‘Dangling the carrot’ – investigating performance management practices

RESEARCH REPORT
Foreword

Successful organisations exist for a clear purpose and the people that work within the organisation are there its realisation. Performance of people is central to the performance of an organisation. If people are working in unison, skilled and focused on achieving the organisation’s vision, all will be well. If not, the organisation is likely to lose its way, fail to do the things it exists to do, or execute them poorly and risk suffering a demise in client confidence and ultimately put its own survival at risk.

This study examines a number of questions that relate to the management of performance within organisations:

- What are the most important things to manage about performance?
- Are there sound systems for managing performance?
- Within organisations, are the systems practised properly?
- Is there organisational commitment and support for the system?
- Are the performance management processes monitored?
- Are the performance management outcomes measured?
- Is the system linked to remuneration?
- If not, should it be?
- If it is linked to pay, are the links credible?
- What can be done to improve performance management?

Some of the findings of the study are as you might expect. For example, nearly half the survey sample believes the most important role played by performance management is the alignment of performance with organisational objectives. That said, that leaves those making up the other half believe performance management serve alternative or more important purposes, like culture and training. Only 6% see a link between pay and performance as the most important role.

On the matter of effectiveness, it is no surprise that more than three quarters of the sample group believe performance management is essential. There is a sting in the tail, however, in that they go on to say that they would use a good system if one were available in their organisation! Furthermore they are not enamoured with the performance of their own managers, believing many of them lack not only the skill to properly practise the system in place, but also the commitment to make the system work or follow it up, when needed.

On the issue of pay and performance, around half the respondent sample report that their organisation uses a formal system that links the two, with most systems being seen as capable of measuring the critical key performance indicators. A majority of respondents believe the system in use in their organisation is a mixture of objectivity and subjectivity, and that their system is reasonably effective. A solid 25%, however, believe their assessment mechanism is unacceptably subjective and that the system as a whole is ineffective.

This study makes the point that the respondents are happy with the theory of performance management but on the whole are disappointed with its practice. Based on a solid sample respondent set – many of whom administer performance management systems within their organisation - the study presents a challenge that much more needs to be done to have an organisation’s practices match their own rhetoric. It is also clear from the results that whilst HR has the job of influencing the performance process overall, senior management also needs to invest the time and priority towards ensuring their performance systems are earnestly applied to making a difference with organisational performance outcomes. It’s not either. It’s both.

Peter Wilson AM
National President, AHRI
This is the fourth and final survey report of the 2008 series of quarterly HRpulse studies. AHRI’s HRpulse reports explore issues that relate to the practice of human resources and people management, providing data for the use of practitioners in the HR profession as well as government, media and the community at large.

During 2008 the HRpulse series has covered the following four issues: generational differences in the workforce, staff turnover and the issue of retention, maternity leave, and this final one on performance management.

Like its predecessors, this survey attracted a solid respondent sample group in the order of 1600, and contributed to a total sample during the year in excess of 5000. I take this opportunity to thank the members of AHRI for taking the time and effort to contribute to the data that result from the surveys. I realise the survey questions take time to complete and involve effort, so your continued support is greatly appreciated. AHRI cannot produce evidence-based data without the support of the people who, through their expertise and know-how, provide the evidence.

The first HRpulse survey report of 2009 is on the issue of skilled migration and I commend it to you.

Serge Sardo
Chief Executive Officer, AHRI

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KEY FINDINGS

DEMOGRAPHICS

During September 2008, The Australian Human Resources Institute (AHRI) surveyed its membership base for the purposes of conducting the fourth in its 2008 series of quarterly HRpulse studies. The survey was on performance management practices in organisations, including their connection, if any, with remuneration. This document is a report of the findings from that study.

The survey attracted a response rate of 1611 individuals from the Australian Human Resources Institute database over a two week period in September 2008. Respondents were contacted by email and completed the survey online.

Representations of the respondent breakdown in terms of age, gender, organisation size and type, position in organisation and role in performance and reward within the organisation are set out in tables 1-6 below.

