system, with its focus on rules and procedures rather than outcomes.

However, also the limitations of the MbO approach became more and more evident when researchers like Thompson pointed to the fact that a "system contains more variables than we can comprehend at one time, or that some variables are subject to influences we cannot control or predict" (Thompson 1967, in: Heinrich 2003, p. 28). In addition, many MbO systems failed because they were too rigid and not able to take account of human factors (e.g. they failed to recognise the limitations of formal systems in influencing employees' motivation). From there, multi-dimensional and quality-focused systems such as the Balanced Scorecard, Total Quality Management Systems and other quality measurement systems (such as the Common Assessment Framework - CAF) were developed for public sector organisations.

Despite all the performance management theories, until the 1990s the tasks of most states expanded further (especially in the social and education sectors) and the recruitment of public employees increased. Consequently, personnel costs and public sector budgets reached a new peak at the beginning of the 1990s. This expansion of the public services and the increasing (personnel) costs for the public services have not necessarily improved their image. On the contrary, citizens, media and politicians have expressed more and more dissatisfaction with the costly public sector and campaigned against the bureaucrats and their expensive, slow, inefficient, and unresponsive bureaucracies. Widespread public scepticism about a state sector which is too big and too costly, and numerous clichés of the poor performance of civil servants and public organisations, also implied sharp differences between public and private organisations.

When Osborne and Gaebler published '*Reinventing Government*' (1992) they insisted that their publication would not present original ideas. However, their suggestions for improving public organisations became very popular and were later defined as the 'New Public Management Movement'. Parallel to the emergence of the New Public Management, Implementation Theory lost much of its importance, since more people believed that the New Public Management would automatically lead to better and more effective public

services. The call for privatisation of public services and criticism of traditional bureaucratic organisational structures led to a new wave of 'bureaucracy bashing'. Public organisations, in general, were seen as inefficient and ineffective and private sector organisations as superior and role models for the public sector. Consequently, privatisation, delegation, decentralisation, outsourcing and public-private partnerships were recommended as the best strategies for increasing organisational performance and as solutions for solving the 'efficiency' and 'performance' crisis of public sector organisations. The New Public Management hype reached its peak after the fall of the Berlin Wall, when many observers called for quick privatisation, outsourcing, delegation and decentralisation of the highly rigid, hierarchical and ineffective public services in Central and Eastern Europe. All of these recommended reforms had a strong 'efficiency' focus and aimed at 'doing more with less'.

The discussions about governmental and public sector performance changed abruptly after the terrorist attacks in New York, Madrid, London and - later - the natural disasters in New Orleans and in South East Asia. Also, new global security threats and new risks (e.g. bird flu), have triggered renewed discussions about the need for strong public services and the protection of populations. In the United States, two conclusions were drawn from the September 11 attacks:

- First, that 'the public sector' is important and "government workways are important, and indeed critical, for the nation's well-being; and
- Second, that defects in government operations are most readily discovered in events of crisis or scandal - all too often after the damage has been done" (Davidson 2000, p. 2).

These findings also provoked new discussions about the negative effects of radical downsizing policies in the public sector. In Europe, discussions about public sector performance slowly moved away from a naive admiration of the one-size-fits-all-theories of New Public Management thinking ('doing more with less') to path-dependency theories. In particular, concerns about the emergence of new paradoxes (Hesse/Hood 2003), dilemmas and trade-offs (Pollitt/Bouckaert 2004), new challenges (e.g. demographic challenges), capacity problems, staff shortages (mostly in the IT, health and education sectors), more evidence about inefficiencies and programme failures as a consequence of privatisation, outsourcing and downsizing policies, and about the state's responsibility in fighting terrorism, climate change, increasing levels of poverty and growing income differences between rich and poor played an important role in the shift of the public management debate.

With the changing focus in the public performance debate, there was also a change in assumptions what instruments and measures are likely to induce better performance. At the beginning of the 21<sup>st</sup> century, the public discourse on both sides of the Atlantic is becoming more pragmatic. Experts and citizens are no longer asking for 'less state involvement' but for better services, higher quality, more effectiveness and efficiency, respect for equity and non-discrimination issues, diversity management, the rule of law, democracy, fairness and dignity.

These days, it matters less whether services are delivered by the public or the private sector, public-private partnerships or new governance structures. When Milton Friedman was asked in 2001 what the former Communist states should do in order to increase the efficiency of the public sector, he replied: "Ten years ago, I would have said "Privatise, Privatise, Privatise. But I was wrong. The rule of law is much more important than privatisation" (Fukuyama 2004).



This example illustrates that the debates about organisational and individual performance have also become less ideological and have opened space for important new reflections. For example: why are certain countries with a big and costly public service more efficient and effective than countries with a small public sector? The outcome of this discussion has resulted in more evidence about the need for good management, political stability, high integrity, adherence to the rule of law, and the right design of institutional structures and HRM-policies in the context of 'good governance'.

Today, more observers agree that the reasons for organisational and individual poor performance are almost always very complex. A Dutch study on '*Bewijzen van goede dienstverlening*' (evidence of good services) showed that organisational performance is very different from sector to sector. Whereas the media mostly debates problems with waiting lists in hospitals, poor school education systems, inefficiencies in social security systems, failures in security, cases of corruption, waste of money in construction etc., the success and cases of good performance of public organisations are only rarely discussed (e.g. success in the fields of public health, life expectancy, social security, women rights, diversity policies etc.). According to the study, organisational performance is very much the result of good networking, effective accountability systems, powerful instruments, efficient coordination mechanisms, realistic public perceptions and expectations, the quality of monitoring and control systems, institutional capacities, legal certainty, sufficient (financial) resources and the competence of personnel.

According to an expert report to the United Nations (2003), important dimensions of improving public sector performance and effectiveness include:

- Responsiveness to public needs;
- equity e.g. ensuring greater equity in the distribution of services;
- quantity - ensuring that the proper quantity of services is provided;
- quality - enhancing the quality of services;
- efficiency - enhancing the cost-effectiveness and efficiency of the provision of services;
- provision - enhancing the equity, accessibility, speed and reliability of services;
- reducing economic impediments - reducing the extent to which costs, procedures and processes impede economic and social progress;
- transparency - providing timely, relevant and complete information;
- integrity - ensuring ethical behaviour.

Despite this multidimensional approach, in many countries the issue of organisational performance of the public sector is still dominated too often by 'black and white' discussions. For example, perceptions in the media and the population about the role and tasks of the public service are still grounded in the centralised and unified public administration which is clearly separated from the private sector. Consequently, government, politicians, public services and public employees are still held responsible for almost any 'governmental failures'. Moreover, the private sector is seen as distinct from the public sector. Often, its employees are also seen as more efficient as public sector employees. But, what do we know about public-private comparisons?

Since performance information is often lacking in the field of organisational and individual performance, it has to be recognised foremost that public service organisations are often very different, and public policies are administered through increasingly complex networks, decentralised governance structures, public-private-partnerships and co-operative ventures between NGO's, consultants and government. The traditional concept of the public service as a single, unified employer is disappearing. Moreover, the 'old paradigm' of a clearly-separated hierarchical, career public service no longer exists.

Thus, a static discussion on organisational and individual performance is an inadequate point of departure. In fact it should be acknowledged that performance may differ from organisation to organisation. Also reasons for good and bad performance may be very complex. As such, public-, organisational- or individual performance as static concepts do not exist. Moreover, today it is less clear who is responsible for poor quality services: government, the public service, NGOs, public private partnerships, private providers of public services or public employees?

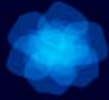
Today, too many open questions exist as to why most countries have many efficient and inefficient, effective and ineffective public organisations at the same time and in different sectors. For example, whereas in some countries the tax administration works very well, this may not be true as regards the implementation of a programme in the field of environmental protection by the Ministry of Environment. Likewise, some may have a very effective anti-discrimination policy, but at the same time a high level of inequality between men and women. Also, performance levels can be very different from school to school, police force to police force, hospital to hospital, juvenile delinquency programme to environmental protection programme etc. Too many experts also link a big public sector, a high degree of regulation, high expenditure on public employment and high taxes to bad public performance too easily.

## II.2. Public service, organisational and individual performance - challenges in international performance comparisons

As we have already mentioned above, any comparative public sector performance study also reveals the tremendous methodological challenges involved in international public sector comparisons: "We should note, though, that - at the present stage - it seems difficult to perform in-depth analyses, given the limited quality of and lack of detail in the data available" (van de Walle 2005, p. 25). Despite the inherent limitations to do comparative research, it is becoming increasingly popular to benchmark the European public services. Especially the Worldbank and the OECD have become very active in this area. Also in the EUPAN network, a comparative study on 'Public Sector Performance' was carried out under the Dutch EU-Presidency in 2004. The Common Assessment Framework (CAF) represents an attempt to improve organisational performance and to identify best-practices in the Member States (but also in more countries outside Europe). Best practices are also presented during the regular Quality Management Conferences.

Consequently, more and more Member States and public organisations realise that other countries and organisations perform differently in fields like education, health or social services. Logically, the more expensive or less efficient countries could learn from the 'more efficient' and 'cheaper' Member States. Despite the growing interest in comparing organisational and individual performance only "few studies exist that compare bureaucratic quality and/or administrative performance internationally" (van de Walle 2005, p. 3). There are many reasons for this lack of comparative research:

- ❖ The existing, comparative best practices base public sector performance mainly on quantifiable variables, e.g. the comparison of costs for the health sector, unemployment rates, economic growth, payments for social security systems etc. So far, there is no study that compares the performance of ministries, judiciaries or parliaments. The reason for this is obvious: It is still very difficult to compare the



performance of qualitative services and services that have an impact on human rights.

- ❖ Another important obstacle is to agree on the right performance indicators and to measure correctly issues such as the level of corruption, red tape, the quality of the judiciary, the degree of accountability, political stability, the rule of law, the ability to implement programmes, tax compliance, etc. Although government indicators are expanding as fast as organisational and individual performance indicators, there is still considerable confusion, (sometimes) contradiction and overlap as regards the right indicators and targets.
- ❖ There are also many obstacles in comparing public sector performance because of uncertain, problematic data and the difficulties involved in analysing the existing data (for example, how to measure the relationship between the level of corruption and public performance).
- ❖ Yet, another problem is to agree on common definitions. Still, the European public services are organised in very different ways. Terms like 'civil servant', 'central government' and 'public administration', 'public employment' and 'career' have many different meanings. Also the quality or 'the' performance of 'the' bureaucracy are hard to measure, as we are dealing with quite diverse and not clearly delimited concepts. When authors thus refer to the quality or performance of the bureaucracy, they quite frequently use a broad range of concepts. "Government' is a concept that is particularly hard to define and compare: A Scandinavian-style welfare state is clearly different from a minimal state or an Anglo-Saxon regime, yet we seem to want to directly compare their performance. When we want to compare public sector performance or overall bureaucratic quality, we need to agree on a definition of the public sector, the public administration, and government" (van de Walle 2008, p. 9).
- ❖ In addition, the analysis of the degree of 'bureaucracy' is a very ambivalent concept. For example, red tape and bureaucratic requirements may be bad for business. At the same time they may also serve other purposes that have positive effects for the citizens etc.
- ❖ Comparative Public Performance studies are also very sensitive to subjective ratings. Performance information is always interpreted within its political, cultural and economic context. Thus, the interpretation of performance information is inevitably subject to contestation. In addition, the interpretation of information might be influenced by the interpreters' causal and principled convictions, norms and beliefs. Often, expert opinions on the public performance of a country, organisation or people may also reflect (at least to a certain degree) the own cultural perceptions and images toward a country, public sector etc. Thus, subjective indicators "may only measure the public administration's image, rather than being an evaluation of performance. Opinions may reflect historical experience rather than current performance, or may reflect exceptional encounters rather than average service" (van de Walle 2008, p. 9). For example, recent studies show that a country can have a very traditional public service, a small public sector, decentralised HRM-policies and participative management styles at the same time. This combination of factors may contradict (still prevailing) images that countries are either traditional bureaucratic, career-system countries or flexible position system countries.

A study from the Instituut van de Overheid (2004) noted that researchers are “fortunately quite hesitant when it comes to comparing countries directly” (van de Walle 2005, p. 16). There is growing awareness that the quality of bureaucracies is hard to measure and experts have different concepts when they discuss the quality of public organisations. In addition, “most [...] rely to some extent or completely on subjective indicators” (van de Walle 2005, p. 27).

An OECD report on ‘Management in Government: Feasibility Report on the Development of Comparative Data’ (2005) points to the fact that “public management reforms have been hampered by the lack of good quality comparative information, resulting in a situation where assessing progress made and learning from other countries experiences remain limited. In consequence, public management reforms have been driven significantly by assumptions concerning ‘best practices’ rarely specified with any precision. Although there is significant growth in broad measures of ‘governance’, most of these data are based on subjective assessments, and have little relevance for public management (OECD 2005a). Thus, as tempting as public sector comparisons seem to be for many, the comparability problems are still numerous. For example, it is difficult to say that countries which are supposed to have less traditional bureaucratic structures, e.g. Sweden, the Netherlands, the United Kingdom, Finland or Estonia are quicker, more attractive, more effective and more efficient and that public officials are more motivated and perform better than in career systems. In fact, existing comparisons in public performance generally show that either career or position system countries do not perform worse or better (van de Walle et al. 2004)

However, the difficulties in making comparisons do not mean that it is not possible to compare public performance at all. For example, it is interesting that in almost all existing comparative public performance studies the same countries are found among the top three and the last three countries according to several indicators (van de Walle 2005, p. 24).

The OECD has announced the start of an ambitious multi-annual project on the development of comparable data and indicators of good government and efficient public services. If this project succeeds, it may become easier to get more evidence on ‘what works and what doesn’t’. In the long term, this could even lead to a convergence (at least in part) of public service structures in the future.

Until then, it should be widely accepted that evidence about the impact and the results of many performance management reforms is still insubstantial. Many methodological problems still exist in measuring public, organisational and individual performance. Also, many national and comparative studies on performance management and performance measurement studies are more “preoccupied with describing the new measures, comparing measures from various countries and assessing the impact on accountability” (Forbes/Lynn Jr. 2004, p. 2). However, little effort has been devoted to rigorous empirical verification of claimed results or to the identification of causal relationships underlying them.

### III. EMPIRICAL RESULTS

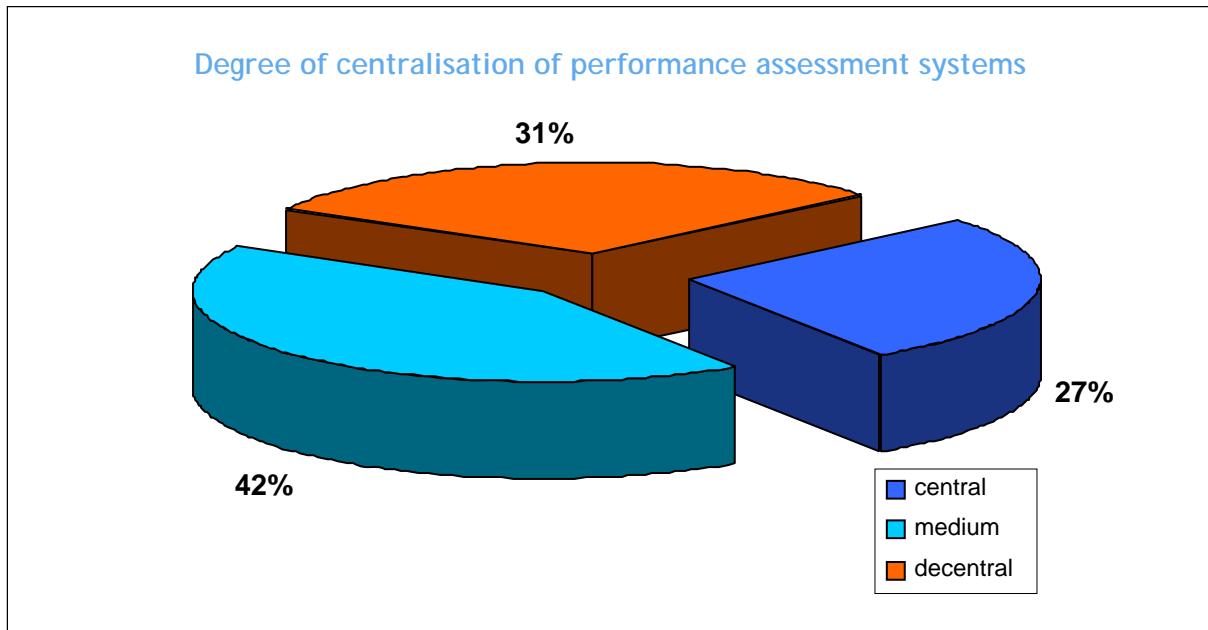
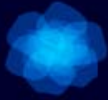
The study on performance assessment under the German EU-Presidency documented a surprising deficit in management research in the field of performance assessment and the strong need for a more in-depth empirical analysis of the leadership challenges as well as on the relationship between individual performance assessment and organisational performance. The study concluded that there is very little knowledge as to the effectiveness of performance assessment systems and their impact on role clarity, individual motivation, individual and organisational performance etc. Answers to a number of questions are still urgently needed: How is individual performance assessment linked to organisational issues? How do the different performance assessment systems function in practice? And what is their effect on organisational performance? What is the role of superiors and top-executives in the performance management cycle? How do leaders cope with their new tasks and responsibilities in setting, revising and assessing individual performance targets and objectives? Likewise, so far nobody has addressed the questions about the differences of centralised and decentralised performance assessment systems. Do countries with centralised performance assessment systems experience different challenges than those with decentralised approaches? Is it possible to identify best practices? What would be the results of a benchmarking between career-systems and position systems in the field of individual and organisational performance assessment? In the following we will address a number of these questions.

#### III.1. Centralised vs. decentralised performance assessment systems

Whereas only a few years ago performance assessment systems were centralised and standardised this is not the case any more. Nowadays, the instrument of performance appraisal is one of the most decentralised instruments in HRM. This poses great difficulties for comparative research in the field. As we will see in this study, most EU countries do not have a uniform performance appraisal system that is applicable to the entire public administration/service anymore. On the contrary, in more administrations, the public services have different appraisal systems which sometimes even differ from organisation to organisation. Consequently, a growing challenge is to have coordinated management systems, coherent performance assessment systems, fair assessment practices and an effective alignment with (sometimes centralised) HR-policies such as career development, promotion policies and (performance related) remuneration.

As the results of our survey show (see graph 5) only 27% of the Member States still have a centralised performance assessment system in the public services which is applicable to all categories of staff. 31% of all countries have a highly decentralised system in which each administration has its own performance assessment model. 42% have a medium system with central guidelines and decentralised practices.



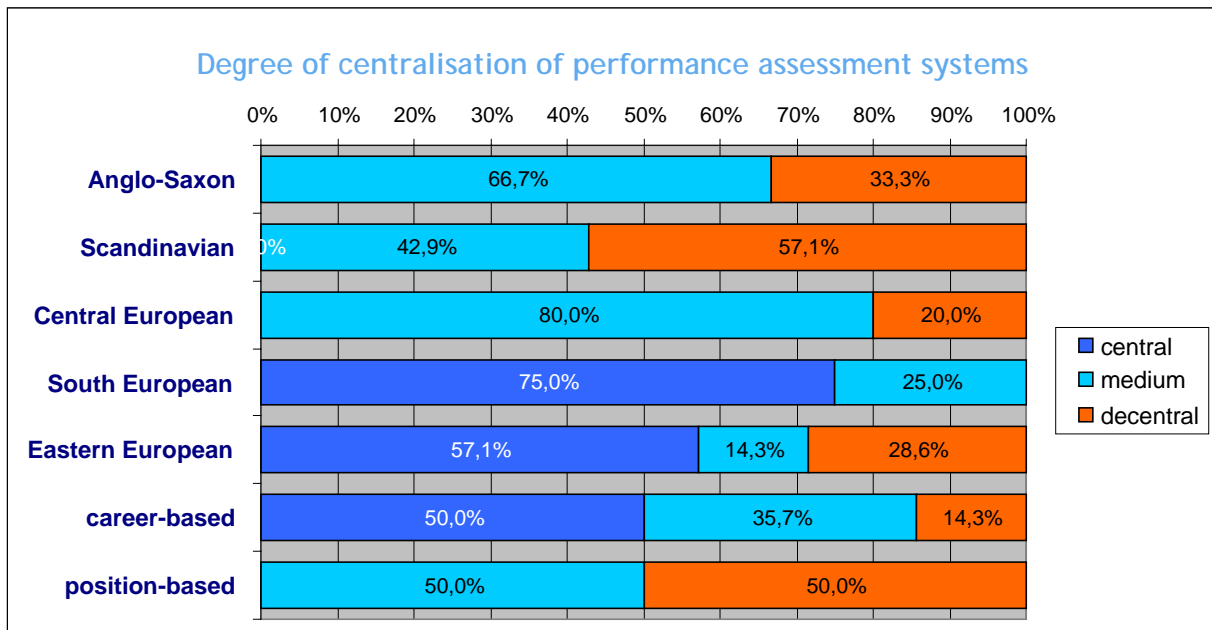


Graph 5: Degree of centralisation of performance assessment systems (n=24 country answers)

Overall, position-based system countries report having more decentralised performance systems than career system countries (see graph 6). In total, 50% of all position-based system countries have decentralised systems whereas only 14,3% of career-based systems do. Vice versa, while centralised performance systems are in place in 50% of the countries with a career-based system, they cannot be found anymore in position-based system countries.

As to a country cluster comparison, our study also reveals interesting differences among the administrative traditions: Centralised systems are drawn on in the majority of Southern European countries (75%) and of Eastern European countries (57.1%) while they are not found in the other administrative traditions. Central European countries mostly (80%) combine central guidelines and decentralised practices which is also true for Anglo-Saxon countries, however to a lesser extent (66.7%). Decentralised systems are prevalent in Scandinavian countries (57.1%).





**Graph 6:** Degree of centralisation of performance assessment systems by administrative tradition and HR-system (n=24 country answers)

### III.2. Focus of performance assessment systems

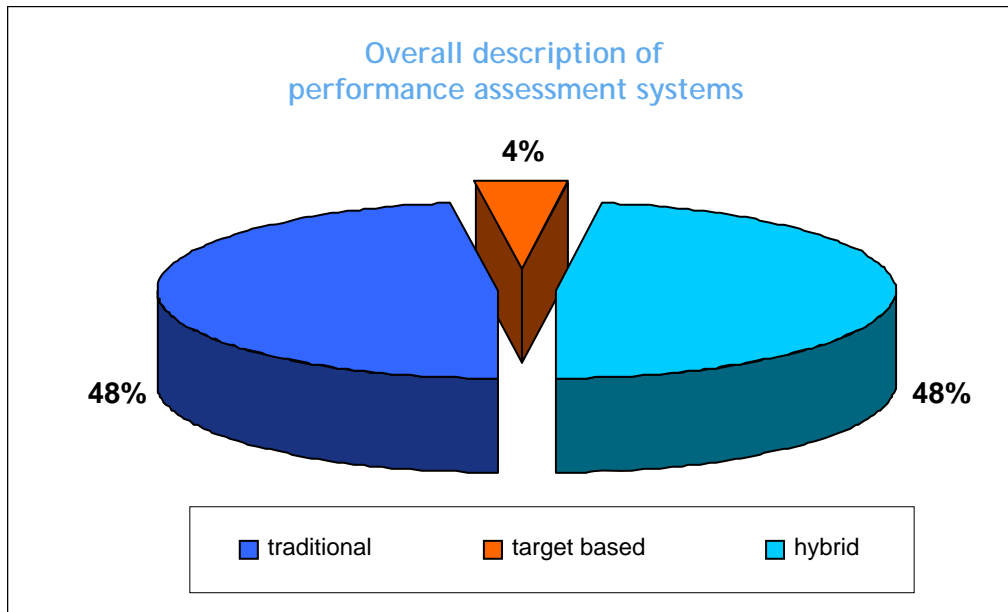
In the past, many Member States had standardised performance assessment systems in which most employees were evaluated according to the same criteria. As main advantage, a standardised and centralised traditional performance appraisal system was considered to be more efficient and easier to apply than time-consuming individual competency and target agreements. Furthermore, it was assumed that comparing the performance of the employees would be easier - at least theoretically - in a standardised system than in an individualised target system. Centralised performance practices also fitted into other HR-policies: In the past, apart from centralised performance systems, many countries also had centralised pay-, career-, promotion- and remuneration-policies. Moreover, too high a degree of decentralisation and incoherence in Human Resource Management was seen as a potential obstacle towards inter-ministerial mobility (Lorse 2007, p. 29).

In the course of the 1990s more Member States decided to introduce performance related-pay policies, abolished seniority rules, reformed promotion policies, introduced specific leadership programmes, decentralised training policies and designed new performance assessment systems according to competency profiles, competency requirements and annual targets. More frequently, these policies were adapted to the different objectives of different organisations and for different categories of staff. Moreover, more organisations introduced specific competency catalogues that the organisation expects its staff to fulfil. The term competence included behaviours, skills, attributes and attitudes.