Table 1. Age of respondents

Table 2. Gender of respondents
Table 3. Organisation size

![Graph showing organisation size distribution]

Table 4. Organisation type

![Graph showing organisation type distribution]
As indicated in the above tables, four out of five respondents are aged between 25-55 years with a roughly even distribution of age groups represented. Approximately seven out of ten respondents are female.

Nearly four out of ten work in organisations with more than 1000 employees and five out of ten in organisations with between 1-500 employees. Almost half the respondents work within the private sector, a third in the public sector and the remainder in not-for-profit and government enterprises.

Two thirds of respondents hold positions in HR as directors, managers, advisers or administrators. Nearly half are involved in either or both strategic (47.75%) and administrative (47.38%) roles within the performance and rewards function of their organisation. Similarly, more than a third are involved in either or both roles as manager participant (38.83%) or employee participant (34.89%) in the conduct of performance management processes within their organisations.
DETAILED FINDINGS

Role of performance management

Respondents were asked what they saw as the main role of performance management in their organisation. Table 7 indicates that nearly half (45.95%) saw the main role as aligning performance with business objectives. Nearly one in five (17.71%) thought appraisal of performance was the main role, and the next highest proportion said that the determination of training and development needs was the main role (7.73%).

Linking pay to performance was selected by a relatively small proportion of respondents (6.17%) as the main role of performance management. Most other figures are negligible with retention of high performing staff being the most prominent at 5.24%, and areas such as managing culture and assessing employees’ future potential and developing individual competencies accounting for approximately 3% each.

Table 7. Main role of performance management

<table>
<thead>
<tr>
<th>Role of Performance Management</th>
<th>Respondents</th>
</tr>
</thead>
<tbody>
<tr>
<td>Align performance with business objectives</td>
<td>45.95%</td>
</tr>
<tr>
<td>Appraisal of performance</td>
<td>17.71%</td>
</tr>
<tr>
<td>Determination of training and development needs</td>
<td>7.73%</td>
</tr>
<tr>
<td>Linking pay to performance</td>
<td>6.17%</td>
</tr>
<tr>
<td>Retention of high performing staff</td>
<td>5.24%</td>
</tr>
<tr>
<td>Managing culture</td>
<td>3.02%</td>
</tr>
<tr>
<td>Assessing employees’ future potential</td>
<td>2.54%</td>
</tr>
<tr>
<td>Developing individual competencies</td>
<td>2.54%</td>
</tr>
<tr>
<td>Correcting poor recruitment decisions</td>
<td>2.06%</td>
</tr>
<tr>
<td>Correcting poor performance</td>
<td>1.92%</td>
</tr>
<tr>
<td>Other - please specify</td>
<td>1.46%</td>
</tr>
</tbody>
</table>

In terms of what activities actually make up the performance management process in organisations, respondents were invited to select more than one option. Table 8 shows the main activities are personal development and management plans (67.2% of respondents) individual appraisals by managers (65.5%), setting objectives (55.7%), bi-annual appraisals (52.8%), self-appraisals (45.7%) and coaching and mentoring (44.2%).
Table 8. Main performance management activities

<table>
<thead>
<tr>
<th>Option</th>
<th>Count</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Individual annual appraisal by manager</td>
<td>1054</td>
<td>65.5%</td>
</tr>
<tr>
<td>Twice-yearly/bi-annual appraisals</td>
<td>850</td>
<td>52.8%</td>
</tr>
<tr>
<td>Rolling appraisal</td>
<td>122</td>
<td>7.6%</td>
</tr>
<tr>
<td>360 degree appraisal</td>
<td>392</td>
<td>24.4%</td>
</tr>
<tr>
<td>Balanced scorecard</td>
<td>222</td>
<td>13.8%</td>
</tr>
<tr>
<td>Peer appraisal</td>
<td>195</td>
<td>12.1%</td>
</tr>
<tr>
<td>Self appraisal</td>
<td>735</td>
<td>45.7%</td>
</tr>
<tr>
<td>Team appraisal</td>
<td>108</td>
<td>6.7%</td>
</tr>
<tr>
<td>Subordinate feedback</td>
<td>252</td>
<td>15.7%</td>
</tr>
<tr>
<td>Continuous assessment</td>
<td>277</td>
<td>17.2%</td>
</tr>
<tr>
<td>Competence assessment</td>
<td>328</td>
<td>20.4%</td>
</tr>
<tr>
<td>Objective setting and review</td>
<td>897</td>
<td>55.7%</td>
</tr>
<tr>
<td>Coaching and/or mentoring</td>
<td>711</td>
<td>44.2%</td>
</tr>
<tr>
<td>Career management and/or succession planning</td>
<td>613</td>
<td>38.1%</td>
</tr>
<tr>
<td>Personal development and training plans</td>
<td>1081</td>
<td>67.2%</td>
</tr>
<tr>
<td>None of the above</td>
<td>18</td>
<td>1.1%</td>
</tr>
<tr>
<td>Other - please specify</td>
<td>51</td>
<td>3.2%</td>
</tr>
<tr>
<td><strong>Total:</strong></td>
<td><strong>7906</strong></td>
<td></td>
</tr>
</tbody>
</table>

Effectiveness of performance management

The survey respondents were asked to rate the skill levels of people in their organisation who conduct performance appraisals. Table 9 shows that while approximately four out of five (79.21%) think the skill levels are average or poor, only 20.8% believe the skill levels of managers are good (17.5%) or excellent (3.05%).

Table 9. Skill levels of people conducting performance appraisals

How would you rate the skill level of the people conducting performance appraisals in your organisation? (1606 Responses)
As indicated in Table 10, more than a third of respondents believe that performance management processes in their organisations are ineffective (34.21%) and nearly half think they are only somewhat effective (44.61%).

**Table 10. Does performance management achieve its objectives?**

![Bar chart showing the effectiveness of performance management processes.]

When asked what performance management activities they believe to be essential, respondents were free to name more than one. Table 11 shows that ‘buy-in and support of management’ (51.09% of respondents) is regarded on a par with ‘joint ownership by employees and management’ (51.15%), making commitment to the process at all levels key issues.

‘Transparency of approach’ is rated highly by 42.07% of respondents, as are ‘follow-up of appraisal outcomes’ (34.6%), ‘ease of implementation’ (34.15%) and ‘sufficient training to ensure the process is understood’ (34.04%).

**Table 11. What performance management processes are essential?**

![Bar chart showing the essential performance management processes.]

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*HRpulse Research Report*
To a question asking how the effectiveness of performance management processes are measured, table 12 shows that opinion surveys are the most common method used, with 60.32% of respondents indicating that option is used in their organisation. Around a quarter (24.49%) use information feedback sessions, with smaller numbers using written feedback (14.86%) and focus groups (11.94%).

At 1507, a reasonably high proportion of respondents answered that question, and some indicated that more than one form of measurement was used in their organisation.

Table 12. Measurement of performance management processes

Adequacy of performance management systems

On the question of whether respondents thought performance appraisals are valuable and essential, table 13 shows that around three in four (76.17%) indicate a positive response. The same table shows that 20.21% think they are somewhat valuable and only .62% think they are of no value at all.
Almost the same proportion of respondents answered positively when asked if they would use a system for monitoring employee achievement of organisational objectives. A total of 76.62% said yes to that question, as shown in table 14, with only 5.59% answering in the negative.

**Table 14. Respondent views on a system for measuring employee achievement of organisational objectives**

![Graph showing respondent views on a system for measuring employee achievement of organisational objectives.](image1)

Table 15 shows the responses to a question about whether non-threatening opportunities exist to give feedback on the performance of managers. While a little more than half of respondents (53.21%) agree there are opportunities to do that in their organisations, a large minority (40.42%) say there are no such opportunities.