The present development towards competency management and individual target systems has caused a multitude of innovative, hybrid and different appraisal methods, appraisal procedures and appraisal criteria for different categories of staff. More and more, a mixture of the individual activities, performance, skills, competencies, targets, results,

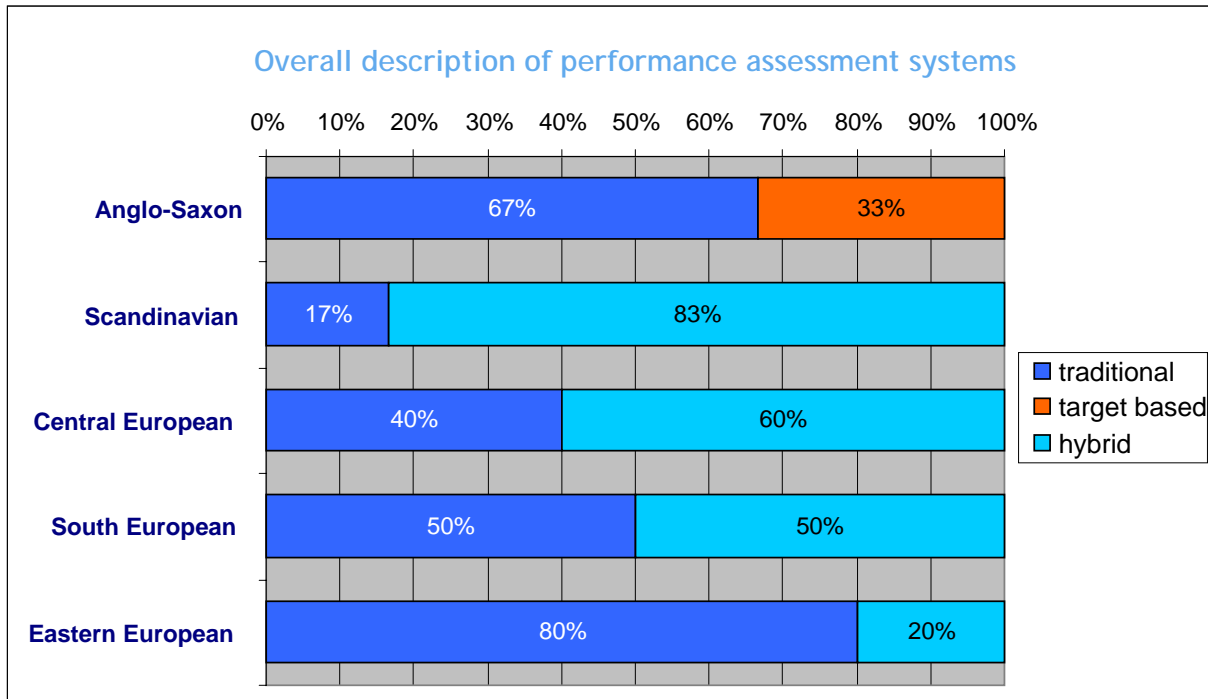
conduct and traits (commitment, reliability, motivation etc.) was evaluated. Also, detailed and mathematical traditional performance assessment systems were replaced by systems that focused more on individual targets and competencies.

As this study shows (see graph 7) almost half of the Member States who responded to this study have adopted a hybrid system which combines elements of a classical performance appraisal system with competency- and target-based aspects. Purely target oriented systems are still rather rare in the European public administrations.



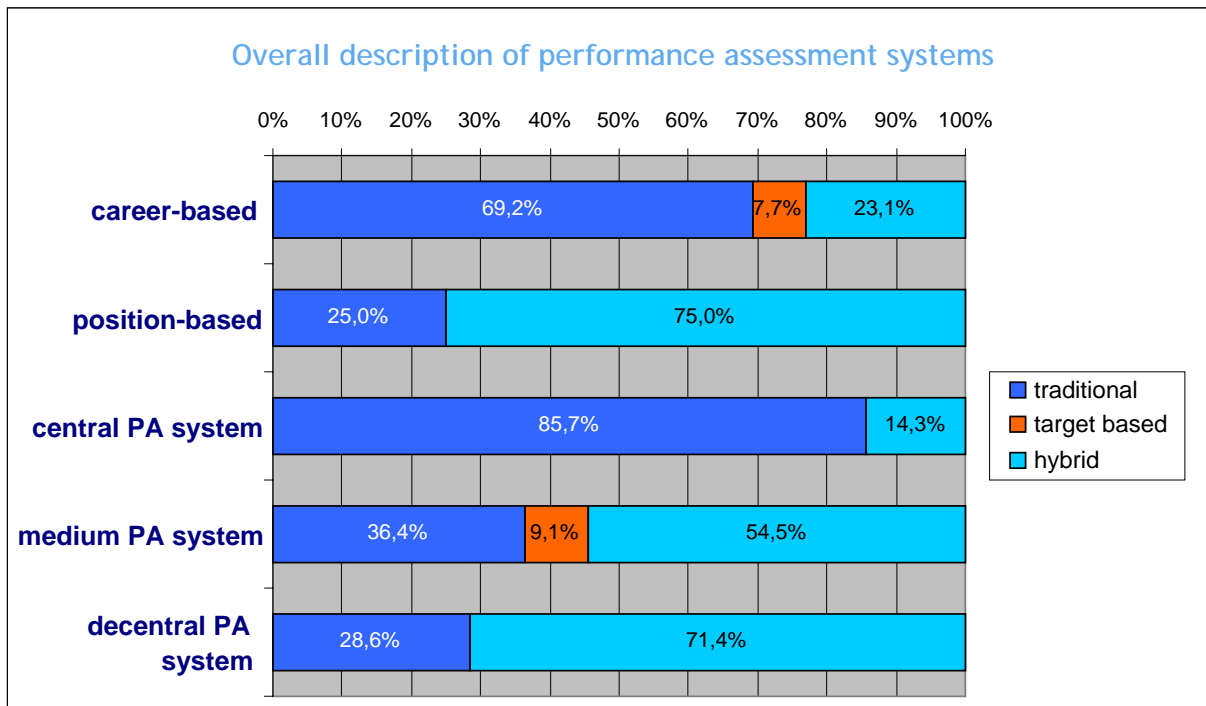
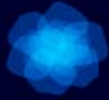
Graph 7: Focus of performance assessment systems (n=23 country answers)

However, looking at the different administrative traditions, the results of the survey show (see graph 8) that the different Member States still employ relatively different performance assessment systems. While Scandinavian countries have almost abandoned traditional performance assessment systems and overwhelmingly draw on hybrid models, the reverse is true for Eastern European countries that have maintained traditional performance assessment systems. In Central European and Southern European countries hybrid and traditional systems are almost equally strong. Only one country (Malta) reports that an exclusively target based system is in use.



Graph 8: Focus of performance assessment systems by administrative tradition (n=23 country answers)

A clustering according to HR systems (see graph 9) shows the expected results: Traditional performance appraisal systems (which are frequently based on the tasks, the position and a certain number of performance or behaviour criteria) are frequently found in traditional career systems (69.2%) and only to a lesser degree in position systems (25.0%). Obviously, the use of traditional versus target based system is closely related to the questions whether the performance appraisal is centralised or decentralised: The more a country has decentralised the responsibilities in performance assessment the more likely the country applies a hybrid performance assessment system.



Graph 9: Focus of performance assessment systems by HR-system and degree of centralisation of performance assessment system (n=23 country answers)

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*A good example for a hybrid system is the new Portuguese system which combines several dimensions of assessment:*

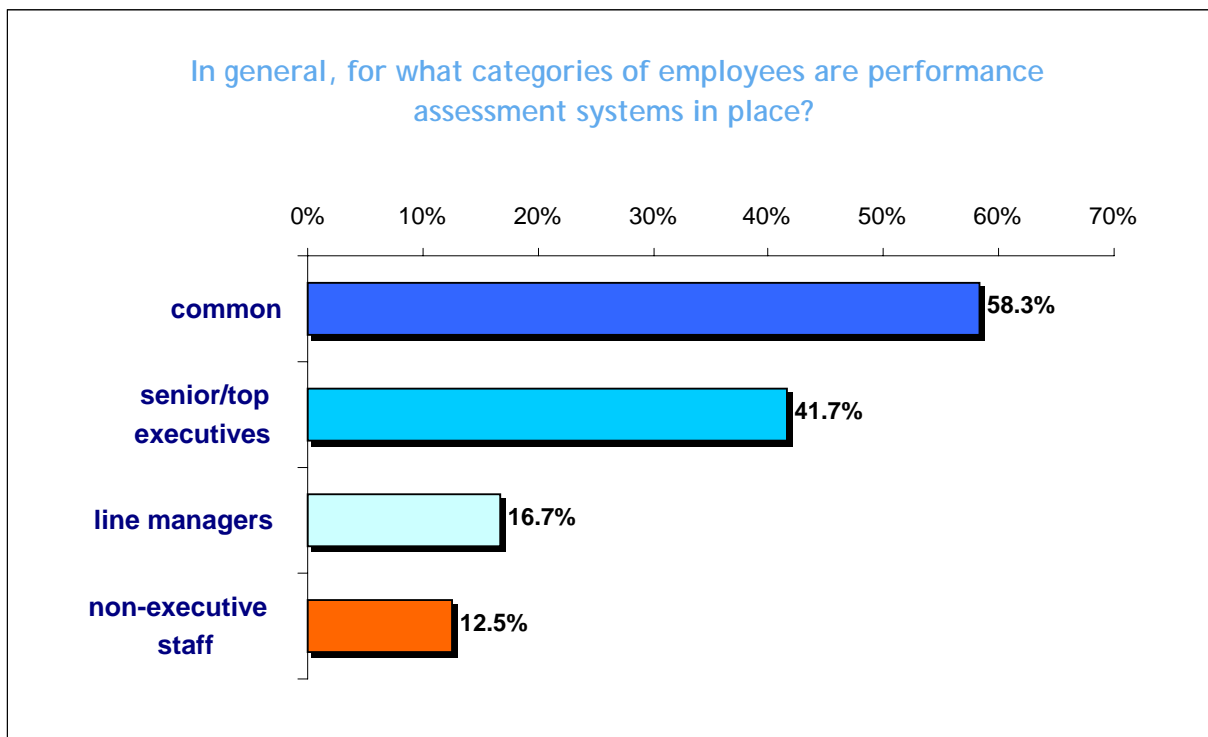
- a) the assessment of the individual contribution to the achievement of outputs;*
  - b) the assessment of behaviour skills and*
  - c) the assessment of personal attitudes with a view to measure personal commitment to reach higher performance levels, including such features as the efforts made, and the interest and motivation shown.*
- 

### III.3. Different performance assessment systems for different categories of staff

In the past, performance assessment systems were mostly centralised and applicable for all categories of staff in the same way. According to the OECD (2007), today's reforms in remuneration, performance and appraisal systems can be described as a fragmentation process trend within the field of HRM. This development is characterised by the fact that the workplace requirements and the individual work targets increasingly make standardisation difficult. Consequently, the instrument of performance assessment is also increasingly adapted to the respective categories of staff within the individual

organisations. Thus, performance assessment has not only often become a decentralised HRM-instrument within the public services, rather the question is whether the instrument is also applied differently within the different organisations and for the different categories of staff, which would point to a fragmentation of performance assessment systems.

A first tentative answer to the question whether we witness a fragmentation can be given when looking at the results of our study (see graph 10). In our study, 58.2% of the Member States that participated report that they do not differentiate among different categories of staff but (still) have a common system for all employees.



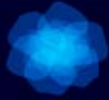
Graph 10: Specific performance assessment systems for different categories of employees (n=24 country answers)

Austria and Cyprus, both countries with traditional systems that have a common appraisal procedure for all categories of staff describe their systems as follows:

Austria

*In the annual appraisal interview, only the employee and his or her superior take part. The HR department has to be informed that the interview has been conducted and about measures to broaden or acquire necessary competencies and the agreed training measures; inventory of unused competencies.*

*If the parties can not reach agreement upon the outcome of the interview, a second one has to be conducted in the presence of a staff representative, a representative of disabled persons (Behindertenvertrauensperson) or equal treatment commissioner (Gleichbehandlungsbeauftragte/r).*



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*Cyprus*

*Within the framework of the common system for all levels, performance appraisal in each Ministry/Department is made by a three-party-committee, consisting of the immediated supervisor of the employee concerned, as well as the head of the division concerned, and the Head of the Department (or Permanent Secretary in case of a ministry). The public-sector-wide HR unit is sometimes involved in problem solving if any uncertainties/other issues are encountered during the assessment procedure, and, as mentioned earlier, it is responsible for setting the guidelines/regulations/revisions regarding the appraisal system itself.*

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When countries use separate systems for certain categories of employees, it is mostly the senior/top executive level that is treated differently. Thus, it seems that many Member States believe that the specific tasks of top executives make it necessary that this group should be evaluated differently than other employees. Indeed, in 41.7% of all countries specific performance assessment systems were introduced for senior/top-executives (e.g. Belgium, Estonia, Malta, Netherlands, Norway, UK). Often, the systems introduced for the top executive level are a derivative of the common system, but have a different focus and/or a more detailed or complex specification of the targets. For instance in Belgium, the system for the top level focuses less on development issues. In the Netherlands for the senior executive level, a more complex system of setting ranges of targets and conditions is in place. Similarly, in Malta, for senior/top managers the specification of targets is undertaken in considerably more detail.

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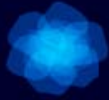
Malta describes the appraisal process for senior managers as follows:

*In the case of senior managers (Assistant Director and above) the process involves: (a) senior managers drafting their own performance targets in line with central guidelines; (b) review of the draft targets by the manager's superior, and agreement on the targets; (c) informal discussion of performance during the year; (d) preparation by the manager of an end-of-year self-assessment setting out performance against targets, and including reasons for non-achievement of any targets as well as performance of 'non-plan assignments' (new tasks which were not listed as targets); (e) discussion of performance between the manager and his/her superior, leading to a rating of the manager by his/her superior; (f) submission of that rating to the Permanent Secretary of the ministry, who will review all ratings and make adjustments where necessary for ministry-wide consistency and to keep to central guidelines; submission of all ministry ratings to the Principal Permanent Secretary, who will again review ratings for consistency across government; payment of boni once approved by the Principal Permanent Secretary. 360-degree assessment is not practiced.*

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In addition to a specific appraisal system for the top management level, 16.7% of the countries introduced specific systems for line managers and 12.5% of the countries also for other categories of staff. For example in Denmark, the main differences between the categories of employees are linked to the way the local bargaining system works.





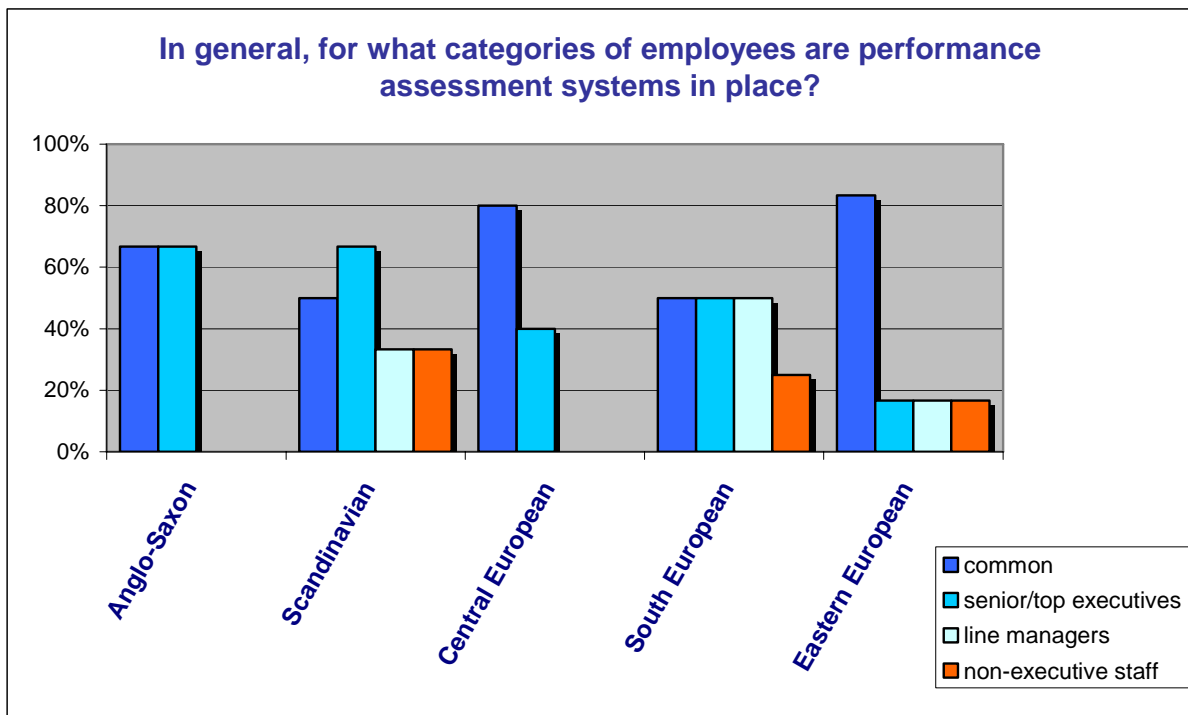
Portugal describes its appraisal system as follows:

*The framework in course establishes the integrated system of performance assessment in Public Administration, known as «SIADAP». This system deals with the assessment of employees, middle managers and services and bodies within direct State administration and public institutes.*

*The staff appraisal process includes several steps:*

- *Definition of objectives and outputs to be achieved;*
- *self-appraisal;*
- *previous appraisal;*
- *harmonisation of appraisals;*
- *interview with the evaluatee;*
- *official confirmation;*
- *grievance;*
- *appeal before a more senior officer.*

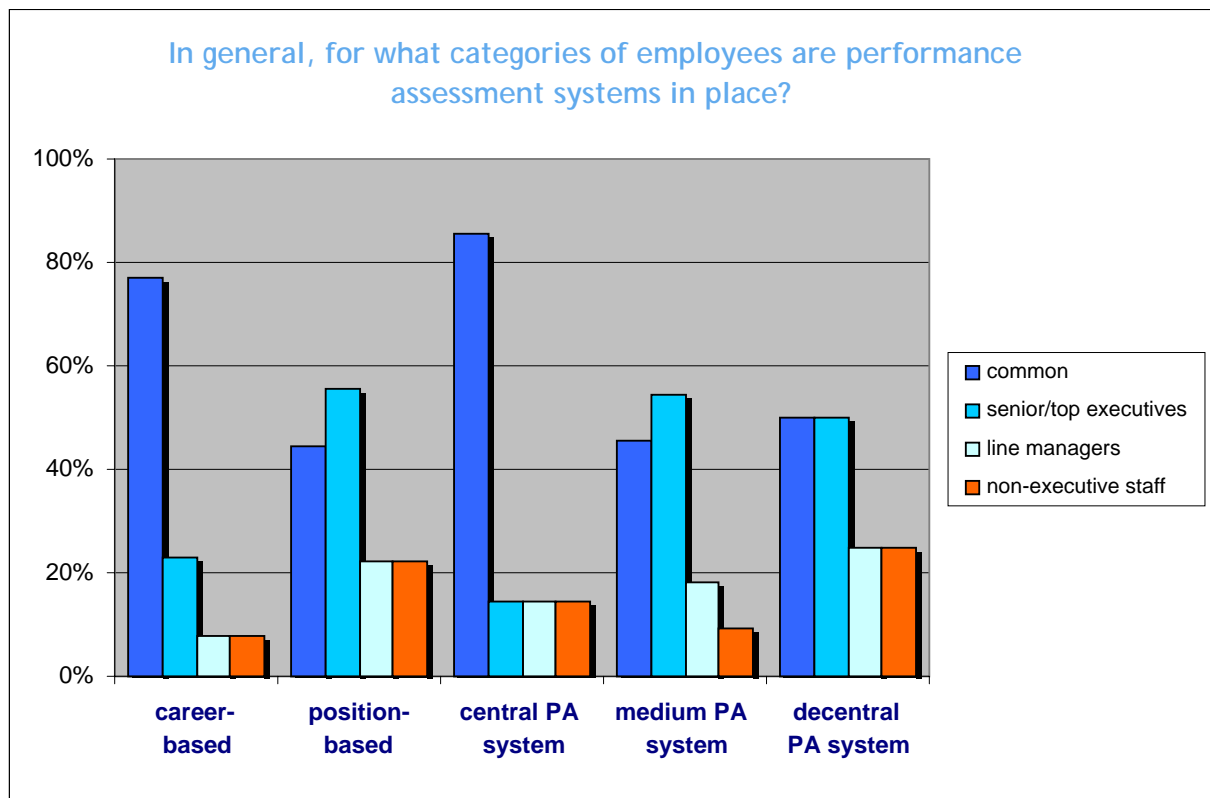
*Top managers will be assessed for the first time concerning to the results achieved in relation to the targets foreseen in their mission charters, their competences and the way the performance assessment systems are implemented in their organisation. Middle managers will be assessed mainly by the results achieved by their unit but also by the competencies revealed in their performance. The workers performance assessment system was simplified and aimed at the alignment of the individual and organisational targets, the enhancement of the workers participation in the target setting process and the existence of three levels of evaluation.*



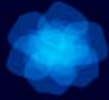
Graph 11: Specific performance assessment systems for different categories of employees by administrative tradition (n=24 country answers)

However, the use of differentiated assessment systems is not equally taking place in all European countries. In Eastern European countries, common systems for all employees are the norm. Central European countries, in general, also rely on common assessment systems. If specific systems exist, only the senior/top management level is differentiated. In the Anglo-Saxon countries, we find a common appraisal system in Ireland and specific systems for the top executive level in Malta and the UK. Scandinavian countries draw on common systems only to a lesser extent.

With regard to the HR system and the degree of centralisation or decentralisation of the assessment system, our study shows interesting but expectable differences: Often career systems still apply common systems for all categories of staff. Contrary to this, many organisations in position-system countries and in countries with a more decentralised process of performance assessment have specific performance assessment systems, but mainly for top officials only. Overall, countries with a more centralised performance assessment system more often employ systems which are applicable to all categories of employees.



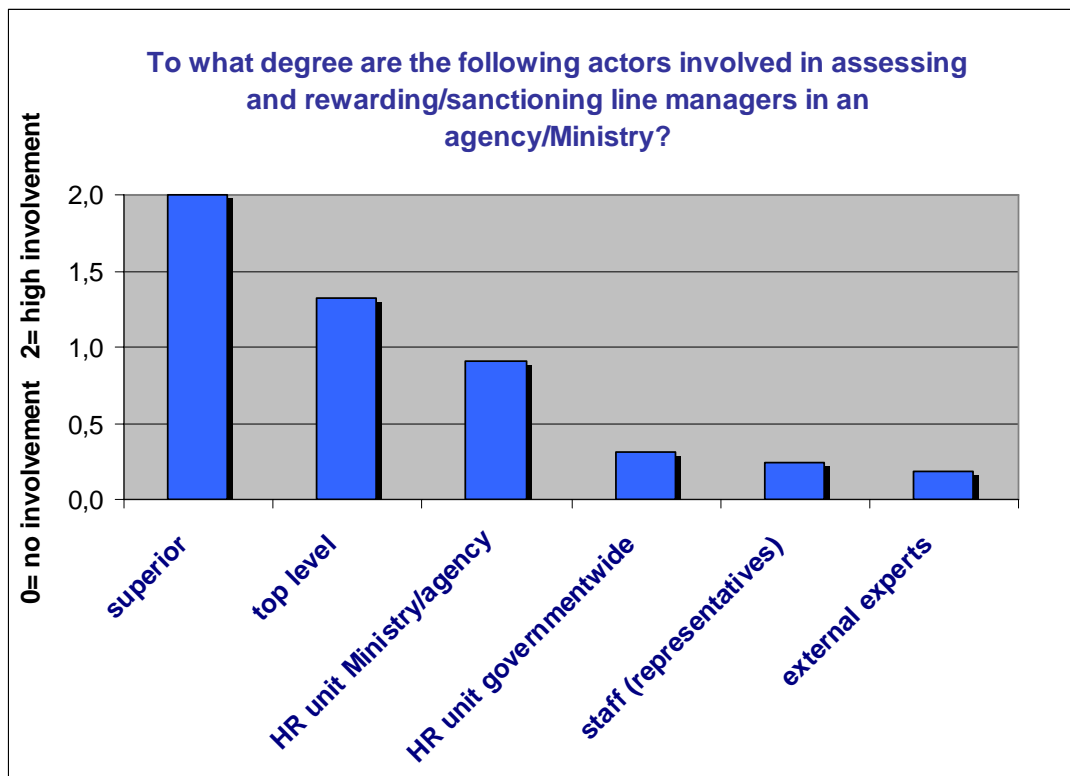
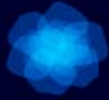
**Graph 12:** Specific performance assessment systems for different categories of employees by HR-system and degree of centralisation of performance assessment system (n=24 country answers)



It is still too early to fully assess the above-mentioned 'decentralisation' and 'fragmentation' process in the field of performance assessment, but the results of our study do not point to a strong trend towards 'fragmentation'. Common systems for all categories of staff are still in use in the majority of the Member States. Most countries that have turned away from common systems employ differentiated systems only for the top executive level. In addition, with regards to centralisation or decentralisation we find developments in both directions: Whereas many Member States move from centralisation to decentralisation and pursue decentralisation policies in the field of performance assessment, others (mostly those countries that already have decentralised systems) are more concerned with the introduction of measures that aim at establishing more coherence and coordination in performance assessment policies. While, for example, Portugal has started to reform its highly centralised system, Estonia (which has a decentralised system) reported the need for a more coherent performance assessment system. In fact, a potential disadvantage of too much fragmentation and department-internal freedom to define one's own processes may be a non-uniform assessment landscape across the various individual departments which might be a hindrance to personnel mobility between the departments and to the establishment of uniform principles for personnel development.

A comment from a manager to this survey illustrates the problem: *"One of the negative experiences about the (...) performance assessment system is related to the target setting. In effect, it is possible to find, in each organisation, targets with different levels of complexity/difficulty regarding similar activities. In practice this leads to great disparities in the performance assessment results with consequences on the workers motivation. In order to avoid this problem managers, within an organisation, should work together to homogenise the difficulty/density of the targets for similar activities."* Another manager states: *"Guaranteeing fairness and consistency in the practical application over time and between various organisational units is one of the most difficult aspects because staff may have strengths which mean they have high performance in a particular area and when they move jobs, it is difficult for them to accept that their rating might go down as they are learning new skills. Managers also vary and some give consistently high ratings, giving their staff unrealistic expectations in terms of what ratings they should be achieving."*

Another important aspect in the performance appraisal procedure concerns the question of who is involved in the actual appraisal process (see graph 13 and table 3). In all Member States the direct superiors e.g. division manager, departmental head, line manager) are highly involved in the assessment process. The second most relevant group for the performance assessment process is the top executive level, followed by the HR unit in the organisation/agency. Overall, the role played by central government wide HR-units, staff representatives or external experts is rather limited.



Graph 13: Degree of involvement in assessing line managers (n=23 country answers)

	superior	top level	HR department	HR unit	staff representatives	external	other
career-based	2.00	1.64	0.83	0.40	0.27	0.00	1.67
position-based	2.00	0.89	0.89	0.00	0.25	0.33	0.33
central	2.00	1.83	0.50	0.20	0.17	0.00	2.00
medium	2.00	1.20	1.09	0.27	0.18	0.09	0.50
decentral	2.00	0.88	1.00	0.29	0.29	0.38	0.00

Table 3: Degree of involvement in assessing line managers by HR-system and degree of centralisation of performance assessment system (n=23 country answers)

In 43.5% of the participating countries (77% of position based countries versus 25% of career based countries; 75% of decentralised systems versus 17% of centralised systems), the direct superior is the only actor who is strongly involved in the process (e.g. in Belgium, Czech Republic, Denmark, Germany, Latvia, Netherlands, Poland, Slovenia, Sweden, UK).

If the responsibility for performance appraisal is shared, the direct superior is assisted either by the top-executive level or the HR department of the organisation. In 41% of the responding countries (11% of position based countries versus 64% of career based countries; 12.5% of decentralised systems versus 83% of centralised systems), the direct superior plus the top executive level are the two actors who are strongly involved in the performance

appraisal procedure (e.g. Austria, Bulgaria, Cyprus, Estonia, Malta, Norway, Portugal). However, only in three countries (Belgium, Czech Republic and Denmark) the top-executive level is not at all involved in the performance appraisal.

In 13% of the responding countries (e.g. Finland, Ireland, Italy), the direct superior together with the organisation's HR department are strongly involved in the assessment process. In France, the direct superior, the top executive level, the organisation's HR department and the central government wide HR unit share the responsibility for the performance assessment.

Despite the academic popularity of instruments such as 360 degree assessment, client and citizen involvement, the empirical results of this study show that these instruments are not widely used in European public administrations.

#### III.4. Conclusions: The trend towards decentralisation and hybrid systems

At present, we find a great variety of performance appraisal systems in EU countries. We find countries with centralised, traditional (i.e. based on a number of personal behaviour- and performance criteria, job description, tasks and duties) and uniform systems (with common procedures for all employees) as well as decentralised, hybrid (i.e. integrating performance targets and indicators) and fragmented systems (with specific frameworks for different staff categories, especially for the top executive level).

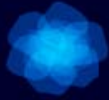
While we interpret the results as development away from centralised performance assessment systems to more decentralised systems, with regard to the focus of the performance appraisal, the traditional systems are not replaced by performance targets. Rather, we see a trend pointing towards the introduction of hybrid systems which combine traditional assessments with competency management and target based systems. Although more and more countries introduce separate systems for the top executive level, we do not take this as a clear trend towards an increased fragmentation of performance assessment systems.

These findings should be added to those that were already identified in the study under the German EU-Presidency which noticed that in many European administrations, 'old-fashioned' criteria and detailed (mathematical) rating systems that are based on more or less subjective and personal traits (punctuality, intelligence, friendliness) as well as competencies/attributes achieved outside of the workplace (level of education, character) are gradually losing their relevance. All in all, the number of individual appraisal characteristics is decreasing, and more importance is assigned to (a limited number of) target agreements, function appraisals and competence appraisals. This trend towards de-standardisation is accompanied by more attention given to anti-discrimination issues and the increasing importance of training. To sum up: The present performance assessment systems are becoming more diverse and 'decentralised'. At the same time, the increased diversity of the systems, a new professionalism and the increased workload (of those who are involved in the management of the performance assessment process) are triggering more efforts towards simplification, fairness and equality issues.

However, in spite of the popularity of target agreement and competence management as instruments, many Member States are not discarding standardised criteria. The most important reason is that standardised criteria lists, which apply to all employees within an administration, have the advantage of making the performances more comparable. Therefore classical performance appraisals are easier to handle than individualised competency and target based systems which require a higher degree of communication between the superior and the employees.

As part of the above mentioned introduction of decentralised practices and different assessment procedures, new responsibilities are often delegated to the middle management. These responsibilities particularly concern requirements to discuss and agree upon the annual objectives, provide feedback, review performance targets, decide upon performance-related pay boni, and recommend other rewards and/or sanctions. The term 'leadership' in the field of performance management thus obtains a whole new meaning. Likewise, requirements regarding the skills and competences of those persons who are charged with implementing and carrying out differentiated performance assessments are increasing continuously.





## IV. LEADERSHIP CHALLENGES - A DELICATE TOPIC

### IV.1. The difficult role of superiors

The important role of the direct superiors in the assessment process provokes a number of important questions (some of which have already been taken up by the study under the German EU-Presidency). In the course of a European-wide observable development towards more decentralised HRM responsibilities, the middle management level is increasingly entrusted with additional responsibilities, without always ensuring that this level is able to cope with and to successfully 'manage' these tasks.

Various factors such as a high daily workload, lack of training and information, and deficient management skills and knowledge in setting and revising annual targets as well as assessing performance may be a real obstacle to successfully implementing performance assessments in administrative practice. The study under the German EU-Presidency also indicated that managers often lack incentives and the necessary tools - especially with regard to rewarding good performance and handling bad performance - to better cope with these challenges. Managers are only rarely asked what (from their own perspective) should be done to tackle these challenges of putting performance assessment systems into practice. HR-departments should devote more attention to the question of how to help and support managers in their performance assessment tasks. A first necessary step would be to find out what the main obstacles to making performance assessment systems effective are from the managers' point of view.

Another question arises whether too much is being expected of superiors. Are expectations to measure individual as well as organisational performance in the public services realistic at all? Do employees maybe expect too much from their superiors? On the one hand, they expect their superiors - to quote Coens and Jenkins (2002, p.76) - to devote themselves entirely to supporting and supervising employees according to their individual requirements. They are made responsible for carrying out a complex performance appraisal procedure in which evaluations, feedback, target enhancements, developments, education plans, decisions on salary increases and other topics at the same time, and this overload is becoming more and more unrealistic. The high level of expectations towards managers in the assessment process is well illustrated in the following text from the UK HR Practitioners Guide to SCS Reward, Benefit and Recruitment.



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### *What managers are expected to do during performance reviews*

*Managers assess both performance against objectives and what behaviours are being demonstrated using the leadership framework.*

*Managers should discuss leadership and people management abilities which are especially important for the SCS and are consequently being directly linked to appraisal and reward this year. The leadership model that sits at the heart of the PSG framework, articulates the expectations the Civil Service has of its leaders, acting both individually and corporately:*

*Manager and jobholder should discuss the objectives originally agreed and moderated, and whether they should be revised in light of changing circumstances. If this is the case, the original objectives should not be changed, and the revised objectives should be recorded alongside them. This ensures that end-year performance assessment can take matters fully into account. Managers should review priorities where there is conflict over resources to deliver the full SCS responsibilities within the framework at Annex A.*

*Managers may want to give and record feedback, and manager and jobholder may want to agree corrective action. A performance assessment form is shown at Annex B(1). Again, this ensures that end-year performance assessment can take matters fully into account.*

*Managers should be working with their staff to identify ways in which each individual could demonstrate the behaviour outlined in the leadership model and improve people management within their area of responsibility, and perhaps beyond.*

*Managers also need to make time to discuss development needs, longer-term career aspirations and options. The PSG self-assessment should be completed to help frame this conversation. While it is important to deal with these issues as part of performance planning and assessment, it can be helpful to do this during the year when more time is available. Conclusions should be recorded and, again, this ensures that end-year performance assessment can take matters fully into account.*

*Source: Senior Civil Service, HR Practitioners Guide to SCS Reward, Benefit and Recruitment, London, 2007/2008, p.9/10*

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A simple and general answer to these challenges seems difficult at the very least: There is indeed a dilemma in all European public services if superiors are increasingly concerned that the demands for staff evaluation has already reached a nearly unreachable high level and could increase even more because of new tools such as employee interviews and target agreements. On the other hand, most experts agree that carrying out professional assessments is among the most essential tasks of managers' responsibilities. Consequently, they should not be considered as additional, problematic tasks but as core competencies of successfully managing people.

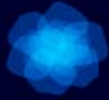
## IV.2. Empirical evidence on managers' objections against performance assessment systems

In order to gain further insight into the specific challenges/difficulties managers face in the handling of the performance assessment process, both the Member States and managers were asked about the relevance of some specific arguments resp. objections often raised by managers against formal assessment systems. These arguments were derived from the literature, earlier research and interviews with practitioners. The respondents were asked to specify, from their own perspective, how relevant the following arguments are for managers in their country.

A	Performance in public service is highly complex and hardly possible to measure at all.
B	Mostly, the duty to carry out performance assessment comes on top of the daily work responsibilities. There is simply not enough time to do the assessments properly.
C	Line managers who devote much energy and engagement in carrying out the assessments do not receive any positive feedback or rewards for doing so. Equally, there is no sanction for poorly carried out performance assessment.
D	A bad assessment of employees also sheds a bad light on the superior's leadership qualities and is therefore mostly avoided.
E	Bad assessments take a lot of time to argue and follow up. Since managers have no adequate means to sanction bad performance, they do not bother.
F	Divergent assessments of employees regularly lead to arguments, disturbances and demotivation which can be avoided by uniform assessment of all employees.
G	Managers do not see a substantial information gain from a formal assessment system as they know anyway how well their employees are doing.
H	Superiors often overestimate their capacities and skills to formulate and revise annual targets, to carry out performance assessments and to provide helpful feedback to their employees.
I	Most superiors tend to treat assessments as formal obligations which are executed in a very formal way without any practical relevance.
J	The assessment system does not provide the clear message to the employees that consecutive poor-performing periods are not tolerated.

We have analysed both the national answers of the different Member States and the individual answers gained from the managers' survey separately and compared these perspectives. Especially regarding the comparison, we were primarily interested whether and in what respects the answers from the practitioners' differ from the official national replies to our study.

The answers of both groups can be found in graph 14 and show that most of these objections are relevant - although only to a medium degree - in administrative practice. Four of the arguments (A, B, E, I) were given a 'high relevance' in more than a third of all national replies. Overall, the answers confirm that managers are confronted with a broad range of challenges when handling performance assessments. These challenges resp.

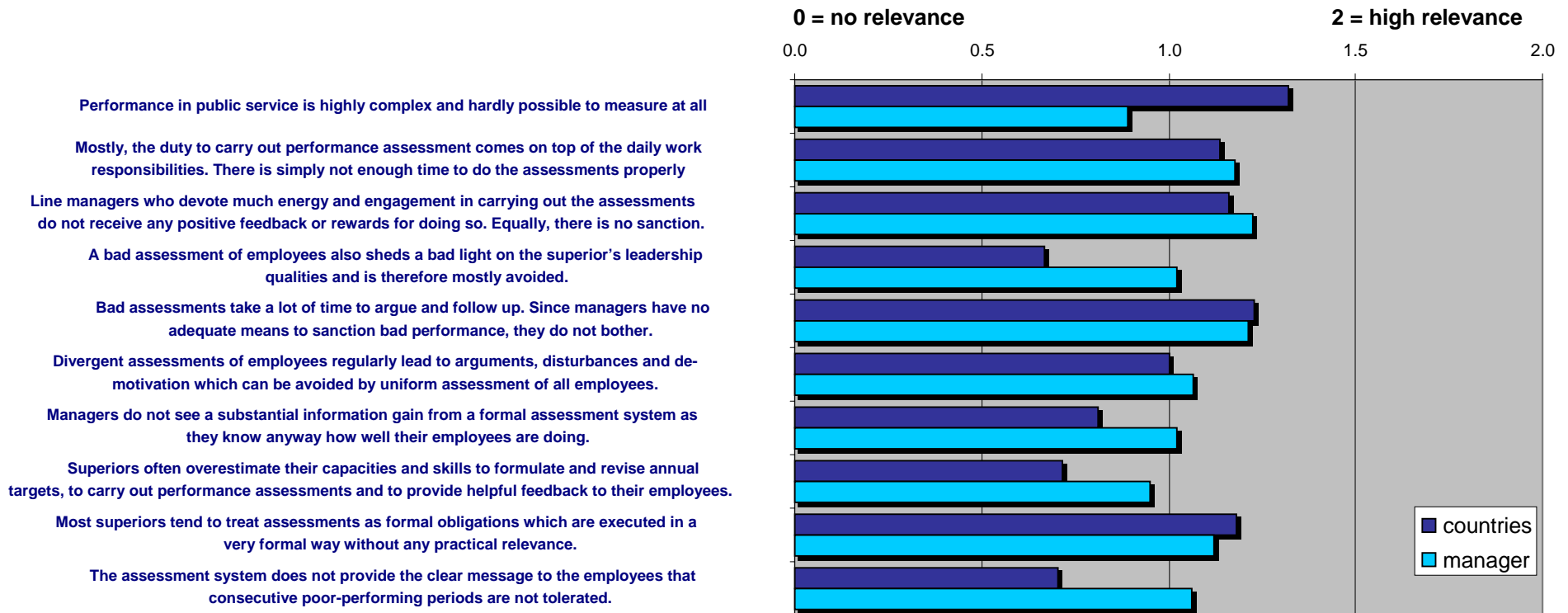


difficulties are seen by both the national respondents and the individual managers participating in this survey, albeit with some interesting differences. While the average relevance for both groups is quite similar (1.06 vs. 1.07) (see graph 15), the problems related to measuring public performance in general seem to be considerably less relevant for public managers. While the national answers assumed this to be the main objection, the managers themselves ranked this item last. One reason for this may be that the relevance of this challenge is less important for managers because measuring performance is assumed to be a managerial task anyway. Therefore, managers have found 'pragmatic' solutions to handle measurement challenges in daily practice.

Both groups agree on the high relevance of the following several main challenges resp. problems for managers: Workload, lack of incentives, lack of effective tools to manage poor performance as well as an often merely formal execution of performance assessments without much practical relevance.

It seems to be a quite general problem that the duty to carry out performance assessments comes on top of the daily work responsibilities and that managers often lack time to do the assessments properly. Similarly, there seems to be a general lack of incentives (both positive and negative) for line managers to devote much energy and engagement in carrying out the assessments properly. Another important issue is the challenge of managing poor performance. Both managers and national country replies, attach a relatively high importance to the statement that bad assessments take a lot of time to argue and to follow up and that managers - since they do not have adequate means to manage resp. sanction poor performance -, thus, do not bother. In addition, the tendency of many managers to prefer uniform assessments in order to avoid arguments, disturbances and de-motivation due to divergent assessments of employees seems to be observable in many countries. As a consequence of these challenges, there seems to be a relatively high tendency to treat performance assessments as a predominantly formal obligation without much practical relevance.

Public sector managers often raise objections against formal assessment systems. Please specify, from your own perspective, how relevant the following arguments are in your country?

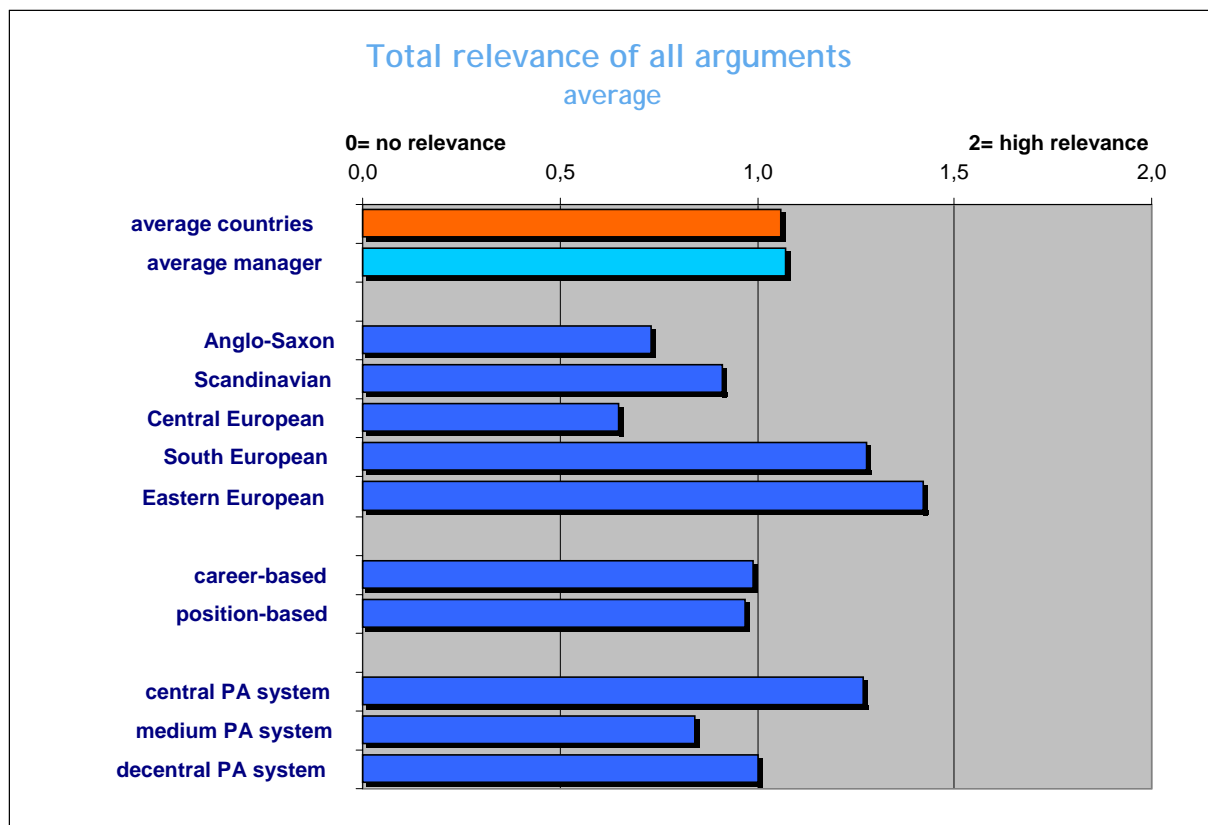


Graph 14: Relevance of managers' objections against assessment systems (n=23 country answers resp. n=108-110 manager answers)

Interestingly, there are several objections which are of considerably higher relevance according to the managers' point of view than when compared to the official national answers. The first again relates to the topic of managing poor performance. Managers criticise that the assessment system does not provide clear messages to the employees that consecutive poor-performing periods are not tolerated. In practice, they also seem to be quite reluctant to give critical assessments as this also sheds a bad light on their own leadership qualities. In addition, they do not see that performance assessments lead to a substantial information gain and have the opinion that superiors often overestimate their capacities and skills with regard to performance assessments.

The answers we received imply that the topics and problems should be addressed more thoroughly by HR experts when designing and discussing performance assessment systems. Another central implication seems to be the observation that the managers are not confronted with a few main obstacles in practice, but rather with a broad spectrum of similarly relevant challenges in handling performance assessment systems successfully.

With regard to our country categorisations, we find both interesting similarities and differences (see graph 15) concerning managers' objections against formal performance assessment systems.



Graph 15: Relevance of managers' objections against assessment systems by different categories (n=23 country answers)

Overall, the answers to the different statements reveal important cultural and geographical differences amongst the countries. The findings show that Southern European and Eastern European countries assign considerably higher relevance to the statements than the other countries. In addition, the objections that the statements express seem to



be of higher relevance in countries with a centralised performance assessment system while the type of HR-system (career-based vs. position-based) does not account for much difference regarding the country answers. Nevertheless, when looking at singular items, there are also significant differences observable: In position-based countries, the measurement problem seems to be of highest relevance (argument A; 1.44); in career-based countries, managers struggle most with managing bad performance (argument E and J; both 1.33).

Table 4 analyses the differences among the various administrative traditions in more detail and again shows some interesting points. For both Southern European and Eastern European countries, the problems of uniform assessments (argument F) and an overwhelmingly formal handling of performance assessments (argument I) seem to be strikingly relevant while all other countries regard these issues much less important. Especially Eastern European countries assign a very high relevance to the workload/time argument (argument B), whereas for Scandinavian countries the measurement problem is the most relevant objection (argument A). On the other hand, answers from Anglo-Saxon countries as well as from Central European countries point to the high relevance of lacking incentives (argument C) and of means to sanction bad performance (argument E).

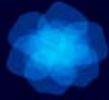
	A	B	C	D	E	F	G	H	I	J
Anglo-Saxon	1.00	0.33	1.33	0.50	1.67	0.67	0.33	0.33	0.67	0.67
Scandinavian	1.50	1.33	0.92	0.33	0.83	0.83	0.80	1.00	0.83	0.58
Central European	0.80	1.00	1.20	0.40	1.20	0.20	0.40	0.40	0.80	0.60
South European	1.67	0.67	1.67	1.33	1.33	2.00	1.00	0.50	2.00	1.33
Eastern European	1.50	1.80	1.00	1.00	1.40	1.60	1.40	1.00	1.80	0.60

Table 4: Relevance of managers' objections against assessment systems by administrative tradition (n=23 country answers)

Such differences should be interpreted cautiously as there are basically two different possible readings:

- Certain countries attach a higher importance to the statements because of a specific cultural sensitiveness to these issues;
- certain countries do indeed face higher challenges in these areas.