**Table 15. Respondent views on whether opportunities exist to give feedback on managers**

![Graph showing respondent views on whether opportunities exist to give feedback on managers.](image2)
Effectiveness of performance management – a summary

In summary, tables 13 and 14 indicate a very strong belief among respondents that good performance management systems are necessary and needed, and that they would be used to monitor employee achievement if they were available.

At the same time, the responses on the actual effectiveness of systems are in other ways lukewarm at best or negative at worst, as indicated in table 10 with nearly four out of five respondents saying that performance management processes in their organisations are either ineffective (34.21%) or somewhat ineffective (44.61%).

Similarly, table 15 indicates that only half of the organisations represented in the survey enable non-threatening feedback on managers. What makes such a lukewarm response significant is that nearly four in five respondents (79.21%) rate the skill level of managers as average or poor, at least with respect to their capacity to conduct performance appraisals (see figure 9). It would seem on those figures that there are good reasons for managers to seek reliable feedback on their own performance.

In addition, Figure 11 shows that many respondents regard management competence and commitment as essential when it comes to the matter of employee confidence in the performance management system, as indicated by the following figures:

- 51.09% of respondents say buy-in and support of managers is essential
- 51.15% say joint ownership by employees and management is essential
- 42.07% say transparency of approach and application is essential
- 34.04% say follow-up of appraisal outcomes is essential.
SAMPLE RESPONDENT COMMENTS

A total of 749 respondents provided written comments on the performance appraisal system in operation at their organisation. Observations ranged from praise for the system in use in many cases to wholesale damnation in others. A number also expressed reserved opinions along the lines that the organisation has a sound system that could be useful but through lack of training and buy-in from management, it remains low priority and its potential is therefore not tapped.

Some systems are paper-based and others are online, with most respondents preferring the latter because they believe it limits time-consuming filling out of forms and allows more time for exchange and feedback.

“The performance management policy is very detailed and very academic. In practice, the process generates enormous paperwork and confusion, the supervisors are not properly trained in how to give feedback and basically everyone is paying lip service to it. The only motivation is that having a performance appraisal "done" means getting an annual bonus.”

“Very hard to use and the process was not communicated to managers or staff so it has not had any buy-in but a lot of complaints and confusion.”

“It does not exist.”

“Use the American based system.”

“Work plans that reflect our annual and strategic plans. Agreed performance indicators in the work plans. Review of progress at 6 and 12 months. Small performance bonus upon achievement of indicators - $2,000 per employee regardless of rate of pay. Starting to question whether over time this bonus has become less of a reward and recognition and more of an “expectation” by staff. Beginning to have the conversation about how this bonus could be awarded to staff who have done more for the organisation than simply tick off the indicators in their work plans.”

“It is unidirectional. There is no upward feedback. When one tries to give upward feedback it is not taken well and consequences follow.”

“The emphasis needs to be on the skill in setting objectives, giving and receiving feedback and coaching to improve performance. The focus on forms is not the answer and our move to an online system works well.”

“The Performance Appraisal & Development Program was developed by a sub-committee, piloted and adjusted and rolled out to the whole organisation. It is subject to continuous adjustment and improvement.”

“There currently is no system. We have started to develop one but a lot more buy-in from managers needs to happen before it will be successful.”

“The performance management system in the organisation is currently under review as it is not used consistently and appropriately across the business.”

“Web-based system allowing input from employee and manager. Can be changed during the year if goals change. Employee can update status of goals achieved. In some areas, employees are prompted to select from pre-populated fields such as company core values and Lominger competencies.”

“Internationally developed - modified for Australian conditions and language - ‘dumbed down’ for the lower levels in the organisation.”

“PM system is required and undertaken upon direction by HR. It does not lead to better performance or increased productivity. While PD plans are written with PAs, they are not followed up and not implemented if they cost $.”

“I have been employed here three months and see significant changes that need to take place that I am working on.”

“As with most performance management systems, ours does not get adequate support from middle managers. Identification of personal development is a main factor, but too often is not followed through due to budget or resource pressures. This does not help with credibility.”
“We have a non threatening individual alignment to company goals.”

“It was a bi-annual review and recently it has been changed to an annual review so as to increase the quality and ease the process. Training is given to all leaders on how run and set up effective reviews, which also allows for feedback.”

“Basic system currently in place which includes objective comments and allocation to one of four performance categories. It is currently being reviewed and will be replaced by a competency based process.”

“Key objectives related to business needs are established at the start of year and assessed 2-3 times throughout the year. System has flexibility to cater for changed circumstances. No idea on development.”

“Developed to be non-threatening, a performance “discussion” aimed at adding value for the employee and the business, understanding employee aspirations and concerns and providing information on individual performance and business objectives and direction.”

“There has not been a system in place before. It is currently being developed but mass restructure by the new CEO is slowing down the process.”

“Currently it is a paper system completed at 6 weeks, 3 months and annually. The organisation is about to rollout a HRIS which will change this to a more effective process.

There will still be the 6 week and 3 month but then reviews will be completed quarterly and it will be electronic and transparent.”

Performance management and pay

Bearing in mind that only 6.1% of respondents believe the link between pay and performance is the main role of performance management, the extent of the connection in practice between remuneration and performance is indicated in table 16.

Nearly half the respondent sample (48.17%) reveals that a formal performance based pay system is linked to pay increases in their organisations. A similar proportion (49.66%) indicates that no such connection exists in their organisations.

Table 16. Connection between pay increases and performance management system
While the numbers are roughly fifty-fifty on the actual connection between pay increases and performance appraisal in their organisations, the respondents who answered in the negative were asked whether they think there should be such a connection. To that question, as indicated in table 17, more than three in four respondents (76.48%) said they should be linked.

**Table 17. Should pay increases be linked to the performance appraisal process?**

That group of roughly half the respondents were also asked whether not having a performance-based pay system caused talented people to leave the organisation, to which a little more than half (54.59%) agreed that it did cause departures. Roughly a third (32.83%) believe it does not cause people to leave, and 12.58% don’t know (see table 18).

The same group of 795 respondents report that their organisations offer the following employee benefits:

- Training and development opportunities (86.5% of respondents)
- 20+ days annual leave (64.2%)
- Maternity/paternity leave (66.2%)

The only other two benefits mentioned by more than half of respondents were ‘funded social days’ (52.2%) and ‘casual dress days’ (52.7%). ‘Childcare support’ is mentioned by only 10.5% of respondents.

Respondents see the impact as marginally negative on such things as customer satisfaction, profitability, productivity, workplace culture, staff morale and staff turnover.

**Table 18. Does not having a performance-based pay system cause people to leave?**
Looking at the same cohort of the respondent sample, table 19 shows how salary levels are determined in those organisations in the absence of a performance-based model:

- ‘Market rates’ (44.08% of respondents)
- ‘Collective agreements’ (39.04%)
- ‘CEO and management views’ (30.48%)
- ‘Individual contracts’ (27.2%)
- ‘Subjective evaluation of managers’ (25.94%)
- ‘Organisational performance against budget’ (22.54%).

Table 19. How are salaries determined in the absence of a performance-based system?
Respondents in the same cohort were asked how high performing individuals are rewarded in the absence of a performance-based system. Table 20 shows the following:

- Bonuses (44.2%)
- Promotions (36.79%)
- Additional training (26.95%)
- In-house recognition schemes such as ‘employee of the month’ (23.32%)

Nearly one in three respondents (29.78%) report that high performers are not rewarded at all.

Table 20. How are high performing individuals rewarded in the absence of a performance-based system?

Organisations that do not link pay to performance – a summary

While only a small minority of respondents (6.1%) believe linking pay to performance is the main role of performance management, it is apparent that around half the organisations surveyed (48.17%) have a system that connects pay to performance.

Of respondents in organisations that do not have a formal link between pay and performance, three quarters (76.48%) believe there should be such a link and more than half (54.59%) believe the failure to link them causes staff departures.
SAMPLE RESPONDENT COMMENTS

“Not-for-profit status limits our capacity as we simply don’t have funding sources.”