A further question asked for national recommendations on how to effectively overcome such objections against formal assessments and to improve the situation. Several of the answers emphasise means to create incentives for the line managers to perform assessments properly such as "*including them in the assessment procedure of the manager through his own superior*", "*financial bonus*", "*sanctions for line managers who don't tackle poor performers*" or "*making career advancement directly dependent on performance appraisals*". Several other answers related to increased training as well as better communication and (good practice) guidelines with regard to procedure and relevance of performance assessments. Especially answers from Scandinavia (Denmark) - but also Portugal - pointed to the relevance of dialogue and employee participation in the process of setting targets:



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*“The key factors are to start with a simple model and to ensure a continuing dialogue on the selected targets. Selecting those targets should be done according to a prioritised list of the institution’s targets. The manager should choose an appropriate amount of targets. The formulation of targets should focus on the effect of specific activities, since the effect of a specific activity and of an employee’s efforts is the crucial result. The effect can be measured by for instance surveys on users’ satisfaction with a specific activity.*

*Targets should be clear, and it is decisive to create acceptance of the targets among the employees. In that way, targets function as a motivation factor, and will achieve the desired effects.*

*Involving shop stewards can also be a good idea, which is relevant when targets for employees are to be agreed, but not applicable when targets for line managers or top executives are to be agreed. ... The employee shall be able to contribute to the achievement of the targets through his / her tasks.*

*Targets should be measurable. It is our opinion, that not only quantitative, but also qualitative targets can be made measurable. Those qualitative, soft targets can be translated into figures, or be described in words. The manager can estimate/assess whether targets are achieved. Again, involving employees in this process can be a good idea. Also surveys on customers’ satisfaction are relevant in that perspective. Targets should be set in a systematic manner, and it is important to ensure agreement on what is being measured and on what the assessment is based on.”*

Answer from Denmark

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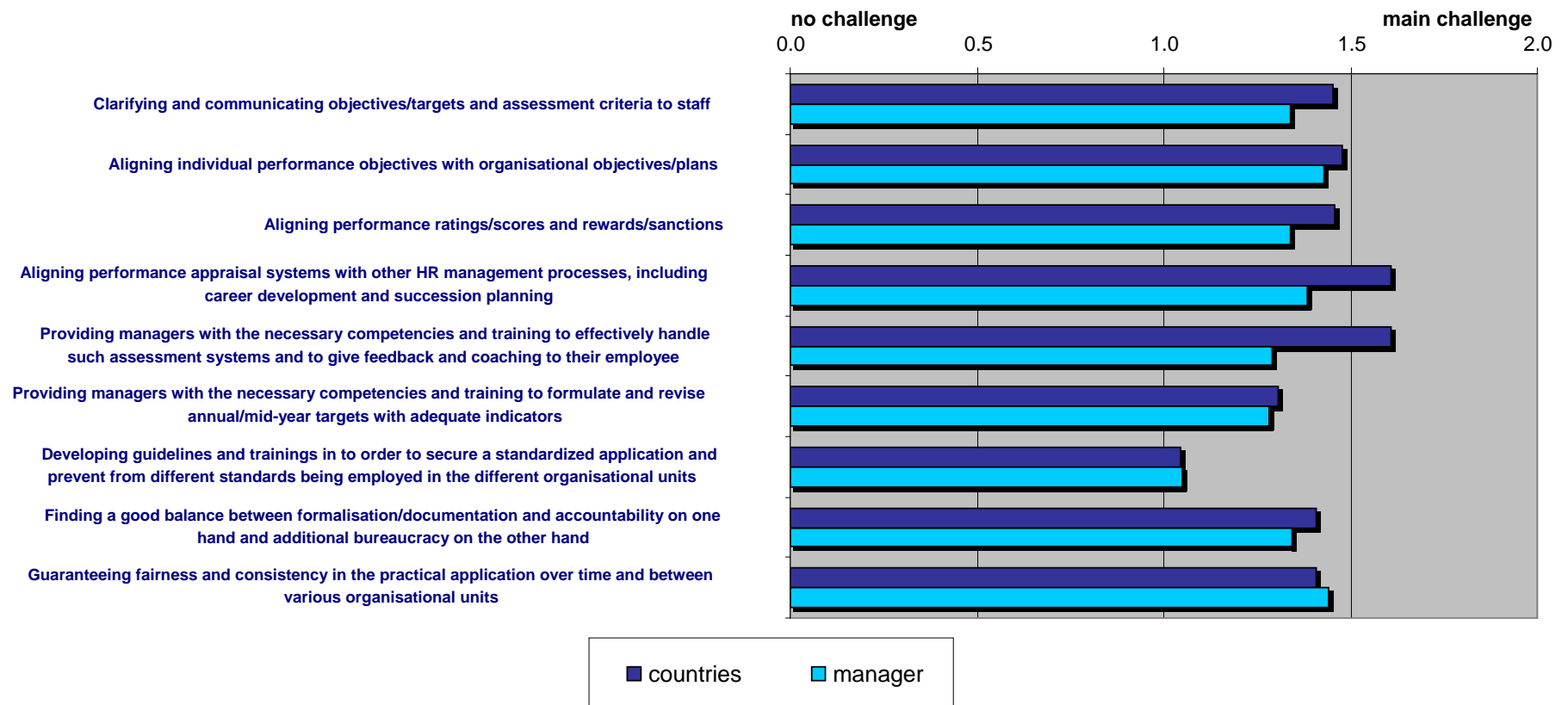
### IV.3. Empirical evidence of leadership challenges

Under the German EU-Presidency the HRWG has already discussed leadership challenges of successfully establishing performance assessment systems. The replies of the Member States to the German study indicated that the most relevant challenges are more 'managerial issues' than technical issues (like performance ratings etc.). In this study, we were interested in what both the Member States and the individual managers regard as main challenges to make performance assessment systems more effective with regard to organisational performance and what measures could help to overcome these challenges. These challenges were derived from literature, discussions within the HRWG and the previous survey under the German EU-Presidency, and we analysed both the national answers of the different Member States and the individual answers gained from the managers' survey to compare these two perspectives.

A	Clarifying and communicating objectives/targets and assessment criteria to staff
B	Aligning individual performance objectives with organisational objectives/plans
C	Aligning performance ratings/scores and rewards/sanctions.
D	Aligning performance appraisal systems with other HR management processes, including career development and succession planning
E	Providing managers with the necessary competencies and training to effectively handle such assessment systems and to give feedback and coaching to their employee
F	Developing guidelines and trainings in to order to secure a standardised application and prevent from different standards being employed in the different organisational units
G	Finding a good balance between formalisation/documentation and accountability on one hand and additional bureaucracy on the other hand
H	Guaranteeing fairness and consistency in the practical application over time and between various organisational units

The answers of both groups - official country answers as well as managers' answers - can be found in graph 14 and show that, in most cases, both groups assigned quite similar relevance to these challenges. The first interesting result is that also in this case - similar to the previous question on managers' objections - a broad spectrum of different challenges seems to be relevant at the same time with relatively high values between 1 and 1.5. The only exception seems to be the need to develop guidelines and training in order to secure standardised application, which plays a minor role according to both groups of respondents.

What are the main challenges in your administration to making performance assessment systems effective with regard to organisational performance?



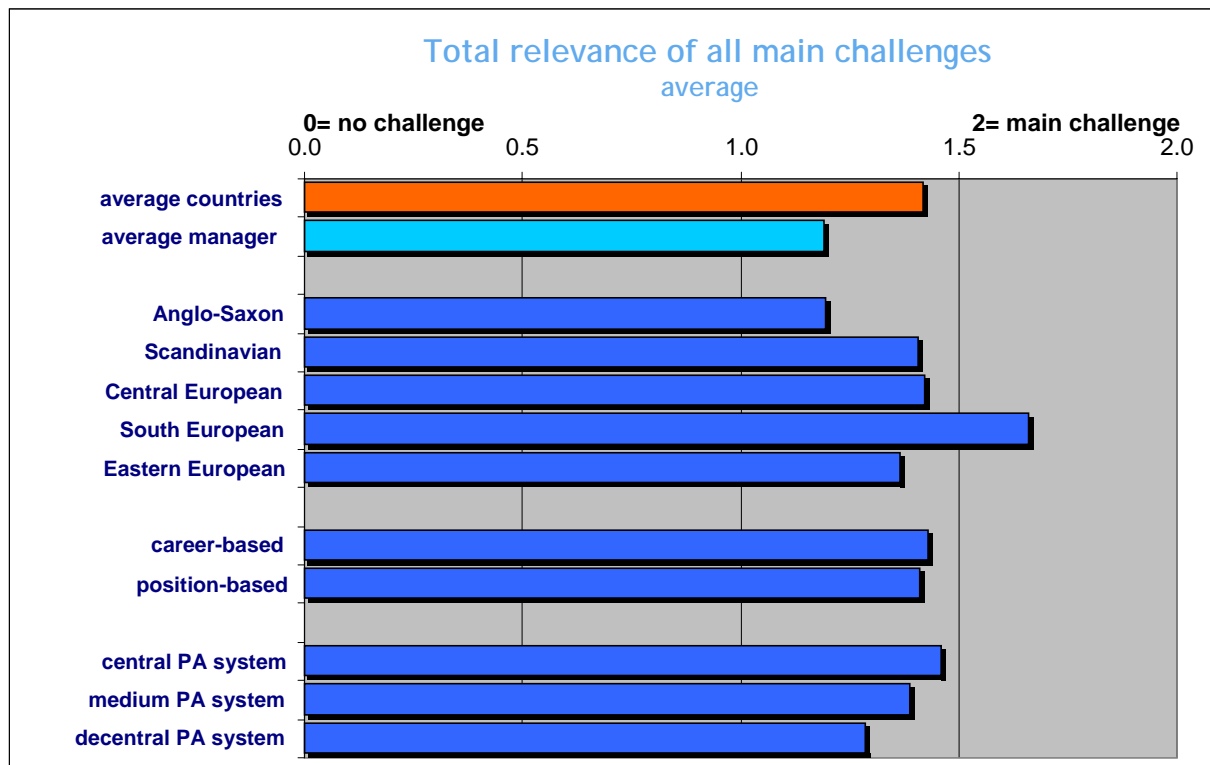
Graph 16: Main leadership challenges - Comparison of country answers and manager answers (n=23 country answers resp. n=108-110 manager answers)

Regarding most challenges, the assessments of both groups do not show significant differences - with two exceptions: the official country answers assign considerably higher relevance to the alignment of performance assessment with other HRM processes (challenge D) and the need of management training (challenge E). These two issues seem to be far less relevant in the eyes of the managers, for whom fairness and consistency (challenge I) in the practical implication and the alignment of individual and organisational objectives (challenge B) are the most relevant issues.

Overall, the answers point to the following aspects as main challenges of similarly high relevance for both groups of respondents (average value of both groups of respondents; in order of relevance):

- Aligning performance appraisal systems with other HR management processes, including career development and succession planning (1.50);
- aligning individual performance objectives with organisational objectives/plans (1.45);
- providing managers with the necessary competencies and training to effectively handle such assessment systems and to give feedback and coaching to their employees (1.45);
- guaranteeing fairness and consistency in the practical application over time and between various organisational units (1.43);
- clarifying and communicating objectives/targets and assessment criteria to staff (1.40);
- aligning performance ratings/scores and rewards/sanctions (1.40).

As to the analysis of these challenges with regard to our country categorisations - in contrast to the managers' objections (see graph 14) - we find only minor differences (see graph 17).



Graph 17: Main leadership challenges by country categories (n=23 country answers resp. n=108-110 manager answers)

Regarding administrative traditions it seems that Southern European countries - according to the country answers - regard these leadership challenges overall as more relevant (average 1.66) whereas the Anglo-Saxon countries seem to assign the least relevance to them (average 1.20). Again, similar to the earlier question regarding managers' objections, the country assessments do not differ between countries with career-based and position based systems. Moreover, countries with a decentralised performance assessment system assess the challenges as less relevant than countries with centralised performance assessment systems.

Table 5 and 6 compare the average assessments of these country clusters in more detail and indicate considerable differences. For Southern European countries the clarification and communication of targets and assessment criteria (challenge A), the alignment of individual and organisational objectives (challenge B), the development of guidelines and trainings to secure a standardised application (challenge G) as well as the guaranteeing of fairness and consistency (challenge I) seem to be the central challenges whereas for Anglo-Saxon countries the alignment of performance ratings with rewards and sanctions is most relevant (challenge C). For Scandinavian countries, however, competency training for managers (challenge E) and the finding of a balance between formalisation/accountability and additional bureaucracy (challenge H) are the main challenges. The answers from Eastern European and Central European countries again point to some other challenges as being crucial in these countries.

	A	B	C	D	E	F	G	H	I
Anglo-Saxon	1.00	1.33	2.00	1.67	1.00	1.00	0.67	1.00	1.00
Scandinavian	1.33	1.33	1.17	1.67	1,83	1,50	0,67	1.83	1.33
Central European	1.40	1.60	1.40	1.60	1.60	1.60	1.00	1.40	1.20
South European	2.00	2.00	1.25	1.50	1.50	1.50	2.00	1.25	2.00
Eastern European	1.40	1.20	1.70	1.60	1.80	0.80	1.00	1.20	1.60

Table 5: Relevance of leadership challenges by administrative tradition (n=23 country answers)

An interesting difference can be found with regard to HR systems: the challenge of providing managers with the necessary competencies and training to effectively handle assessment systems (challenge E) is regarded as most relevant challenge by countries with position-based HR systems and with decentralised performance assessment systems. In contrast, career-based countries and countries with a centralised performance assessment system regard a fair and consistent application of performance assessment systems (challenge I) as well as the alignment with other HRM processes (challenge D) as the main challenge.



	A	B	C	D	E	F	G	H	I
career-based	1.42	1.58	1.75	1.83	1.58	1.33	1.17	1.55	1.82
position-based	1.50	1.50	1.31	1.38	1.88	1.38	1.00	1.50	1.25
central PA system	1.57	1.57	1.43	1.57	1.57	1.00	1.29	1.43	1.71
medium PA system	1.30	1.45	1.59	1.55	1.64	1.45	1.00	1.30	1.20
decentral PA system	1.29	1.43	1.14	1.57	1.71	1.14	0.57	1.57	1.14

**Table 6:** Relevance of leadership challenges by HR-system and degree of centralisation of performance assessment system (n=23 country answers)

A related question put forward to the country representatives asked what kind of measures are implemented or necessary in order to effectively overcome the most relevant challenges. The country answers point to similar measures as with regard to overcoming managers' objections. Several countries mention the need of clear leadership models which offer a precise description of the system in combination with a good mixture of guidelines, advice, seminars and sharing of 'good practices' to communicate the system as well as organisational objectives to both managers and employees. Also several countries point to the need of simplified procedures (e.g. web-based assessment systems) and simple systems: *"We recommend that the organisations keep it simple at the beginning, as they find themselves in a learning process - and in order to avoid too much administration"* (answer from Denmark). The following examples illustrate the different directions and emphases to be stressed by different countries.

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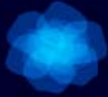
*"In particular, it seems important, in the future, to apply some measures in order to:*

- Assure, through a greater involvement in the assessment process of political and administrative top levels, the definition of homogeneous objectives for managers and their negotiation between managers and direct superiors;*
- assure the choice of assessment indicators as objective as possible so that conflicts between evaluated and evaluator can be avoided;*
- assure a correct evaluation;*

*(Source: 'Processi di programmazione strategica e controlli interni nei Ministeri. Stato e prospettive - Rapporto di legislatura - Marzo 2006', Committee for the evaluation and strategic control in State Administration)*

Answer from Italy

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*“The State Chancellery of Latvia develops the competency based approach in HR processes to align the performance appraisal system with other HR management processes. From 2008 it is planned to improve the performance appraisal system. It is envisaged to make the system easier to find a balance between formalisation and accountability and additional bureaucracy by developing the electronic rating tool. To guarantee fairness and consistency in the practical application over time and between various organisational units is necessary to clarify the evaluation criteria, to make this process more transparent. The manager should explain the indicator and why he/she has been put a grade higher/lower than the average grade of employee performance assessment. We are also planning to organise a lot of training to explain the principles and other issues about performance assessment process for managers to provide them with the necessary skills and competencies to formulate targets for employees and also to do performance appraisal”*

Answer from Latvia

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*“A big training campaign was been conducted, focusing on civil servant's appraisal system (describing the system, conducting evaluation interviews, change management and the role of HRM units). A few hundred middle managers (both appraisers and appraisees as well), HR managers and experts and trainers from parts of Poland have been trained. The information was distributed to Directors General as top-hierarchy to “use them” in cascading trainings. Comprehensive guidebooks were also issued and distributed, e.g. one called: “Performance management training programme for managers. Good practice manual”. This issue is also part of the permanent training programme for Directors General.”*

Answer from Poland

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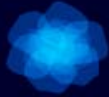
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*“The key principles of DEFRA’s appraisal system:  
The overarching principle is that the system is intended to be flexible. The emphasis is on achieving the aims of appraisal, empowering Reporting Officers and Jobholders to use their judgement whilst ensuring key procedures are still adhered to. The principles are:*

*Equality and Diversity*

*Defra is committed to appraisal arrangements which are fair, open and objective. Discrimination is unjust and often against the law. People who feel they are being treated unfairly do not give their best. It can also adversely affect the achievement of business objectives. The whole organisation gains if people are confident that their colleagues, line managers and Reporting Officers treat them fairly. Equality of treatment and acceptance of diversity are natural aspects of good performance management, not something separate or additional. Appraisal must be based solely on relevant performance and must not be influenced by assumptions relating to factors such as race, colour, ethnic or national origin, sex, marital status, disability, sexual orientation, religious beliefs, age or working pattern and trade union activity.*

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Ownership

*Jobholders and Reporting Officers are jointly responsible for ensuring the process is effective and meaningful and they must both contribute to the process.*

Empowerment

*Jobholders are fully involved in objective setting, assessing progress, problem solving, identifying development needs and planning for the future - it is not something which the Reporting Officer 'does' to the Jobholder.*

Objectivity

*Feedback and appraisal is evidence based, focusing on the achievement of work objectives and demonstration of the appropriate competences, skills and knowledge. People can appeal against annual assessments not based on objective decisions.*

Ongoing Process

*Appraisal is an ongoing activity. Dialogue between the Jobholder (JH) and Reporting officer (RO) is a continuous process - not just an end of year activity. Regular feedback ensures problems are resolved and good performance recognised without delay.*

Management Culture

*Line managers are open and receptive to feedback from jobholders, and foster an open, blame free culture where the emphasis is on continuous learning and improvement.*

Source: UK guideline "The Role of Performance Appraisal"

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#### IV.4. Between theory and reality - communication, staff involvement and participative management styles

Along concepts such as 'employee interview', '360 degree assessments', 'target agreement' and 'feedback' it becomes obvious that cooperative styles of management are increasingly en vogue and gaining ground in the design of performance management systems (or should do so). This is in accordance with the main body of management literature which positively links participation to motivation. However, this should not be interpreted in the sense of 'the more participation the better' since participation also has implications with regard to cost, time and power (e.g. Frey/Fischer 2007).

Terms like 'staff participation' or 'staff involvement' come with different meanings in different administrative cultures. For example, whereas 'staff participation' - especially in countries with a tradition of co-determination such as Austria and Germany - can be understood as a legal and formal concept, in other countries it is understood in the sense of 'staff consultation'. However, in most cases participation is different to consultation which normally implies that lower-level staff is simply asked to provide data, knowledge, information etc.

In many administrations covered by this study, the organisational and individual objectives are agreements on the performance to be delivered. The purpose of such agreements is to jointly plan and set out the performance requirements in a fair and due process. It is assumed that this contributes to a higher staff motivation because employees can participate in setting their own work objectives and better understand their role within the overall organisational strategy.

Thus, participation, staff involvement and communication can not be implemented through top-down directives. Superiors have to believe in the benefits of participation and 'live' it on a daily basis. In addition, they must be convinced that taking into account opinions from the staff will have positive effects. At the same time employees must show trust in their superiors' willingness to involve their subordinates - and not only because of formal obligations.

A study from Szabo (2007) indicates that participative forms of management differ across cultures. According to this comparative study, Sweden has the highest degree of management participation followed by Germany, Austria and The Netherlands. On the individual level, it seems that older managers tend to be more participative than younger ones, and female managers more than male (although as regards to the latter, evidence is less clear). However, the degree of allowing participative forms of leadership also depends on the question how far managers want to avoid feelings of insecurity. The more the managers want to control things in order to avoid such feelings the more they will restrict staff involvement, communication and staff participation in setting and revising targets.

The results of the present study indicates - based on both the country and manager answers - that there seems to be wide agreement that participation, communication and staff involvement are essential ingredients of an effective and successful performance assessment system. Many countries have commented that feedback, coaching, communication, staff involvement and joint clarification of targets are important requirements of an effective performance assessment system.

In the managers' answers to this survey we often observed the opinion that communication and feedback have positive effects on personal assessment systems. The managers in general agreed on the importance of involving staff in setting individual and organisational targets. The following statements from managers underline the need for participative approaches.

Question: Regarding the main objections and challenges what recommendations do you have on how to effectively overcome them? Manager answers:

- *The involvement of all staff in the process helps.*
- *In practice all staff should be involved in creating their unit's business plan which in turn feeds into the divisional or office wide plan.*
- *Line managers, and even staff, should be educated on, if not involved in, the formulation of the strategy statement.*
- *Communication and real engagement of all staff in the organisation are needed when formalising organisational objectives.*
- *Greater communication at a much earlier stage in the process of setting organisational and individual targets.*
- *Ensure full participation of all managers and staff in business planning process engagement with all staff in determining business objectives.*

According to the literature the benefits of a cooperative and participative approach are seen first and foremost in the advantages it yields for all dialogue partners:

- *All involved parties receive more detailed information on the individual and organisational work requirements, get to know what ideas, concepts and attitudes are required, obtain better knowledge on the needs and wishes of the different staff categories and enable all parties to better align individual and organisational performance targets.*
- *Participation in setting the targets and reviewing the targets improve the target commitment. For example, staff participation and staff involvement contribute to satisfy the need of employees for recognition, creativity and performance.*
- *Participation and staff involvement is the contrary of autocratic decision-making and in accordance with democratic values. Like this, it is also about the sharing of power.*
- *Finally, participative modes of management are said to produce qualitatively better decisions, better implementation of decisions, reduced need for control needs, better communication, more motivation, increased efficiency etc.*

The Irish Mercer Study likewise reported that the Irish performance management system (PMDS) "*has facilitated more communication between managers and their staff. For example, employees consistently agree that managers are listening to staff during the performance reviews, feedback from the managers is helpful to improving performance, and the PMDS process provides useful information. Going forward, it is anticipated that staff will continue to want communication. Thus, the quality and quantity of internal communications can be used to sustain, enhance and further embed the PMDS, and to change the culture of the Civil Service to one of full performance ownership and accountability at all staff levels*" (Mercer 2004, p. 18).

Despite such positive evidence the 'the devil is in the details'. While everybody seems to agree about the need for more and better communication, staff involvement and participation, the practical implementation of these concepts in daily administrative life may be quite different.



In fact, participation, involvement of staff and feedback in many cases seem to be more preached than practiced. Already in 1970 Levinson (p. 16) in his publication „Management by whose objectives?“ pointed out that “top management typically assumes that it alone has the prerogative to a) set the objectives, b) provide the rewards and targets, and c) drive anyone who works for the organisation”.

It somehow remains questionable whether top managers take enough time, communicate and involve their employees sufficiently in the performance assessment process. In fact, it seems that top-managers still prefer top-down approaches instead of participative approaches. For example, one manager's answer to this survey emphasised that *“the management is not seen on the work floor but rather sends e-mails. The bosses are at their desks but do not communicate any more (in person) with staff due to the work pressure. Better feedback should be given.”* Another manager replied that *“most of the time, they rarely have time due to work pressure, but this unfortunately gives the impression to their employees that they do not care”*.

The concept of ‘feedback to the staff’ also causes considerable challenges. Many managers who responded to the study expressed the opinion that clarifying and communicating objectives and targets constitute a main challenge. Despite the positive meaning and the importance of feedback in practice “people avoid feedback because they hate being criticised, plain and simple” (Jackman/Strober 2005, p. 31). In addition to this, many superiors are also afraid of bringing bad news. The Irish Mercer Study (2004, p.19) stresses this issue: “Openness, honesty and trust are essential to progressing and linking PMDS. However, managers continue to shy away from open, honest and constructive feedback during performance reviews. The risk associated with this lack of performance feedback is that the PMDS may be reduced to a paper exercise, the reviews will not be as meaningful and substantive as they should be, people will be encouraged to play it safe in their objective setting and stick with the status quo, and the performance levels will likely bunch around the average mark rather than above average and outstanding”.

Another problem is also obvious: particularly in times of financial constraints, downsizing and political turbulence, many employees regard the employee interviews and motivation management rather cynical.

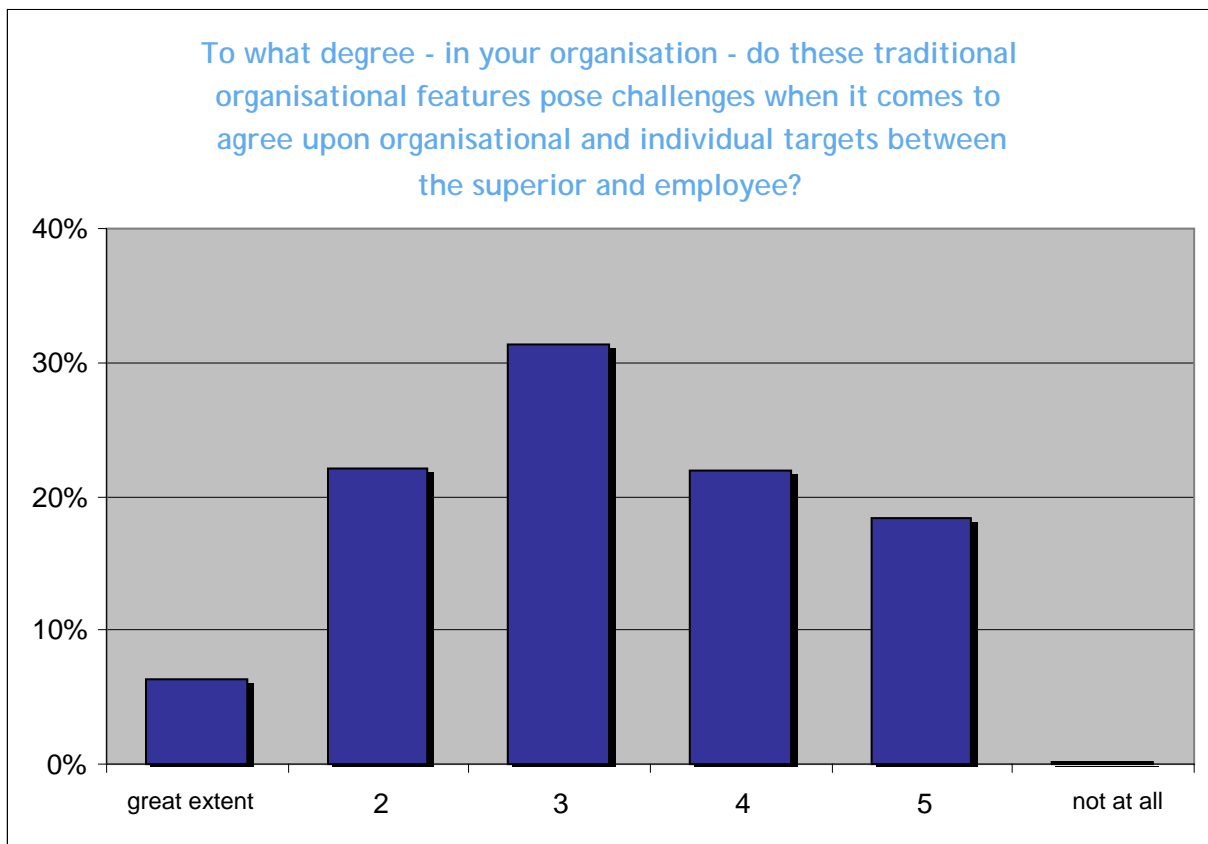
All these difficulties and challenges clearly do not mean that attempts to introduce more communication, feedback and staff involvement in the target agreement process should not be pursued. The critical experiences should only illustrate that reality occasionally looks different, however. Popular ideas of a consensual and supportive staff review and interview have to be freed first of all from all too naive and normative expectations. Administrative reform should be aware of trendy management advisers who often spin an unrealistic yarn about administration by giving the impression that hierarchic and bureaucratic administrative structures have long since ceased to exist. In reality, all European administrative models continue to be based on the principle of ‘hierarchy’ and bureaucracy. As a consequence managers could be expected to believe that traditional organisational structures pose challenges when it comes to agree upon organisational and individual targets between the superior and the employee in a more mutual way.

In the present survey we therefore put forward the following question: “In many Member States organisational structures are still rather hierarchical and decision-making structures are the result of top-down decisions (by the superior). Therefore, targets are not agreed upon and set in a cooperative process as assumed by the idea of Management by Objectives. Instead, they are decided upon by the hierarchy. To what degree do you think



that - in your organisation - these traditional organisational features pose challenges when it comes to agree upon organisational and individual targets between the superior and employee?" Again we were interested in comparing managers' answers with the official country answers regarding this issue.

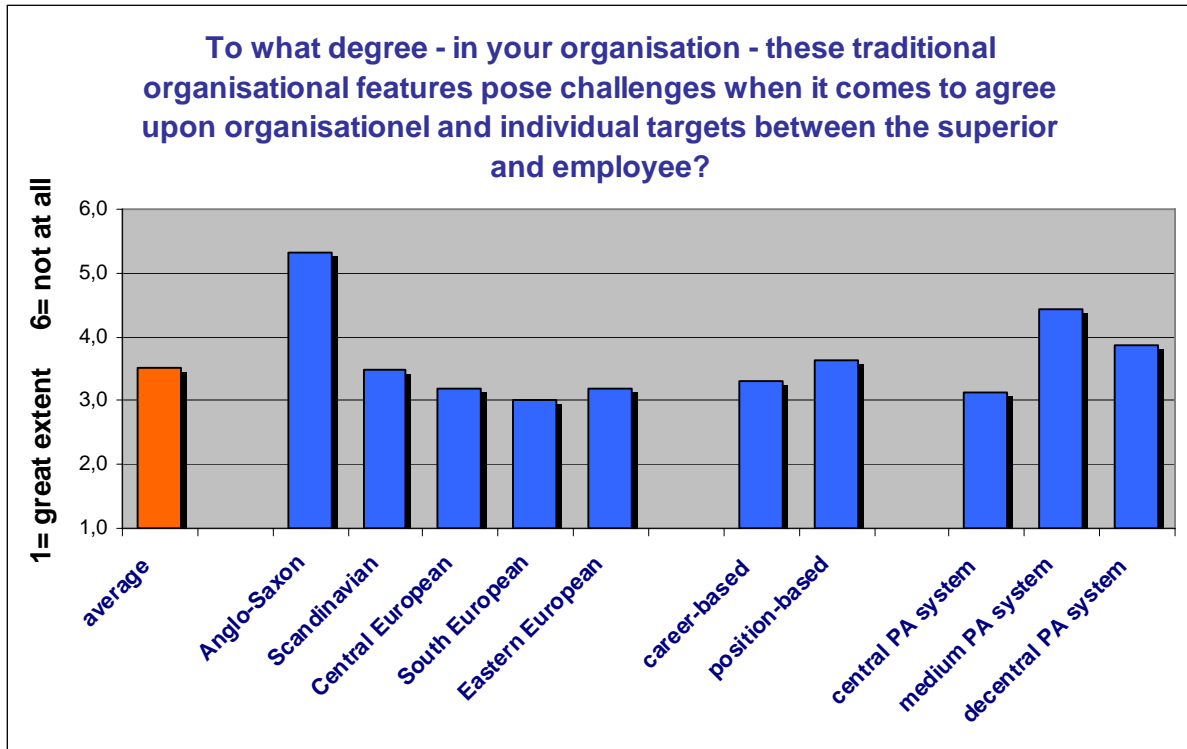
Overall, the managers' answers (see graph 18) indicate the relevance of this challenge, although not in a coherent way. Whereas 28.8% of all participating managers assign a high relevance to this challenge (score 1 and 2) 18.4% have a different opinion (score 5 and 6). At least for the majority of participating managers due to hierarchical structures and top-down decision making structures it is difficult to agree upon targets in a cooperative process as assumed by the idea of Management by Objectives.



Graph 18: Hierarchical culture as a challenge for target agreements by different categories (n= 118 manager answers)

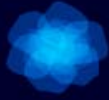
Overall, the official country answers (see graph 19) with an average of 3.52 also acknowledge this challenge although to a lesser degree. A relatively high relevance is expressed by countries such as Cyprus and France (scores 1 or 2) whereas Ireland, Malta, the Netherlands, Norway and UK do not regard this as a relevant problem (scores 5 or 6). A detailed analysis clearly shows significant differences between Anglo-Saxon countries and all other administrative traditions with regard to this challenge. For example, in Ireland an interesting model has been developed. A so-called forum for feedback on the whole process (as a separate layer to the feedback loop between the manager and staff member) "allows staff to give impartial feedback on the process/system of assessment, unrelated to the individual staff member's job-related performance evaluation. The feedback on the process is managed through a unit representative, and who for most is not the manager. This forum provides a more organisation-based view of how the system is perceived".

In addition, the challenge of hierarchical structures and top-down decision making seems - as could be expected - to be more relevant (although to a rather small degree) in career-based countries and countries with centrally organised performance assessment systems.



Graph 19: Hierarchical culture as a challenge for target agreements by different categories (n= 23 country answers)

To sum up, the results indicate that when designing performance assessment systems we should be aware that superior-employee relationships are still shaped, in practice, by a (sometimes) hierarchical work style where cooperation and mutual trust cannot be taken for granted. Fashionable discourses surrounding participation, communication, feedback, performance agreements and performance contracts frequently do not take into account that work processes in most European administrations (still) function according to hierarchic structures, and that cooperative structures do not represent the common picture. Thus, it can be seen that in several EU Member States the relationship is still the classic one of superordinate and subordinate. The idea of participative agreement of targets - often suggested as central solution for improving the effect of performance assessment systems - clearly has its limitations, especially in traditionally highly hierarchical contexts.



## V. PRACTICAL RELEVANCE OF REWARDING GOOD AND MANAGING POOR PERFORMANCE

### V.1. Rewarding good performance

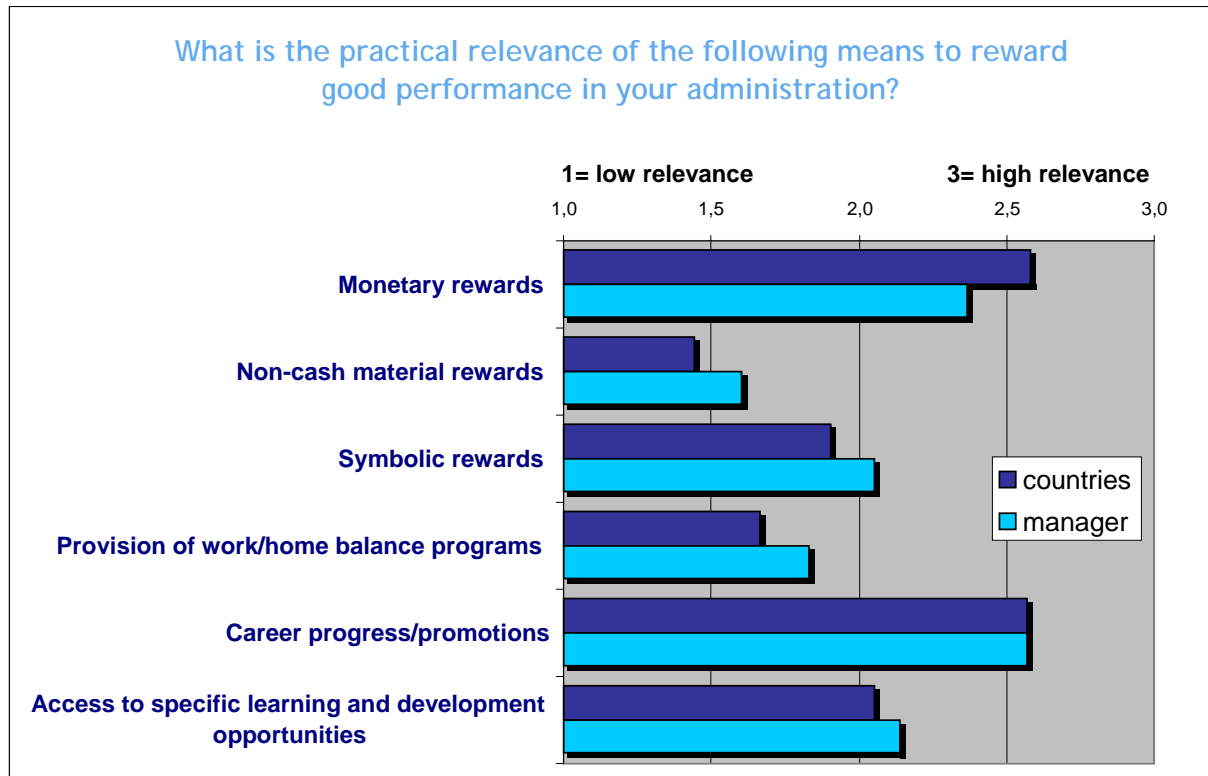
The linkage of performance assessments with rewards and recognition is often regarded as cornerstone of establishing an effective performance assessment system. A common thread in public management reform over the last decade has been the establishment of performance-linked remuneration. At the same time it seems to be important to keep this trend 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. The already mentioned Mercer study in Ireland (Mercer 2004) for example gives a central recommendation to link the performance assessment system to rewards including increments, promotions, assignments to the higher scale and career development, and to ensure that such links are appropriately extended to include all grades.

However, this linkage of performance assessment and rewards seems to be less straightforward and easy to implement in administrative practice. Discussions on performance assessment systems often reveal a critical picture with regard to the immediate material or immaterial consequences of good or bad assessments. When performance is excellent, often employees are not rewarded immediately. Similarly, when performance is in decline, only in exceptional cases discussions and consequences are decided upon immediately. In both cases, appropriate measures are often taken upon too late (mostly only on the occasion of the annual staff appraisal). Also in most cases there exists only an inadequate connection between performance appraisal and career development. There is too little alignment between the assessment and immediate consequences and, as a consequence, performance assessments have only limited motivational effects. The relevance of such issues has also been confirmed in the current survey. As described in chapter IV.3, the alignment of performance ratings with rewards and sanctions is regarded as a key challenge by both country respondents and the responding managers.

In line with most other research and recommendations from existing country experiences the answers to our survey also confirmed the central role of rewarding good performance through monetary rewards and career progress/promotions (see graph 20). A quite high practical relevance of both these rewards is seen by both official country answers and managers. While the official country answers - compared to the managers - attribute a higher relevance to monetary rewards, the managers assess symbolic rewards, non-cash material rewards and the provision of work/life balance programmes as more relevant. Regarding the latter, a limitation has to be mentioned which came up during the HRWG-workshop in Brussels: The authors understood this question as relating to measures such as offering teleworking arrangements or providing more flexible working hours. However,

some country respondents did interpret this question in a different way. As a consequence the answers on this point have to be interpreted with caution.

It is also of interest to see which forms of rewards were not applicable for all countries. For example, monetary awards are not in place in Belgium, Cyprus and Portugal, non cash-material rewards in Belgium, Cyprus, Denmark and Poland whereas symbolic rewards, career progress/promotions and access to specific learning and development opportunities are an option in all countries with only one exception for each instrument.



Graph 20: Instruments to reward good performance (n= 22 country answers; n=117-121 manager answers); only average for countries where instruments are applicable.

In table 9 and 10 the country answers are analysed in more detail with regard to the different clusters used for this survey. We see some notable differences. Regarding administrative traditions, the survey indicates that monetary rewards seem to play a considerable more important role in Anglo-Saxon countries, Scandinavian countries and Eastern European Countries. They stand out as the most relevant measure to reward good performance especially in Scandinavia and Eastern European countries whereas in Anglo-Saxon countries as well as Southern European countries career progress/promotion is of highest practical relevance. Central European countries, on the other hand, assign the highest relevance to symbolic rewards and learning and development opportunities. The general picture is that Central European countries prefer 'softer' types of rewards such as learning and development and symbolic rewards than the Anglo-Saxon and Eastern European countries in particular.

Especially the distinction between countries with career- and position-based systems raises the interesting question whether performance assessment systems are linked to different rewards. From a conceptual point of view, one could expect that traditional career-based countries would prefer to link performance appraisals more directly to promotion issues,

while position-based systems could be expected to be characterised by a stronger emphasis on performance-related pay and monetary rewards. This was only partly confirmed by the country answers to this survey. Whereas monetary rewards seem to play a significantly higher relevance in position-based countries career progress/promotions are of similar relevance for both types of HR-systems. Overall, position-based countries tend to assign higher relevance to most of the mentioned measures to reward good performance compared to career-based countries, which mirrors the generally higher relevance of performance appraisals.

	Monetary rewards	Non-cash material rewards	Symbolic rewards	Provision of work/life balance programs	Career progress/promotions	Access to learning & development
Anglo-Saxon	2.00	1.75	2.00	1.00	3.00	1.00
Scandinavian	2.83	1.33	2.00	1.67	2.33	2.33
Central European	1.60	1.00	2.40	1.60	2.20	2.50
South European	1.50	1.00	1.00	0.67	2.50	1.50
Eastern European	2.80	1.00	1.60	0.60	2.60	1.80

Table 7: Relevance of instruments to reward good performance by administrative tradition (n=22 country answers); including countries where instruments are not applicable; not applicable=0; highly relevant=3

In contrast to the type of HR-system, the degree of centralisation of the performance assessment system does not seem to have much impact in the relative relevance of different instruments to reward good performance. Most instruments - with the exception of career progress/promotions - tend to be of slightly higher relevance in decentralised systems.

	Monetary rewards	Non-cash material rewards	Symbolic rewards	Provision of work/home balance programs	Career progress/promotions	Access to learning & development
career-based	1.83	1.05	1.67	0.92	2.50	1.91
position-based	2.63	1.38	2.25	1.50	2.50	2.13
central PA system	2.00	1.00	1.29	0.57	2.57	1.86
medium PA system	2.20	1.17	2.30	1.44	2.30	2.00
decentral PA system	2.71	1.00	2.00	1.29	2.43	2.00

Table 8: Relevance of instruments to reward good performance by HR-system and degree of centralisation of performance assessment system (n=22 country answers); including countries where instruments are not applicable; not applicable=0; highly relevant=3

Thus, while the various countries and systems differ with regard to the relevance of most rewards - above all monetary rewards - this is less the case with regard to career development and promotion. The relatively high relevance of monetary rewards in Scandinavian countries, Eastern European countries and Anglo-Saxon countries may also

suggest that performance-related pay elements are more widely established in these countries than in Southern and Central European countries.

## V.2. Managing poor performance

For a long time, in many countries 'managing poor performance' has been a neglected issue as the focus was often high performance. This poses a problem as there may be as many poor performers as high performers in an organisation and the impact of ongoing poor performance is rather high as poor performers:

- do not deliver required business outcomes or value for money;
- impair the standard, reputation and professionalism of the Civil Service;
- disrupt the flow of work and increase the workloads of their colleagues;
- cause resentment and lower morale; and
- set a bad example to those they manage.

There is no doubt that staff becomes de-motivated and even cynical when poor performance is not dealt with. 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 and affects the credibility of the whole performance assessment system.

A central challenge of managing poor performance results from the fact that many things, inside and outside the workplace can affect an individual's performance positively or negatively. Important reasons for poor performance may be a lack of incentives, unclear tasks and objectives, bad leadership, ability, skills and motivation, unethical behaviour from colleagues, misfit between job expectations and job tasks etc. Managing poor performance consequently has to be understood as a key leadership task. A good manager will identify poor performance and discuss it with the person concerned to understand the reasons for poor performance and what can be done to improve the situation. In many cases training or coaching may be sufficient. Managers should also be sensitive to other factors such as stress, relationship problems and financial difficulties. Albeit managers cannot resolve such issues, they should do their best to bring performance back to an acceptable level.

It is also important to recognise that some reasons for poor performance are understandable while others are not. There is also a difference between a short-term decline in performance and consecutive periods of poor performance. The longer poor performance is allowed to linger, the greater the problem for the individuals and organisation when it is finally tackled.

As described before (see chpt. IV.2 and IV.3), the inability to adequately handle poor performance is regarded as a central obstacle for managers in many of the participating countries. There is a substantial awareness of the fact that managers often do not have adequate means to sanction poor performance and that the assessment system often does not provide the clear message to the employees that consecutive poor performing periods are not tolerated.

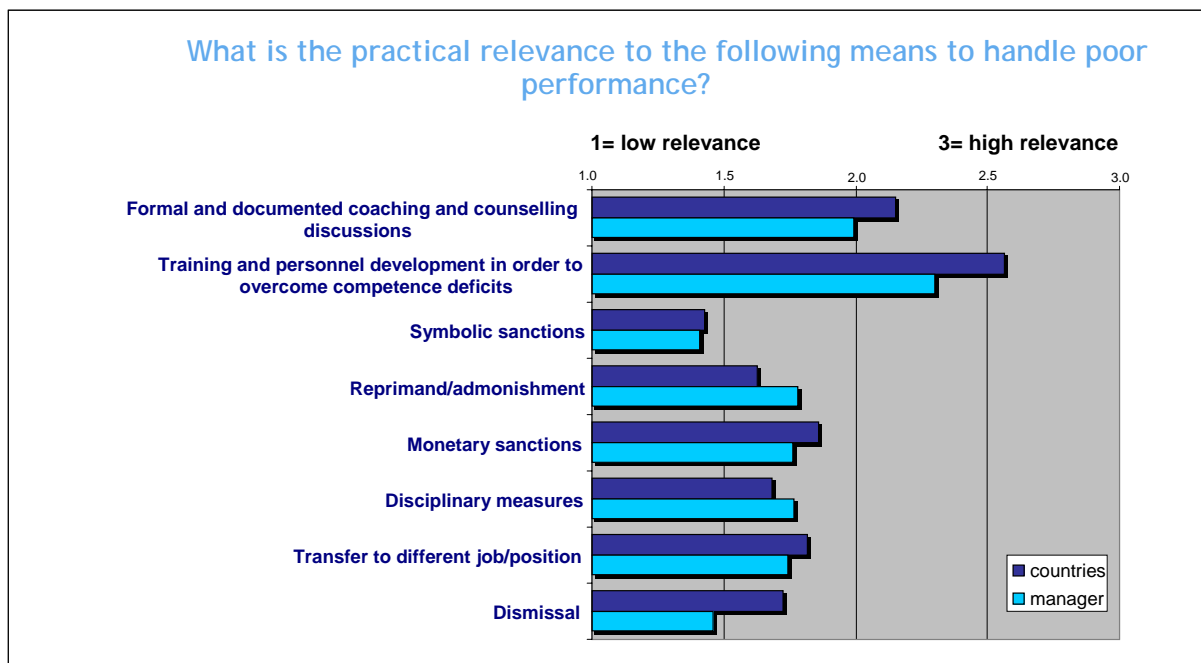


In this study, we therefore were especially interested in the practical relevance of a number of means resp. instruments to handle poor performance. The question as such addressed only the (probably rather small) group of permanently underperforming officials.

Both the national answers as well as the managers' answers (see graph 20) clearly point to training and personnel development as the most relevant measures to handle bad performance in the EU Member States (with 15 countries assigning a high relevance). Also formal and documented coaching and counselling discussions seem to play a central role when reacting to poor performance (with seven countries assigning a high relevance). In Cyprus, Poland and Slovenia the latter means is not applicable according to the country answers.

Overall, countries such as Greece, Malta, Romania and UK seem to have a considerably broader spectrum of means available in practice, while Cyprus, Germany, Ireland, Italy, Portugal and Slovakia have more focused systems with less means available. Nearly a third of all answering countries also mentioned, that symbolic sanctions and monetary sanctions are not foreseen in the performance assessment system. On the other hand, symbolic sanctions are given high relevance in Sweden, and monetary sanctions in Estonia, Lithuania and UK.

Graph 21 indicates that the official country answers from the Member States tend to assign a higher relevance to most measures, whereby this difference is especially high with regard to dismissal. Possible explanations may be that dismissal of an employee falls outside the direct responsibilities and competences of the individual manager and also does not seem to be a very viable response but more a measure of 'last resort'. In total, five Member States have stated that dismissal is an instrument of 'high relevance' to tackle poor performance whereas in four countries this option is not applicable at all. It is interesting that managers rank 'tough' measures such as reprimand/admonishment and disciplinary measures as more relevant than the official country respondents. A possible explanation may be that managers are directly confronted with the individual poor performers and feel directly concerned when it comes to such measures.



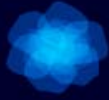
Graph 21: Instruments to handle poor performance (n= 23 country answers; n=116-118 manager answers)

Table 11 analyses the differences among different administrative traditions in more detail and again shows some interesting points whereas the other two categories did not yield any striking differences. For example, Eastern European and Southern European countries regard formal coaching and counselling as less relevant than the other country clusters and especially Anglo-Saxon countries. Scandinavian, Central European and Eastern European countries in particular put their main emphasis on training and personnel developments, while Anglo-Saxon countries seem to be characterised by quite different priorities: They attach a much higher relevance to ‘tougher’ means such as reprimands, disciplinary measures and dismissals.

	Coaching and counselling	Training and personnel development	Symbolic sanctions	Reprimand/admonishment	Monetary sanctions	Disciplinary measures	Transfer to different job/position	Dismissal
Anglo-Saxon	3.00	2.67	1.50	3.00	2.00	2.50	2.00	2.50
Scandinavian	2.00	2.83	1.33	1.20	1.33	1.40	1.33	0.83
Central European	2.20	2.80	0.80	1.00	1.00	1.40	2.20	1.00
South European	1.50	1.75	0.33	1.33	0.67	2.00	1.75	1.25
Eastern European	1.00	2.60	0.80	1.40	1.40	1.00	2.00	2.20

Table 9: Relevance of instruments to handle bad performance by administrative traditions (n=23 country answers); including countries where instruments are not applicable; not applicable=0; highly relevant=3

This result corresponds quite well with the outcomes of a recent comparative study by Pollitt and colleagues on performance management in executive agencies. This survey (Pollitt 2006) comes to the conclusion that the control of target agreements and the evaluation of hitting and/or missing the target depend strongly on the administrative culture of a country. For instance, missing a target in Great Britain is sanctioned far more severely than in Scandinavian countries (with their cooperative and consensual administrative culture). This raises the question whether simply ‘importing’ performance appraisal systems from one country to another is beneficial if the introduced structural elements in no way suit the relevant administrative culture and structure. It is well known that performance-related pay causes more difficulties in certain administrative structures than in states where the individual performance principle is largely accepted.



## VI. CHALLENGES IN LINKING ORGANISATIONAL AND INDIVIDUAL PERFORMANCE ASSESSMENT

### VI.1. The concept of linking organisational and individual performance

The complexity of public management contexts makes it difficult to study and to understand the performance of managers and their contribution to organisational performance. One challenge is that performance is always contextual and situational. Also, individual and organisational performance will always differ amongst different organisational cultures as well as between different organisational environments, types of tasks, goals and functions.

In his well-known study on public and private organisations Hal Rainey (2003) comes to the conclusion that assessing whether an organisation is performing well or not involves numerous technical, financial, economical, ethical and ideological issues. Cohen (2007, p.344) in a similar way emphasises that "there are hundreds of similar contextual variables that must be understood to measure management effectiveness". Furthermore, Rainey and Steinbauer (1999) suggested that individual attitudes and behaviours of public employees may affect organisational performance. They also concluded that organisations with high autonomy, a clear and attractive mission, and effective leadership tend to perform well. Later on, Brewer and Selden (2000) confirmed that leadership style has an impact on factors that positively influence the performance of organisations.

Thus, organisational performance is the result of many factors, such as the degree of red tape and formalism, the existing personnel and financial resources, the employees' job satisfaction, their organisational commitment as well as more stable motivational preferences of the individuals. However, organisational performance is also influenced by leadership and management factors although the impact of such factors difficult to entangle from other influences.

An enduring challenge of public management is the question how to measure organisational performance of governmental organisations. There exists a very broad spectrum of different methods. Whereas traditionally the focus was on financial inputs and other resources, the trend seems to go towards the use of holistic total quality management approaches such as the Balanced Scorecard, the European Foundation for Quality Management, the TQM model or the CAF (Common Assessment Framework). However, recent surveys on the impact of such holistic measurement models indicate that their implementation in organisational practice has so far brought only mixed results. Whereas the theory is good, the practical aspects of implementing a Balanced Scorecard are much more complex (Stöger 2007).

Thus, when summing up the field of research one could conclude with Rogers and Wright (1998) that organisational performance is one of the most widely used dependent variables

in organisational research today. At the same time it remains one of the most vaguely defined constructs. The challenges regarding the measurement of organisational performance are real and are to stay with a lack of consensus in academic research.

In spite of all these difficulties it is also evident that organisational performance is to some degree linked to the individual performance of the employees in an organisation. Linking individual performance assessment with organisational performance issues looks much easier on paper than it is in practice. Most guidelines propose a kind of ideal-type performance assessment cycle: Individual annual objectives along with job description and competency expectations should be strongly linked to organisational objectives; both objectives and tasks should be specified, agreed upon and discussed and communicated with the superior. During the year they should be reviewed regularly, discussed and at the end of the performance cycle an assessment in form of a performance appraisal should take place.

The high relevance of such ideas is clearly mirrored in the current reform plans in Portugal: *"A new integrated system of performance assessment is being prepared; it includes three subsystems - services, managers and employees. It is intended that this system will work in an integrated way, based on coherence of goals fixed on planning level, goals fixed in the service's managing cycle, goals fixed in the mission charter and goals fixed to middle managers and employees."* (Answer from Portugal). The underlying idea is that performance management systems will work best when staff can see a clear link between their work and the goals of the organisation.

However, as early as in 1970 (in his classic article "Management by whose objectives?") Levinson mentioned a number of challenges and difficulties as to the relationship between individual and organisational performance and the measurement resp. causal attribution between these two aspects such as the following:

- The "higher a person rises in an organisation and the more varied and subtle the work, the more difficult it is to pin down objectives that represent more than a fraction of his or her effort";
- "The more employees' effectiveness depends on what other people do, the less any one employee can be held responsible for the outcome of individual efforts";
- "...the more complex and difficult the appraisal process and the setting and evaluation of objectives, the more pressing the cry for objectivity";
- "The greater the emphasis placed on measurement and quantification, the more likely the subtle, non-measurable elements of the tasks will be sacrificed";
- "No objectives will have significant incentive power if they are forced choices to a person's underlying (...) personal aspirations";
- "The highest point of self-motivation arises when there is a complementary conjunction of the individual's needs and the organisation's requirements";
- "The more a subordinate participates in the appraisal interview by presenting personal ideas and beliefs, the more likely he or she is to feel that a) superior is helpful and constructive, b) some current job problems are being cleared up, and c) reasonable future goals are being set";
- "Every management by objectives and appraisal program should include regular appraisals of the manager by subordinates, and be reviewed by the manager's superior".

In a similar direction one manager responding to this study argued that *"the work of an organisational unit and its achievement of goals and objectives is a team effort which means that failure to meet targets on time or to the extent intended can have complex causes which cannot be accurately attributed to the effort or effectiveness of an*

*individual's performance. Effective delivery of objectives could be improved if bottlenecks or barriers to achieving targets are addressed holistically rather than by reference to the work contribution of the individual."*

## VI.2. Empirical results as to the alignment of organisational and individual performance assessments

The previous chapter clearly showed, that many experts share the opinion that a clear alignment of organisational and individual objectives/targets is difficult to realise in practice albeit it can be regarded as conceptual cornerstone of performance assessment systems. Efforts to align organisational and individual targets consequently have to be regarded as a critical success factor for making performance assessment systems effective.

In this survey we therefore were interested in the different experiences made in the EU-Member States with regard to central challenges of aligning organisational and individual performance assessments. Overall (see graph 22), both the official country answers and the managers' answers indicate that the alignment between individual and organisational objectives has been achieved to a rather small extent only (question 2) with the managers' answers being slightly more positive (av. 2.83) than the national replies (av. 3.17).

Regarding the reasons why individual and organisational objectives are not linked to a higher degree we find an interesting difference between managers' and official country answers.

Managers regard the following three factors - strongly related to the target setting process - as less satisfying to a much higher degree:

- Line managers have explicitly formalised objectives for their organisational units only to a rather low extent;
- line managers' individual objectives are identical with the goals of his or her organisational unit only to a rather small extent; and
- line managers have only a rather small extent of discretion over the process of developing individual objectives for their employees.

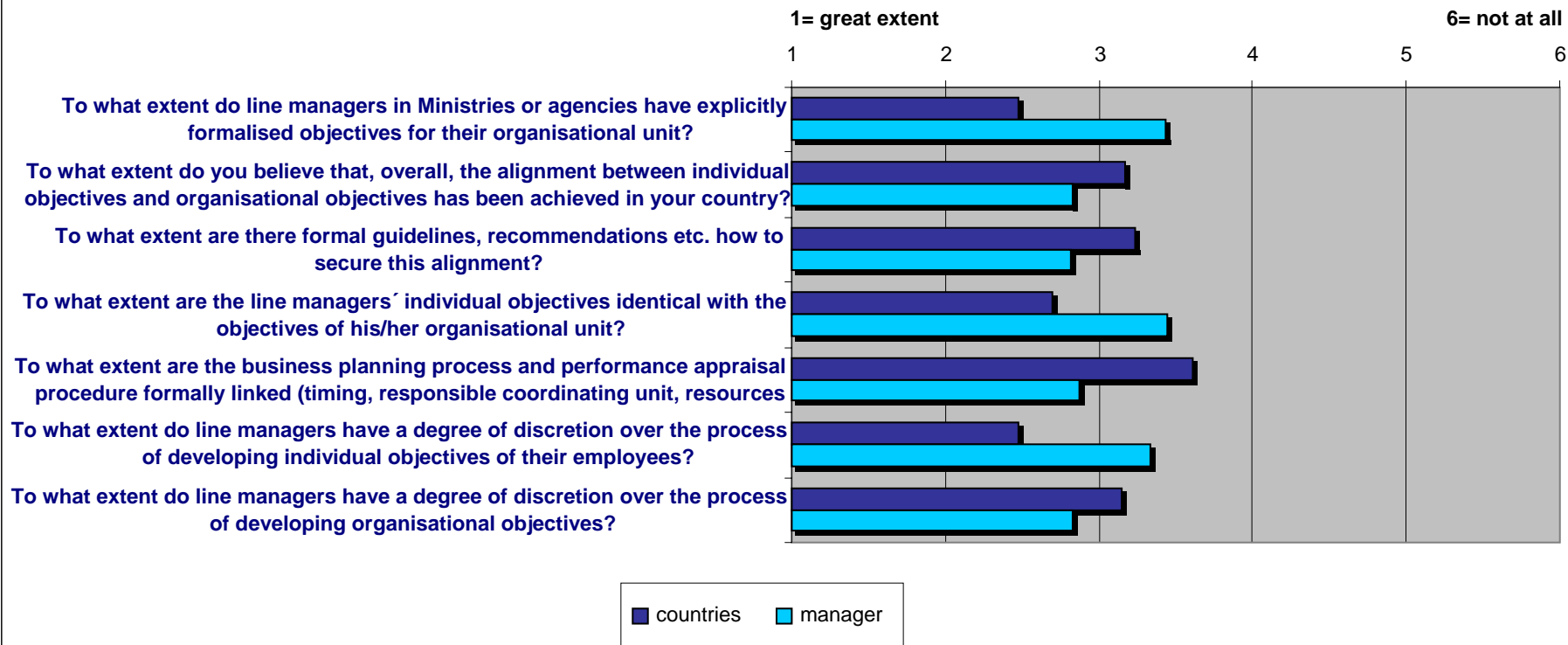
In contrast the official country answers locate the lack of alignment more with regard to system deficiencies:

- That the business planning process and performance appraisal procedure are formally linked only to a small extent; and
- that formal guidelines, recommendations etc. (on how to secure the alignment) exist only to a small extent

In overall, satisfaction with these alignment issues - according to the country answers - seems to be higher in Bulgaria, Estonia, Finland, France, Ireland and Norway whereas Cyprus, Italy and Romania are still working on these challenges.

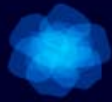
It is also interesting that both groups of respondents see only a rather small degree of discretion for managers to develop organisational objectives. Even more surprisingly managers do not perceive a substantial degree of discretion over the process of developing individual objectives for their employees. It indicates that line managers regard their management autonomy both 'downwards' the hierarchy and 'upwards' the hierarchy as rather small.

Please specify the extent to which the following aspects apply to your public services.



Graph 22: Aligning individual and organisational objectives - Comparison of country answers and manager answers (n=24 country answers resp. n=108-113 manager answers)





As to the analysis of these challenges with regard to our country categorisations, again, some interesting points could be observed (see table 12 and 13). Alignment seems to be better managed in Anglo-Saxon and Scandinavian countries although also for these countries considerable room for improvements can be presumed.

Line managers in Scandinavian countries seem to have formalised objectives for their organisational unit to a greater extent than their colleagues in the other countries. This may also be a reason why Scandinavian line managers' individual objectives are to a higher degree identical with the objectives of his/her organisational unit than in other Member States. Anglo-Saxon countries seem to be more successful in establishing formal guidelines and recommendations how to secure the alignment whereas especially Southern and Eastern European countries have succeeded in the various alignment issues to a far lesser degree (especially with regard to linking the business planning process with the performance appraisal procedure). Continental European countries are characterised by an in-between position.

A comparison by type of HR-system shows that both systems have the same kind of alignment problems with no system being superior to the other. Nevertheless countries with position-based systems tend to have more formal guidelines and recommendations to secure the alignment, a better formal linkage of business planning and performance appraisal as well as more discretion for line managers to develop both individual and organisational goals.

	Anglo-Saxon	Scandinavian	Central European	South European	Eastern European
To what extent do line managers in ministries or agencies have explicitly formalised objectives for their organisational unit?	2.67	1.67	2.60	3.00	3.00
To what extent do you believe that, overall, the alignment between individual objectives and organisational objectives has been achieved in your country?	2.67	2.83	3.40	3.50	3.40
To what extent are there formal guidelines, recommendations etc. how to secure this alignment?	1.67	2.67	3.80	3.67	4.25
To what extent are the line managers' individual objectives identical with the objectives of his/her organisational unit?	3.0	2.17	2.25	3.33	3.20
To what extent are the business planning process and performance appraisal procedure formally linked (timing, responsible coordinating unit, resources etc.)?	3.33	3.17	3.40	4.25	4.00
To what extent do line managers have a degree of discretion over the process of developing individual objectives of their employees?	2.33	2.83	2.40	3.00	2.00
To what extent do line managers have a degree of discretion over the process of developing organisational objectives?	2.67	2.86	3.25	4.00	3.50

Table 10: Aligning individual and organisational objectives: Country answers by administrative traditions (n= 24 country answers); from 1=great extent to 6 not relevant at all

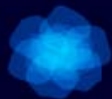
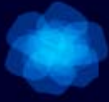


Table 11 also shows that countries with a centralised performance assessment system have achieved a slightly better alignment between individual and organisational objectives. One explanation for this may be that line managers in decentralised performance assessment systems have a higher degree of discretion over the process of developing organisational objectives whereas their pendants in centralised systems have more discretion over the process of developing individual objectives.

	career-based	position based	central	medium	decentral
To what extent do line managers in ministries or agencies have explicitly formalised objectives for their organisational unit?	2.62	2.43	3.00	2.40	2.00
To what extent do you believe that, overall, the alignment between individual objectives and organisational objectives has been achieved in your country?	3.21	3.14	3.29	3.27	2.86
To what extent are there formal guidelines, recommendations etc. how to secure this alignment?	3.54	2.71	3.67	3.20	2.71
To what extent are the line managers' individual objectives identical with the objectives of his/her organisational unit?	2.85	2.20	3.17	2.44	2.43
To what extent are the business planning process and performance appraisal procedure formally linked (timing, responsible coordinating unit, resources etc.)?	3.93	2.86	4.14	3.27	3.71
To what extent do line managers have a degree of discretion over the process of developing individual objectives of their employees?	2.62	2.29	2.33	2.60	2.71
To what extent do line managers have a degree of discretion over the process of developing organisational objectives?	3.42	2.86	3.33	3.44	2.86

**Table 11:** Aligning individual and organisational objectives: Country answers by HR-system and degree of centralisation of performance assessment system (n= 24 country answers); from 1=great extent to 6 not relevant at all

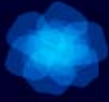
The survey also asked the countries for good practice recommendations with regard to the alignment of individual and organisational objectives. From the country representatives we received the following suggestions pointing to communication and feedback as well as a better cascading of targets:



- 
- *We recommend a focus on a hierarchy of targets, that is targets need to be 'broken down' from top-level (organisation) to bottom (the individual) and there has to be coherence,*
  - *adequate communication and information towards the personnel concerning organisational targets is crucial; it is not sufficient to simply state the targets, they need to be explained and carefully gone through with the personnel.*
  - *Improving mid-term interviews and monitoring*
  - *Keeping a dialogue alive in order to visualise objectives, and the impact of them.*
  - *Aligning all HR-activities to the business planning process.*
  - *Business objective to be in place for beginning of financial year, linked to overall government objectives. Good cascading, with senior managers agreeing their objectives first and then showing them to their employees in good time for them to set their own.*
- 

The responding managers also gave a spectrum of interesting good practice recommendations for a better alignment which mostly concerned suggestions towards better information and advice as well as stronger involvement and participation:

- 
- *The involvement of all staff in the process helps. In practice all staff should be involved in creating their unit's business plan which in turn feeds into the divisional or office-wide plan.*
  - *Involvement and buy in of line managers in all stages of strategic planning and business planning. Line managers, and even staff, should be educated on, if not involved in, the formulation of the strategy statement. The links from the strategy statement to the business plans and individual plans should be clear at all times to line managers and staff.*
  - *More training and positive examples and to ensure consistency throughout the organisation*
  - *Participation at all levels in the business planning process; strong communication process vital*
  - *Communication and real engagement of all staff in the organisation when formalising organisational objectives*
  - *Treat all staff equally with no favouritism*
  - *1) Organisational objectives to be simplified, condensed and translated into everyday localised targets.*
  - *2) Organisational objectives to be "sold" in poster and catch-phrase type advertising on the ground.*
  - *3) Line managers should regularly reinforce, each individuals role and responsibilities in achieving the larger plan.*
  - *4) Line managers should regularly give positive feedback to those staff members contributing to reaching objectives.*
  - *Periodic review meetings between management and staff to discuss, clarify and provide feedback on the attainment of objectives and targets.*
  - *Good training and flow of information to staff to ensure, in so far as is possible, wider acceptability of the process by a greater number of staff. Ensuring that all staff are familiar with the objectives of the organisation (this should not be presumed) and of their role in delivering those objectives*
  - *To inform all the staff where the organisation wishes to go and discuss how to get there. Explain to them ways and means of getting there and invite their input. Then set targets and inform each and every one what s/he has to do so that the whole unit goes there, to whom and for what one is responsible in order to get there in time, with given human and financial resources*
-



## VII. EFFECTS OF ASSESSMENT SYSTEMS AND SATISFACTION LEVELS

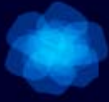
### VII.1. Performance assessment systems and their effects

The study under the German EU-Presidency concluded that there is little evidence as to the effects of new performance management and performance assessment systems. In the academic field, many studies seem to suggest that there are as many positive as critical developments taking place and that “the effectiveness of performance measurement procedures in terms of, for example, more goal-directed behaviour, better personnel motivation, or better decision-making, is not clear: both positive and negative effects have been reported” (van Drongelen/Fischer 2003, p.51). This study shows that - despite several serious objections - many national respondents and many managers believe that performance assessment systems have the potential to contribute positively to organisational performance in terms of efficiency or in terms of task fulfilment.

Recent studies on organisational performance seem to be able to contribute more facts to the discussions about public performance. They confirm that ‘management matters’ and factors such as leadership have a certain impact on organisational performance. At the same time, well performing organisations trigger more innovative managers. For example, Brewer (2005) found that whereas reforms designed to build administrative capacities tend to improve performance levels, other reforms which focus on downsizing, contracting out and privatisation tend to undercut bureaucratic performance. Brewer also showed that contextual factors such as the social, economic and political environment exert powerful effects on bureaucracies. Van Dooren (2006, p.213) concluded in his study that, despite some progress in measuring performance, negative effects are that “quantity goes at the expense of quality”, that “the measured services (...) are inflated in order to obtain good results” and that “the organisation loses sight of the activities that are not measured”.

The answers to this study have also shown that more and more Member States and organisations have started with extensive reform policies in the area of performance appraisal systems. The critical aspect of all this can be seen in the fact that the disciplines of performance management and performance assessment have become so important (and popular) that some experts started to warn that a new measurement culture (“Government by Measurement” (UK House of Commons 2003) may lead to a reborn “scientific management”, with a strong emphasis on ever new accountability systems and formal systems of tight specification and measurement. Consequently, this focus on performance targets and measurement can even “lead to a costly investment in more bureaucracy, rather than do what it is intended to do: save money. Defining targets, setting targets, measuring targets and reporting on targets cost time and money, and the more targets there are, the more they have to be adjusted again and the more resources go to performance measurement.”<sup>3</sup> For performance measurement systems, the same cost-

<sup>3</sup> Jaap A. Hoogenboezem, “Local Government Performance Indicators in Europe: an exploration”, International Review of Administrative Sciences, Vol. 70, 2004, p. 62; United Kingdom, House of Commons, op cit.



benefit relation has to be kept in mind as for the services they are attempting to measure. Otherwise, the positive effects of performance measurements will be outrun by the emergence of a new performance bureaucracy.

## VII.2. Overall level of satisfaction with organisational performance appraisal systems

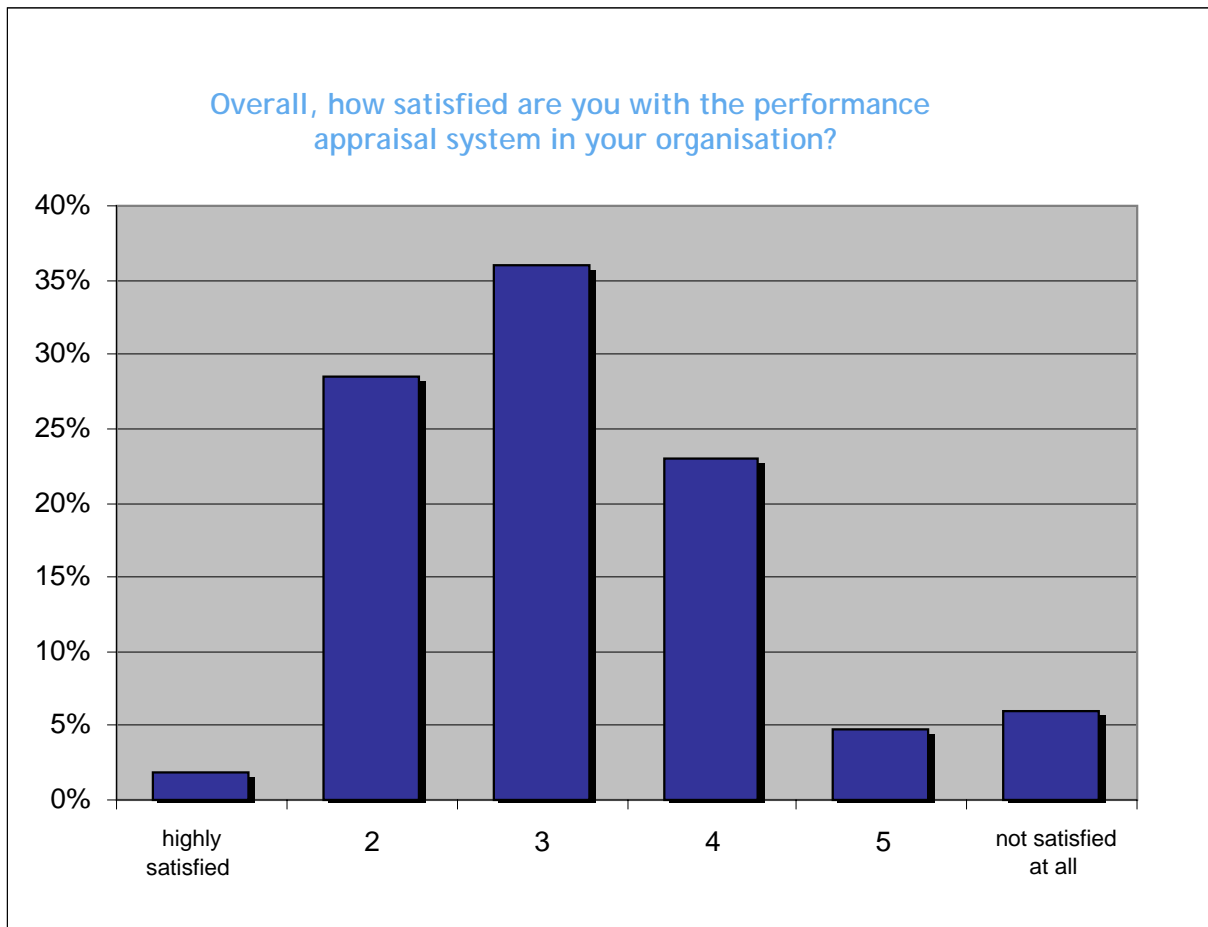
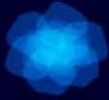
It is a truism to say that performance appraisal systems are not greeted with unanimous acceptance by all involved parties and actors. On the other hand, it is important to identify which actors have a more or a less critical attitude and why. Before entering into this discussion it should be clear from the outset that the degree of satisfaction can only partially be controlled and managed. Levels of work satisfaction depend on many variables which can not be discussed in this study. Moreover, satisfaction levels will always differ from organisation to organisation, from manager to manager and from employee to employee. One manager responded to this study: *"A lot goes down to personalities of managers"*.

Thus, analysing satisfaction levels is difficult for many reasons. In many EU Member States the process and execution of performance appraisal was, for a long time, a pure formality. In many cases, a performance appraisal had no or hardly any direct effects on the employees. On account of a secure job situation ("life-time tenure"), there was hardly any fear of an assessment having a sanctioning character. In view of the principle of automatic promotions in salary ranking, there was nothing to fear from a poor assessment. Promotions, too, were not always and immediately rewarded based on the results of a performance appraisal, but were based on other reasons. In addition, decentralised and/or participative management instruments were not particularly popular until a few years ago. Administrative communication was a process of executing orders in a hierarchical setting. This did not require the setting of annual targets, reviewing targets and assessing targets. Carrying out a performance appraisal was a chore, but it did not take too much time to do. Neither the superiors nor the employees devoted too much energy to the task.

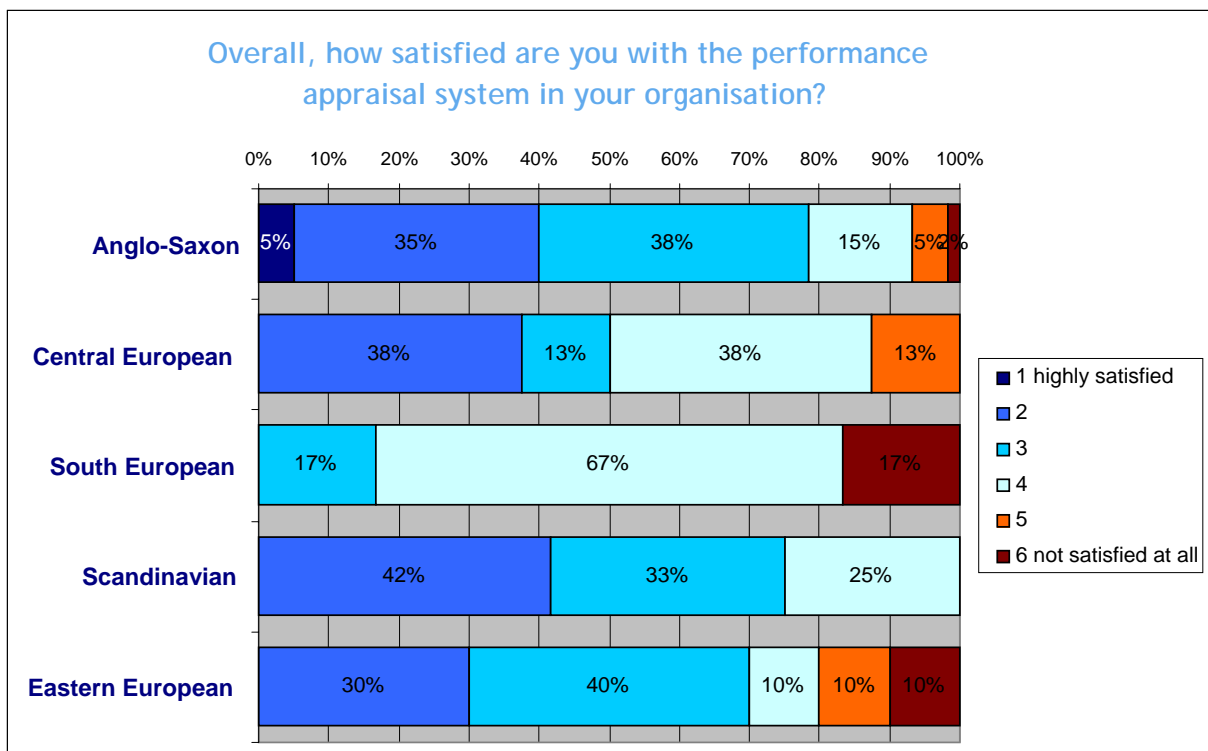
In this study, we asked the managers how - overall - they are satisfied with the current appraisal systems in their organisation.<sup>4</sup> With a mean value of 3.03 on a 6-point scale, the satisfaction is rather moderate. Only 1.8% of all managers are highly satisfied compared to 6% who are not satisfied at all (see graph 27). There are many reasons for this. The managers mention, for instance, that the targets are too easily reached by the employees and the rewards are too easily achieved. As one manager from Eastern Europe puts it: *"The performance assessment system serves currently as means of easily gaining additional profits by civil servants. In effect, it is completely distorted (99% of the assessed have 'excellent' marks) and is counterproductive in efficiency enhancement."*

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<sup>4</sup> This question was not contained in the national questionnaire, i.e. the results in this chapter are from the managers' survey exclusively.



Graph 23: Managers' overall satisfaction with performance assessment systems (n=124 manager answers)

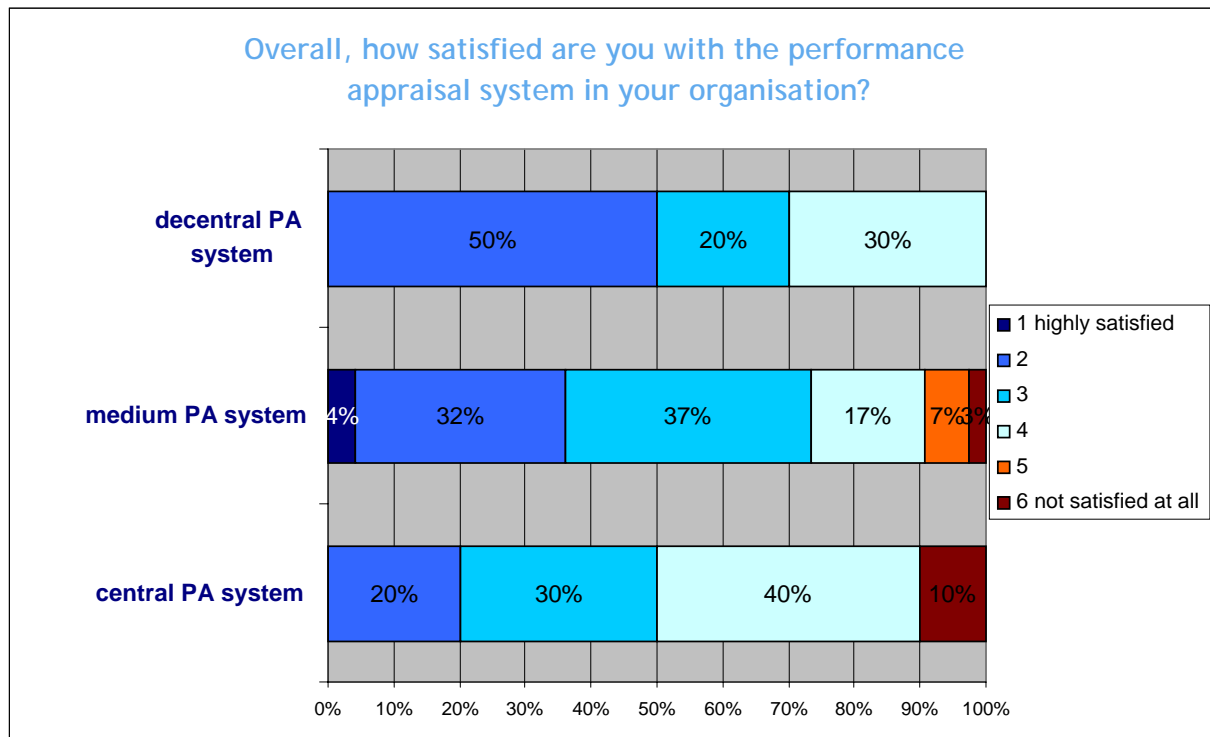


Graph 24: Managers' overall satisfaction with performance assessment systems by administrative traditions (n=124 manager answers)

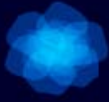


Particularly interesting are the figures for the different country clusters (see graph 24) as important differences can be observed. We find highly satisfied managers only in the Anglo-Saxon country cluster. However, here the assessment is somewhat polarised as we also received highly critical replies. The mean satisfaction is 2.85 and is exceeded only by the Scandinavian results (average assessment of 2.82) where the satisfaction fluctuates only within a more minor range. On average, Central and Eastern European countries are similarly (dis-)satisfied (mean 3.25 and 3.27), however, in Eastern European countries we also find some highly dissatisfied managers. The most critical stance towards the current performance assessment systems in their organisations, can be found in Southern European countries (mean 4.17).

While the differentiation according to HR systems does not account for substantial differences with regard to the satisfaction of managers with the performance assessment systems in their individual organisations (managers from career based countries have a mean satisfaction of 3.04; managers from position based countries 2.82), a clustering according to the degree of centralisation/decentralisation of the performance assessment systems proves to be relevant (see graph 25). Here, the average satisfaction levels of managers in countries with centralised performance assessment systems are considerably lower (mean of 3.5) than of their counterparts in countries with decentralised performance assessment systems (mean 2.8), while managers from countries with a medium degree of decentralisation lie in between (mean 2.99). These results are not surprising as such. Since managers in decentralised systems have more autonomy, own responsibilities and “power” than “their colleagues” in centralised systems, their satisfaction levels with the performance assessment systems in their own organisations is more at their disposal and increases the overall satisfaction.



**Graph 25:** Managers' overall satisfaction with performance assessment systems by degree of centralisation of performance assessment system (n=124 manager answers)



### VII.3. Empirical results regarding the effects of assessment systems

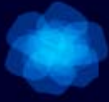
The experience made so far among the EU member States and in Norway also indicates that the field of organisational and individual performance assessment is being affected by a great amount of reform activity. However, there are scarcely any investigations into consequences and effects of the assessments as regards incentive, motivation, individual- and organisational performance and reward. Thus, we agree with the Swedish answer to this study which reported that the outcome of performance assessments are rarely evaluated and aggregated. One reason for this may be that "it is extremely difficult to measure the effects of performance assessment" (Norwegian answer).

In fact, detailed studies like the Irish Mercer study which evaluated the effects of the existing Irish performance management system still remain an exception. The Irish Mercer study analysed the satisfaction with criteria like implementation of the system, process of performance measurement, effectiveness, feedback provided through the performance measurement system, training and development, fairness and consistency of performance assessment, assessment criteria and linkage with other initiatives. It came to the conclusion that satisfaction with the performance assessment systems (Performance Management and Development System - PMDS) is generally positive, but decreasing from the top executive level (with higher satisfaction levels) down to the technical staff level (with lower satisfaction levels).

**Exhibit 4: Average Percent Agreed or Favourable Responses for Survey Statements under Evaluation Criterion**

PMDS Evaluation Criteria	Ave % for						
	All Groups	Senior Mgmt	Mgmt	Exec	Adm Support	Non-CI Support	Tech/ProfI
Implementation	64%	81%	65%	62%	62%	52%	60%
Process	61%	69%	66%	68%	61%	46%	59%
Effectiveness	55%	73%	58%	55%	53%	46%	47%
Feedback	48%	63%	52%	49%	47%	36%	40%
Training and Development	52%	61%	55%	58%	54%	39%	42%
Fairness and Consistency	59%	72%	63%	63%	57%	48%	54%
Assessment	60%	76%	62%	63%	58%	44%	55%
Linkage	33%	33%	29%	32%	36%	35%	31%

Graph 26: Positive evaluation of performance assessment systems in Ireland (source: Mercer Study 2004)



In Ireland, "experiences of the PMDS varied according to grade category. In particular, when compared with the management, executive and administrative support grade groups and the technical/professional staff show considerably less positive experiences with the PMDS as regards all of the criteria, except effectiveness". In fact, the degree and quality of difficulties seem to vary between different types of work and different levels of responsibility. As the Irish Mercer study showed, employees' experiences with the existing performance measurement system are relatively positive. Particularly pleasing is the high level of acceptance among managers. On the other hand, positive assessment varied depending on the position in the administration hierarchy and the evaluation criteria investigated.

Among the participants to our study (national country answers and individual managers) we find similar experiences (see graph 27). However, if we take the results of the Mercer study seriously, our findings could have been somewhat more critical had we also involved other categories of staff. Overall, the Member States were relatively positive (overall mean of 0.54 for national responses and of 0.46 for the managers' replies on a scale ranging from -1 for overly negative and +1 for overly positive).

If we look at the different items in our questionnaire, we see interesting differences. However, as to the general effects of individual assessment systems on various areas like individual and organisational performance, motivation, (internal) communication, role clarity or staff participation one has to be careful not to overestimate the role of these formal systems.

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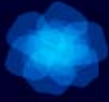
The Maltese national reply rightly points to this aspect:

*Performance assessment is not a magic wand which can solve all problems. If there are problems in areas such as ethical behaviour, fairness, confidentiality etc., these would need specific solutions. Even the link between performance assessment and motivation, not to say performance, is complex and subject to many other factors e.g.: Do staff feel that their manager is a trustworthy person who appreciates effort and will support them if they find themselves in a difficult situation through no fault of their own? A manager builds up this sort of feeling through little day-to-day interactions, not through any formal appraisal process. Staff would be willing to accept even negative appraisals from their manager far more than they would from a manager whom they do not respect.*

---

Overall, the countries and the managers express the opinion that the effects on individual performance, awareness of business targets, communication and feedback, and personnel development were generally positive. Especially with regard to the effect on individual performance, the assessment is overwhelmingly positive: 87% of all national respondents and 61% of all managers see a positive effect, 13% of all countries and 39% of all managers a neutral effect.

The effects on personnel development are - according to the respondents of our study, similarly positive: 74% of the national respondents and 64.3% of the managers see a positive effect of performance assessment on this issue. In addition, the effect on feedback and communication is regarded as highly positive by both groups of respondents.

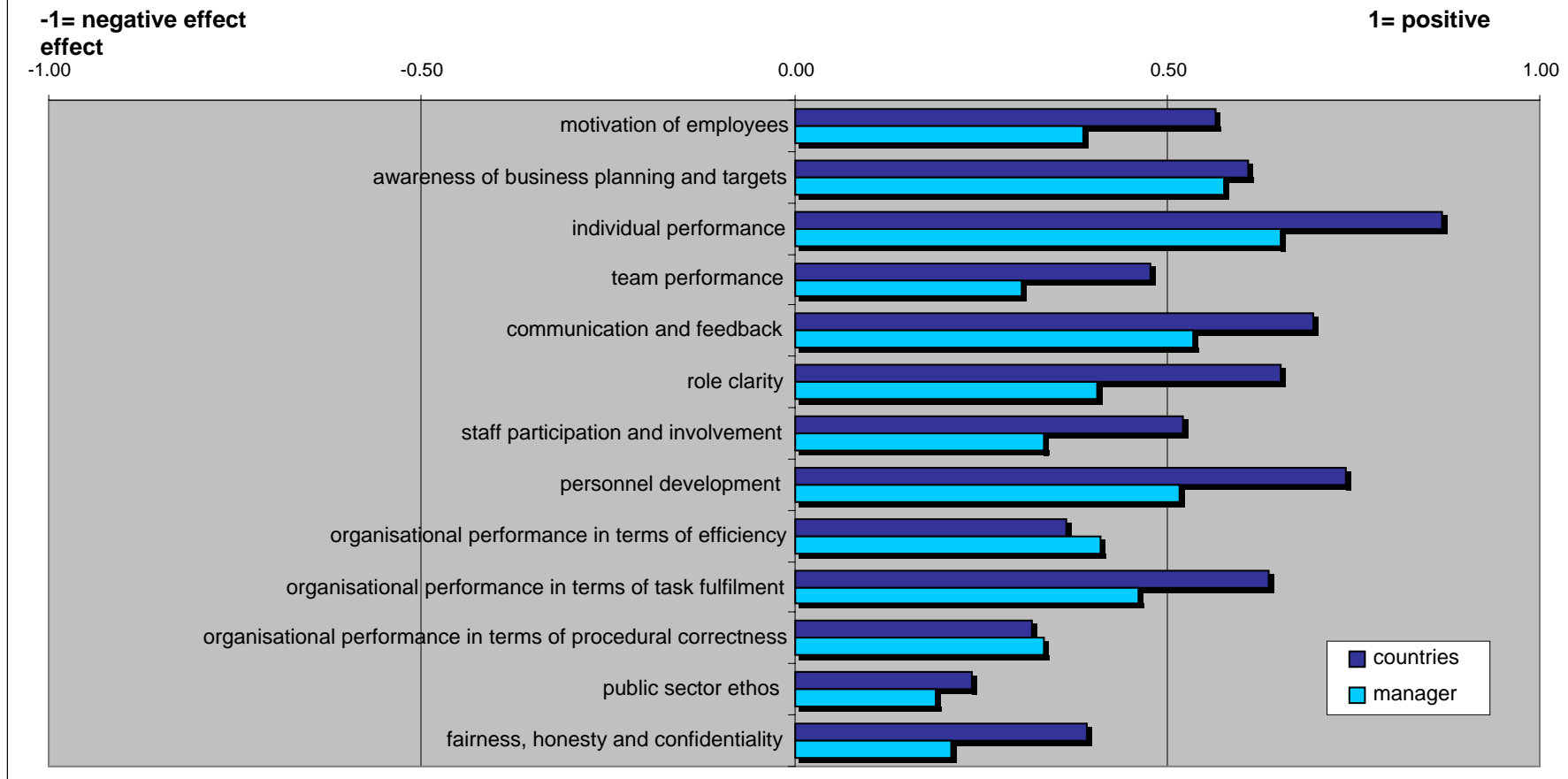


Much less optimistic is, for example, the opinion regarding the effect on organisational performance in terms of procedural correctness. Regarding this issue, only 31.8% of the national respondents see a positive effect (the rest assesses the effect as neutral). Almost the same assessment comes from the managers in our sample: (32.2% regard the effect as positive, 3.5% as negative; the rest as neutral).

Another more critical issue is the effect on public sector ethos where the question whether more extrinsic monetary incentives undermine the traditional public sector motivation is currently a much debated issue both in academia and practice. The Norwegian national response points to this potentially negative effect of performance assessments: "Public employees are often driven by an inner motivation, with deep commitments to public sector values, tasks etc. Performance assessments could, if executed in a wrong way, destroy their motivation." Regarding the impact of performance assessments on the public service ethos, national respondents and managers share their more cautious assessment: 13% of the national respondents to our study and 6% of the managers note a negative effect. For example, one manager mentioned: *"During the assessment we do not speak about public sector ethos. But the best advice is to pay attention to these questions"*.

It is also important to note that the results with regard to the effects of the current performance assessment systems on fairness, honesty and confidentiality differed with the national replies being slightly more optimistic about these effects (43% see a positive effect compared to 4.1% who see a negative effect) than the managers (35.7% positive and 5.2% negative).

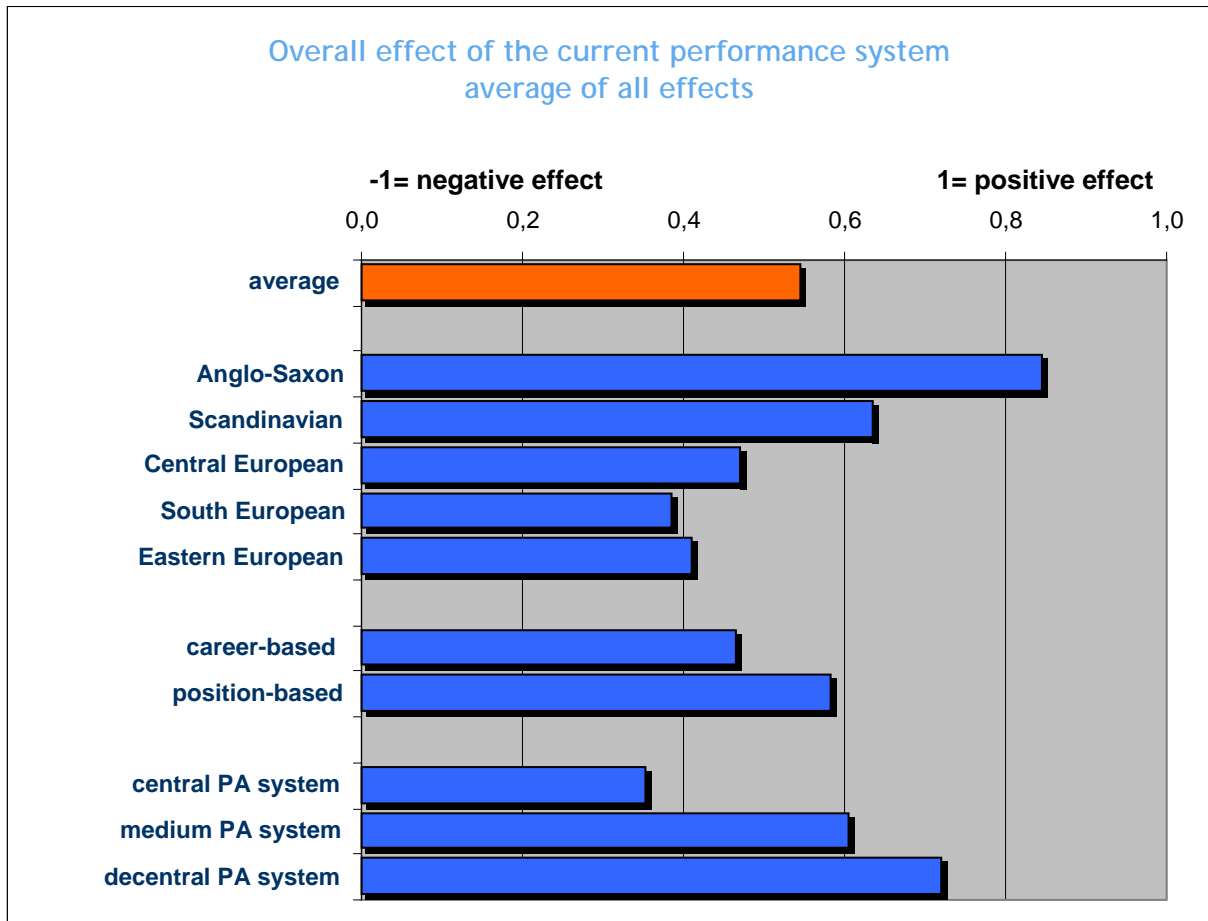
In general, what is the effect of the current performance assessment system on the following areas?



Graph 27: Effects of performance assessment systems - comparison of country answers and manager answers (n=24 country answers resp. n=109-110 manager answers)



With regard to country clusters, the results of these questions mirror the findings in the previous chapters (see graph 26): As regards administrative traditions, Anglo-Saxon countries have a considerably more positive opinion of their current performance assessment systems, followed by the Scandinavian countries. Southern European countries are much more sceptical regarding their systems in place. Countries with position-based HR systems are more positive than career-based, and countries with decentralised performance assessment systems see the effects clearly more positive than countries with a centralised system.



Graph 28: Effects of performance assessment systems by different categories (n=24 country answers)

Table 14 gives more detailed results with regard to the various aspects we asked in the survey. Almost unanimously positive is the effect seen on individual performance (exceptions are Belgium and Estonia). However, for other issues, quite considerable differences emerged. In particular, concerning the effect on the awareness of business planning and targets the clustering gives interesting insights: While Anglo-Saxon countries and position based countries are convinced that the effects are positive, especially Southern European countries and countries with centralised performance assessment systems are much more cautious. A similar picture is shown for role clarity where again Southern European countries and countries with centralised performance assessment systems are not convinced at all by the current systems in place. Then again, the assessment of the effects of the current systems on team performance is more sceptical in Central European countries, position based HR systems and in countries with decentralised performance measurement systems.



	motivation of employees	awareness of business planning and targets	individual performance	team performance	communication and feedback	role clarity	staff participation and involvement	personnel development	organisational performance in terms of efficiency	organisational performance in terms of task fulfilment	organisational performance in terms of procedural correctness	public sector ethos	fairness, honesty and confidentiality
Anglo-Saxon	0.67	1.00	1.00	0.67	0.67	1.00	1.00	1.00	0.67	1.00	0.67	0.67	1.00
Scandinavian	0.67	0.67	0.83	0.30	0.83	0.83	0.83	0.83	0.40	0.80	0.20	0.00	0.67
Central European	0.60	0.80	0.80	0.20	0.80	0.60	0.00	0.80	0.20	0.60	0.40	0.30	0.00
South European	0.25	0.25	0.75	0.75	0.50	0.25	0.50	0.50	0.50	0.50	0.25	0.00	0.00
Eastern European	0.60	0.40	1.00	0.60	0.60	0.60	0.40	0.60	0.20	0.40	0.20	0.40	0.40

	motivation of employees	awareness of business planning and targets	individual performance	team performance	communication and feedback	role clarity	staff participation and involvement	personnel development	organisational performance in terms of efficiency	organisational performance in terms of task fulfilment	organisational performance in terms of procedural correctness	public sector ethos	fairness, honesty and confidentiality
career-based	0.43	0.36	0.86	0.50	0.57	0.43	0.43	0.64	0.14	0.43	0.14	0.11	0.21
position-based	0.71	1.00	0.86	0.36	0.86	1.00	0.57	0.86	0.71	1.00	0.57	0.29	0.57
central	0.29	0.14	0.86	0.71	0.43	0.29	0.43	0.43	0.29	0.43	0.00	0.14	0.14
medium	0.73	0.82	0.82	0.45	0.82	0.82	0.45	0.82	0.27	0.73	0.55	0.23	0.36
decentral	0.71	0.71	1.00	0.42	0.86	0.71	0.86	0.86	0.83	0.83	0.17	0.43	0.71

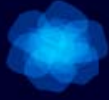
Table 12: Effects of performance assessment systems by different categories (n=24 country answers)

Albeit the assessments in the national responses are, overall, positive, many negative experiences have been reported, too. Potential negative aspects raised by Member States and managers include:

- 
- *a missing performance appraisal culture that reduces performance appraisals to mere formalities;*
  - *the increasing bureaucracy linked with too complicated performance appraisal systems;*
  - *limited monetary resources;*
  - *performance appraisal is considered as additional to day-to-business rather than as part of it*
  - *limited possibilities to sanction bad performance;*
  - *a too widely used “excellent” assessment that de-motivates the truly excellent staff;*
  - *potential counter productive effects on team performance;*
  - *the lack of differentiation of assessment criteria for different positions and tasks;*
  - *the use of the performance appraisal almost exclusively for promotion purposes and not for personal development, but also the contrary, namely that ongoing good appraisal does not play a role in promotion interviews*
  - *goal shifting, ie. the effect that employees focus more on the tasks that are assessed and awarded instead of focussing on effectiveness criteria;*
  - *in organisations with large spans of control and a missing middle management the effort to carry out staff appraisal is very high;*
  - *subjectivity of the performance appraisal;*
  - *the dynamic of changes is only inadequately reflected in formal performance appraisal systems.*
- 

This study had the aim to support an open dialogue about positive and negative experiences with performance appraisal systems. Thus, the following summary of the experiences and recommendations given by the Member States and the managers can serve important starting points for such a dialogue:

- 
- *Active involvement of the employees in the process, especially in what concerns the target setting and target achievement, is crucial, for instance via bottom-up ways of working and dialogue.*
  - *The managers need to create acceptance of the performance targets among the employees*
  - *Communication, feedback, clarity on the effect on personal development*
  - *Good practice training programmes, especially specific training provided to top managers and their subordinates in how to carry out the assessment and provide feedback.*
  - *Guidelines on how to conduct performance appraisals*
  - *Better communication of organisational objectives and assessment criteria to employees.*
  - *Commitment to simple systems, as the more complicated the system, the less likely it is to guarantee real involvement and motivation of line managers and employees*
  - *Simplification of procedures (for example web-based assessment system for top managers, less forms to be completed and paperwork)*
  - *Organisational strategy-seminars involving top management and line managers where relevant issues can be discussed*
-



- 
- *The criteria on which the performance assessments are based have to be clearly communicated and understood*
  - *Better communication and explanation of the targets and goals of the organisations to show how individual and organisational performance criteria are linked*
  - *More extensive open discussion with top management, line managers and employees about organisational strategies and the role of each employee in achieving the objectives. Improved feedback, actually using information gathered via appraisals (for example training and development needs).*
  - *Trustworthiness of the managers who carry out the appraisals is crucial for the acceptance of their assessments*
  - *Reasonably low number of subordinates to enable managers to pay enough attention to individual employees*
  - *Renegotiate objectives and targets when necessary.*
  - *Keep an annual assessment dialogue with each subordinate; discuss and agree upon data before making them official.*
  - *Establishing a better and quicker link between assessment and rewards*
-

## VIII. TRENDS AND RECOMMENDATIONS

Throughout the work on this study it became clear that the Member States are increasingly interested not only in optimising their individual and organisational performance appraisal system, but particularly in finding a way to better align individual and organisational performance. These developments clearly show that HRM-policies and leadership issues are seen as an important variable in the context of organisational performance.

Despite this increased attention to the issue of alignment, the findings of this study make clear that there is still a long way to go until the alignment of individual and organisational performance will be fully achieved. Thus, in a way, this is not surprising (and not worrying) at all. Obviously, the underlying reasons why individual persons and/or organisations perform well or not so well, involve numerous personal, technical, financial, economic, ethical and ideological issues some of which are very difficult to adequately grasp with the assessment criteria and procedures.

As we have shown throughout this study, the different EU Member States (and Norway) have vastly different appraisal systems and approaches towards the alignment of individual and organisational objectives. In addition, the different public service systems, administrative traditions and different degrees of centralisation or decentralisation of the performance assessment system have a considerable influence on the systems themselves and the leadership challenges that managers experience in the actual handling of performance assessments. Moreover, results, effects and satisfaction levels are also very much linked to institutional and cultural issues.

At the beginning of the 21<sup>st</sup> century, in most Member States, the authorisation to conduct performance appraisals was delegated to the various ministries and often also to the specific organisations or agencies. We also find that many Member States are moving away from standardised and traditional performance assessment systems towards hybrid systems which combine the assessment of job descriptions, competency profiles and performance indicators with target agreements. In addition, several Member States give up their common performance assessment systems which were applicable for all categories of staff and start to differentiate the performance appraisal between different positions and tasks, currently especially for senior/top executives.

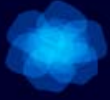
This decentralisation and de-standardisation process in the field makes it difficult to obtain relevant information on the effects of the different systems and satisfaction levels. Data about the outcomes and effects of the performance appraisal systems are still scarce. We asked the members of the HRWG for their expert opinion and added the personal experiences of individual managers from the Member States to get a more pronounced picture of what is actually happening in this area. Nonetheless, this study can, by no means, provide a satisfactory answer to the questions and discussions concerning effects of various performance appraisal systems or to draw any conclusions as to the relative superiority of one system over another. In addition, we point out once more that not all categories of staff were asked about their opinion. No doubt, in the future more research should be undertaken into this direction.

Recommending a specific performance assessment model would violate the core idea of this study (which may be considered as a benchmarking but not as a best-practice study). There is no perfect model of a performance assessment system. All relevant models analysed in this study have their own strengths and weaknesses and, what is more, cannot be transferred wholesale into other administrative cultures. Performance measurement systems such as target agreements, individual and organisational assessment systems can not be purchased as standard 'off-the-shelf' products and without taking their roles and repercussions in the respective administrations into account. Success is only possible if these systems are shaped to the needs of the specific administration, paying heed to the particularities of the administrative culture with regard to the effects of the systems.

Overall, we find relatively high levels of satisfaction among the managers. However, the findings of this study indicate that countries with centralised and traditional performance assessment systems face more challenges than countries with decentralised and hybrid systems. The respondents of these countries are also less satisfied with their systems and more concerned about the lack of effectiveness of their systems. Especially because there are so many different degrees of centralisation/decentralisation of systems and such a multitude of procedures and experiences with the instrument of performance appraisal, it is not possible to aim at suggesting a 'patent recipe' for a perfect or 'correct' organisational and individual performance assessment system. A recommendation for 'more flexibility' and/or 'decentralisation' would be impossible and also send a wrong signal. In fact, decentralised systems may also produce new trade-offs and problems if reforms are undertaken without paying (more) attention to coordination, coherence and mobility issues. Despite these limitations, it became clear throughout this study that all Member States and the managers who participated agree that there is no alternative to introducing a modern performance assessment system in which communicative and participative components play an important role. This view is shared in many countries. In spite of many new problems that are involved in the introduction of new assessment systems, going back is not seen as an option.

As already described, in many Member States there has been a trend towards less formal, more dialogue-based employee interviews and target agreements. Today, management by objectives and performance management are therefore increasingly gaining ground on the administrative and organisational level in more and more EU Member States. While in some Member States, the assessment of the discussed targets focuses on the performance only, other Member States combine the target agreement with a performance appraisal. Meanwhile, also the disadvantages of target agreements become apparent. This primarily concerns difficulties in setting and adapting targets, problems with target agreements, particularly in hierarchic administrative cultures, insufficient competency of managers regarding target negotiations, and the problem of comparing individual target agreements. Indeed, several Member States mentioned the need to "clarify and communicate objectives/targets and assessment criteria to staff" as a main challenge. The Danish report outlines the relevance of these processes very well: "*Targets should be measurable. It is our opinion, that not only quantitative, but also qualitative targets can be made measurable. Those qualitative, soft targets can be translated into figures, or be described in words. The manager can estimate/assess whether targets are achieved. Again, involving employees in this process can be a good idea. Also surveys on customers' satisfaction are relevant in that perspective. Targets should be set in a systematic manner, and it is important to ensure agreement on what is being measured and on what the assessment is based on*".

The main challenges surely lie in finding transparent, fair and well communicated systems that address both over- and underperformance and are, at the same time, simple enough



not to produce a new performance assessment bureaucracy. Communication, participation, and feedback are seen as important ingredients of modern performance management techniques. As often working relationships are still based on hierarchical and bureaucratic decision-making modes, especially the implementation of the new bottom-up approaches in performance assessment requires deep changes in many administrations and training and coaching support especially for the management level that is supposed to execute the new systems. We also find that - unless "real" consequences are tied to positive or negative performance and are used to differentiate between overperforming and underperforming employees - the appraisal systems tend to become merely formal hulls without life. The Irish reply conclude with: *"It takes time, maybe even years, for a performance system to be fully embedded in an organisation; but with good leadership and commitment from the top, this will eventually happen"*.



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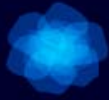
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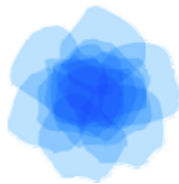
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## X. ANNEX A: Questionnaire

# The impact of individual assessments on organisational performance in the public services of the EU member states

Survey during the Portuguese Presidency of the EU  
EPAN Human Resources Working Group



PORTUGAL 2007

Joint Study of

Christoph Demmke, EIPA

Gerhard Hammerschmid, Renate Meyer  
Institute for Public Management, Wirtschaftsuniversität Wien



Second Semester 2007

### 1. Objectives of the Survey

This survey on performance appraisal systems is conceptualised as a **follow-up study** building on the results of two previous HRWG workshops and a study under the German EU-Presidency. Overall, these preceding HRWG activities – in accordance with other research in this area – underline the strong need for a more in-depth research on the leadership challenges of appraisal systems as well as a stronger focus on practices instead of concepts and programs. How do these systems function in practice? Under what conditions? And what is their effect on organisational performance? These are crucial questions on which there is still a lack of profound knowledge both from practitioners and research.

The previous study commissioned by the German Presidency clearly highlighted the **high acceptance and increasing relevance of individual performance assessments** as a cornerstone of performance management which has become an essential tool for all levels of public services in



Europe. It provides a means to improve organisation performance by aligning individual, team and organisational objectives and results. It also provides a means to recognise and esteem good performance and to manage under-performance.

At the same time, there seem to be **considerable practical challenges in implementing individual assessments** in a way to have a positive impact both on organisational performance and motivation. Evident are problems such as managers seeing such assessments purely as a matter of duty without clear benefits; a general lack of incentives and motivation for managers to invest their time into such assessments; competency problems regarding target setting, assessing staff and giving feedback; difficulties of assessing poor performance and taking consequences or the rise of a new appraisal bureaucracy. As a result, performance appraisals of both managers and staff often do not bring about the expected benefits but rather lead to frustration and resistance (actively or passively) both by managers and employees.

The **crucial role of line managers and their competencies** in successfully executing such assessments also becomes evident. They are in the specific position of being both assessed by their superiors and assessing their employees and are, thus, the essential persons making such systems work. In addition, they are responsible for aligning individual objectives for assessments with broader organisational objectives and thereby for integrating assessments into broader performance management frameworks.

These points have been taken up by the current Portuguese EU-Presidency along with their own experiences with a large scale performance management reform in the Portuguese public sector. The overall goal of this initiative and survey is to explore the **main managerial challenges and success factors of implementing individual appraisal systems in public services in Europe**.

Based on deepening insights and practical experiences, the study intends to

- make available up-to-date information on experiences in European public administrations
- making out the main leadership challenges in successfully conducting individual assessments and linking them to organisational performance
- presenting and discussing good practices in the field and
- providing practical guidance by identifying the factors that will assist organisations in the design, implementation and review of their systems

in order to make performance assessments work better and lead to improved organisational performance.

The **main areas of interest** to be covered in the study are therefore:

- **individual assessment and appraisals both of managers and employees** within public services,
- the **role, expectations and experiences of managers** in such assessments and the **main leadership challenges** resulting from that,
- the **alignment** of such assessments with **HRM decisions** and other aspects of **performance management systems**.

## 2. Scope of the Survey

The scope of the survey encompasses **central (federal) public administration** in the EU member states. As responsibilities for appraisal systems in many cases have been decentralised to ministry or agency level, examples from selected public sector organisations (Ministries, agencies) should be used.

**Performance appraisal or assessment** (both notions are used synonymously in this survey) is understood as method by which the performance of an employee or manager is assessed against a set of predetermined criteria (generally in terms of quality, quantity, cost and time) with which an individual fulfils an agreed set of tasks.

In the EU member states, different types of performance assessment systems are being employed. We find especially the following **two main forms**:

- c) performance assessment systems that are based on a number of personal behaviour- and performance criteria, job description, tasks and duties and
- d) performance assessment systems that are based on performance targets and indicators following a Management by Objectives (MbO) logic.

**In this survey both forms are subsumed by the notion of performance assessment** which should guarantee that the topic is broad enough to **make the survey relevant for all kinds of public administrations in Europe.**

For the survey it is also central that performance appraisal is inextricably **linked with the broader topic of performance management** involving elements such as:

- clarifying performance objectives and linking these with organisational plans,
- periodic performance appraisal of individuals or teams against the achievement of these objectives,
- evaluating the contribution of individual, team and organisational performance
- feedback from this appraisal,
- recognition or reward for performance,
- team and individual development to build capabilities,
- counselling or other action to deal with poor performance.

### 3. Work Methodology

The study will be jointly undertaken by EIPA (Christoph Demmke) and the Institute for Public Management at the Wirtschaftsuniversität Wien (Gerhard Hammerschmid and Renate Meyer) under coordination of the Portuguese EU-Presidency. This **questionnaire** is sent in electronic form to the HR Working Group members from all EU countries and the EU Commission **to be returned by October 1<sup>st</sup>, 2007.**

In addition, the national coordinators are requested to invite a broader range of **managers** from their country to complete a similar but **shortened online version of this survey** until October 1<sup>st</sup>, 2007. This innovative approach has been chosen by the Portuguese Presidency for the first time to gain additional experiences and ideas directly from public sector managers, which – as outlined above – play a crucial role in successfully implementing appraisal systems (for the details see point 4).

The **results** will cover general experiences and specific reform initiatives and shall be published as an **informative research study.**

Following the positive experiences under the previous presidencies at working group level, a **workshop shall be organised with the HRM Work Group** to initiate discussions on some of the above mentioned fields and gain additional input from the EU member states. The workshop will be **held in Lisbon on September 17<sup>th</sup>.**

At a further meeting on November 19<sup>th</sup> in Brussels the preliminary findings of the survey will be presented to be discussed and cross-checked within the Working Group.

The **final study will be presented at the Meeting of the Directors-General of Public Service in Lisbon on December 10-12<sup>th</sup>.**

#### 4. Guidelines how to complete the questionnaire

Thank you for taking the time to complete this questionnaire. It comprises both “open questions” and “closed questions” (tick-the-box format) to the following four topics:

- features of national assessment systems
- leadership challenges
- alignment of individual and organisational objectives/targets
- effects of assessment systems

The closed questions can be easily answered by clicking the boxes which correspond to your answer(s). In addition, you have the possibility to comment on your answers.

For open questions and comments, please fill in the blank space provided. We kindly ask you for extensive and validated answers, possibly by including other national experts, to enrich the content and quality of data collected. We also appreciate any further comments regarding additional information from your country of relevance to our questions (eg. internet sources, project reports, studies, reform concepts etc.). If available in English, we would greatly appreciate receiving such information as attachment to this questionnaire.

You can fill in the questionnaire directly on your PC. **You can move through the document by using the tabulator-key** (backwards with tab + shift) or, alternatively, **with the mouse**. Closed questions can be answered by clicking the appropriate boxes respectively can the tick be removed by clicking the box again. **Before starting the filling-in**, we also recommend to **save the document under a new name**.

We kindly ask you to return the filled-in questionnaire in English by latest **Monday, October the 1<sup>st</sup>** to the Portuguese EU-Presidency: Mafalda Lopes dos Santos (tel. + 351 21 391 56 35; email: mafalda.santos@dgaep.gov.pt).

As has been mentioned before, this study also aims at gaining insights into the **practioners' experiences**, views and recommendations regarding performance assessment systems in the public service. We have therefore created an additional **short version of this survey to be filled in by managers** without creating any additional work for you.

Please just forward the following link

<http://www.unipark.de/uc/epanhrwgsurvey-portugal2007/>

to **public sector managers** in your country along with the request to fill in the **online survey**, which will take approx. 15 to 20 minutes. We recommend a number of at least ten managers from each country whereby a higher number would be highly welcomed. From a technical point there are no restrictions regarding the number of survey-participants.

We also would like to emphasise that the goal of this additional quick survey is explicitly not to get a representative picture of national experiences but to increase the range of information and experiences from practitioners to be included in this survey and, at the same time, keeping your time resources to coordinate such a broader approach at the lowest.

We suggest that you forward the link to “typical” middle level-managers (without specific HR-experience and function) who have practical experience of being assessed by superiors and at the same time assessing their employees. Managers should come from a broad spectrum of different areas of public services in your country to increase the broadness of experiences to be included in the survey. The managers' answers will be directly available to the authors of this survey without any further coordination requirement from your side and we guarantee full anonymity to the persons participating in the survey.

Should you have any difficulties to complete the questionnaire or have any other questions regarding this survey, please do not hesitate to contact Gerhard Hammerschmid (gerhard.hammerschmid@wu-wien.ac.at) or Christoph Demmke (c.demmke@eipa-nl.com).

We would like to thank you in advance for your cooperation!  
Christoph Demmke, Gerhard Hammerschmid and Renate Meyer

**I. Features of national assessment systems**

Q I.1. Is the performance assessment system in your country centralised or decentralised?

- |  |                          |
|--|--------------------------|
| There is one central system covering all public services   | <input type="checkbox"/> |
| There are central guidelines and decentralised practices   | <input type="checkbox"/> |
| There is a strongly decentralised system with specific regulations for each organisation/Ministry/etc. | <input type="checkbox"/> |

Q I.2a. What are the typical roles, tasks and responsibilities of the HR department in a ministry/agency in the management of performance assessment?

Q I.2b. What are the typical roles, tasks and responsibilities of organisational or sub-organisational units in a Ministry/agency in the management of performance assessment?

Q I.3. Overall, the assessment system in your country can be described as

- |   |                          |
|---|--------------------------|
| a performance assessment system based on a number of personal-, behaviour-, and performance-related criteria along with job description, tasks and duties | <input type="checkbox"/> |
| a performance assessment system based on performance targets/indicators   | <input type="checkbox"/> |
| a hybrid system, ie. the first kind of assessment in some areas and the latter, target-based performance assessment in others                             | <input type="checkbox"/> |

Q I.4a. In general, for what categories of employees are performance assessment systems in place? (multiple answers possible)

- |   |                          |
|---|--------------------------|
| Common system for all levels              | <input type="checkbox"/> |
| Specific system for senior/top executives | <input type="checkbox"/> |
| Specific system for line managers         | <input type="checkbox"/> |
| Specific system for non-executive staff   | <input type="checkbox"/> |

Q I.4b. If there are different systems: What are, overall, the main differences between the assessment systems for these various categories of employees? (eg. target setting process, performance assessment/measurement, feedback procedures, sanctions and rewards as consequence of assessment, degree of formalisation, etc.)

## II. Leadership Challenges

Public sector line managers are in a particular situation as both objects and subjects of performance assessment which makes them a crucial factor for a successful implementation of performance management systems.

### Q II.1a. Line Managers as objects of performance assessment:

Please describe the process of a “good practice” performance assessment for line managers in your country starting from clarifying objectives to the consequences of good or bad performance. Are there experiences with 360 degree assessments? If so, please specify.

### Q II.1b. To what degree are the following actors involved in assessing and rewarding/sanctioning line managers in an agency/Ministry

	high involvement	minor involvement	no involvement
direct superior	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
top executive level	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
HR department in organisation	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
public sector wide HR unit	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
staff resp. staff representatives	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
external experts	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
others: <input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Comments:

### Q. II.2. Line Managers as subjects of performance assessment:

If the process of a “good practice” performance assessment of employees varies from II.1 (assessment criteria, consequences etc.), please specify the relevant differences.

Q II.3 Public sector managers often raise objections against formal assessment systems. Please specify, from your own perspective, how relevant the following arguments are in your country.

	high relevance	medium relevance	no relevance
Performance in public service is highly complex and hardly possible to measure at all.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Mostly, the duty to carry out performance assessment comes on top of the daily work responsibilities. There is simply not enough time to do the assessments properly executive level.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Line managers who devote much energy and engagement in carrying out the assessments do not receive any positive feedback or rewards for doing so. Equally, there is no sanction for poorly carried out performance assessment.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
A bad assessment of employees also sheds a bad light on the superior's leadership qualities and is therefore mostly avoided.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Bad assessments take a lot of time to argue and follow up. Since managers have no adequate means to sanction bad performance, they do not bother.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Divergent assessments of employees regularly lead to arguments, disturbances and de-motivation which can be avoided by uniform assessment of all employees.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Managers do not see a substantial information gain from a formal assessment system as they know anyway how well their employees are doing.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Superiors often overestimate their capacities and skills to formulate and revise annual targets, to carry out performance assessments and to provide helpful feedback to their employees.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Most superiors tend to treat assessments as formal obligations which are executed in a very formal way without any practical relevance.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
The assessment system does not provide the clear message to the employees that consecutive poor-performing periods are not tolerated.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Do you have any recommendations on how to effectively overcome these objections and to improve the situation.



Q II.4. What are the main challenges in your administration to making performance assessment systems effective with regard to organisational performance?

	main challenge	minor challenge	no challenge
Clarifying and communicating objectives/targets and assessment criteria to staff.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Aligning individual performance objectives with organisational objectives/plans.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Aligning performance ratings/scores and rewards/sanctions.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Aligning performance appraisal systems with other HR management processes, including career development and succession planning.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Providing managers with the necessary competencies and training to effectively handle such assessment systems and to give feedback and coaching to their employee.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Providing managers with the necessary competencies and training to formulate and revise annual/mid-year targets with adequate indicators.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Developing guidelines and trainings in to order to secure a standardised application and prevent from different standards being employed in the different organisational units.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Finding a good balance between formalisation/documentation and accountability on one hand and additional bureaucracy on the other hand.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Guaranteeing fairness and consistency in the practical application over time and between various organisational units.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Regarding the challenges you have identified as “main” above: What kind of measures are implemented in your administration in order to improve the situation? What other measures seem to be necessary?

Q II.5a. What is the practical relevance of the following means to reward good performance.

	high relevance	medium relevance	low relevance	not applicable
Monetary rewards (performance related pay, one-off bonus payments, salary advancement etc.)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Non-cash material rewards	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Symbolic rewards (nominations, awards, comments, thanks, gestures of appreciation etc.)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Provision of work/home balance programs	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Career progress/promotions	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Access to specific learning and development opportunities	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Others (please specify: <input type="text"/> )	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Others (please specify: <input type="text"/> )	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Comments (eg. regarding different levels of employees):

Q II.5b. What is the practical relevance of the following means to handle bad performance.

	high relevance	medium relevance	low relevance	not applicable
Formal and documented coaching and counselling discussions	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Training and personnel development in order to overcome competence deficits	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Symbolic sanctions	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Reprimand/admonishment	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Monetary sanctions	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Disciplinary measures	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Transfer to different job/position	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Dismissal	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Others (please specify: <input type="text"/> )	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Others (please specify: <input type="text"/> )	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Comments (eg. regarding different levels of employees):

### III. Alignment of individual and organisational objectives/targets

Q III.1 A good alignment of organisational and individual objectives/targets is generally regarded as a critical success factor of performance assessment systems. Please specify the extent to which the following aspects apply to your public services.

	great extent all					not at
	1	2	3	4	5	6
To what extent do line managers in Ministries or agencies have explicitly formalised objectives for their organisational unit?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
To what extent do you believe that, overall, the alignment between individual objectives and organisational objectives has been achieved in your country?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
To what extent are there formal guidelines, recommendations etc. how to secure this alignment?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
To what extent are the line managers' individual objectives identical with the objectives of his/her organisational unit?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
To what extent are the business planning process and performance appraisal procedure formally linked (timing, responsible coordinating unit, resources etc.)?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
To what extent do line managers have a degree of discretion over the process of developing individual objectives of their employees?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
To what extent do line managers have a degree of discretion over the process of developing organisational objectives?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Good practice recommendations in regard to the alignment of individual and organisational objectives/targets:

Q III.2. In many member states organisational structures are still rather hierarchical and decision-making structures are the result of top-down decisions (by the superior). Therefore, targets are not agreed upon and set in a cooperative process as assumed by the idea of Management by Objectives. Instead, they are decided upon by the hierarchy.

To what degree do you think that – in your organisation – these traditional organisational features pose challenges when it comes to agree upon organisational and individual targets between the superior and employee?



How can such difficulties be overcome? What recommendations can you give?

#### IV. Effects of assessment systems

Q IV.1. In general, what is the effect of the current performance assessment system on the following areas:

	positive	neutral	negative
motivation of employees	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
awareness of business planning and targets	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
individual performance	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
team performance	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
communication and feedback	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
role clarity	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
staff participation and involvement	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
personnel development	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
organisational performance in terms of efficiency	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
organisational performance in terms of task fulfilment	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
organisational performance in terms of procedural correctness	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
public sector ethos	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
fairness, honesty and confidentiality	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
others (please specify: )	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

What would you recommend – based on your experiences – in order to improve the effect in specific areas.

Q IV.2 Can you report on negative experiences you observed and give recommendations how to avoid them?

**Thank you very much for finishing the questionnaire.**

Please return the filled-in questionnaire along with possible additional material to the Portuguese EU-Presidency

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