“Performance is subjective and no matter how much systems try to eliminate it, it persists.”

“High performing staff should be compensated for their extra time, effort and efficiency.”

“Yes, to encourage more motivation. But this must be closely looked at to ensure accurate information is used so that employees are not unnecessarily alienated, e.g. goals appropriately set in the first place.”

“They should, but a mix of intrinsic and extrinsic rewards should be used to accommodate the mix of demographics (age) within an organisation.”

“If an organisation has a process of continuous improvement, it is unlikely to happen without some form of incentive. Pay increases are a great incentive and provide recognition of effort above and beyond the call of duty. It also separates the high achievers from the plodders.”

“Works if done properly, but is usually handled badly.”

“Continual increases will not be enough on their own to keep the employee engaged and the salary should be capped until the individual can step into a higher role.”

“We have a team approach to performance rather than an individual one.”

“It has to be linked, but not so rigidly as to purely rely on a pre-established set of KPIs. A person’s performance is affected by many factors, e.g. loss of staff members around them, new systems, onerous compliance requirements that distract from the main business etc. Senior Management often set business goals that are just too difficult to achieve and come under the guise of ‘stretch goals’.”

“We are exploring linking pay with performance, Haven’t done it before. We are a little concerned about staff morale and we are in a high turnover industry (heavy long distance transport) and we don’t want to lose staff. However, we want to reward those employees that perform well.”

“Pay will always be linked with performance regardless of how you administer the reviews. If an employee is performing poorly, they would not qualify for a pay increase.”

“If employees are motivated by money.”

“The pay and bonus process is ad hoc but it is subject to performance and relationships.
We need to demystify the appraisal process and give managers more skills in providing feedback before it can be linked to pay. We are still a long way off that.”

“In many ways this can breed discontent amongst staff as they seem to continually compare salaries.”
How well does a performance-based pay system work?

Table 21 sets out a range of measures used within remuneration systems that might be used to link pay with performance. Respondents whose organisations have performance-based systems were free to name more than one measure. The stand-out item noted by 83.85% of respondents is not surprisingly the measure against ‘individual key performance indicators’. The next most popular measure is ‘judgement of manager’, selected by 65.37% of respondents.

Other measures are noted by fewer than 50% of respondents in each case, and include ‘team KPIs’ (39.53%), ‘self assessment’ (39.28%), ‘performance metrics’ (32.95%) and ‘feedback from colleagues’ (21.19%).

Table 21. Measures used to assess individuals’ performance

Two questions were asked in an attempt to determine the accuracy of the systems used. The first responses are to a question asking the extent to which the respondents believe the assessments are subjective, and are set out in table 22.

While well over half (57.36%) believe that the assessments are a mixture of objectivity and subjectivity, one in four respondents (24.8%) think they lean towards being more subjective than objective, with 4.39% reporting their belief that they are totally subjective.

Table 22. How subjective is the assessment of performance?
Table 23 asks a more general question about how effective performance-based systems are in accurately rewarding high performing employees compared with other employees.

Around one in three (31.57%) don’t have a strong view either way on that question, though nearly half the respondents believe the system in their organisation is either effective (37.77%) or highly effective (5.43%).

One in four (25.22%) believe the system is either ineffective (17.72%) or highly ineffective (7.5%).

Table 23. How effective is the performance-based system in rewarding high performing employees over others?

![Bar chart showing effectiveness of performance-based system]

To attempt to gauge the effect of performance reviews connected to pay, respondents in this category were asked to rate their observations on employees following an appraisal. Table 24 shows that around half appear either ‘pleased with the outcome’ (46.50%) or ‘much more motivated’ (7.12%). While relatively few appear disappointed (8.94%) or demotivated and disillusioned (6.09%) by the process, a substantial 31.35% appear indifferent, which could simply mean they show nothing despite what they may think or feel.

Table 24. Observing employees following a pay appraisal process

![Bar chart showing employee observations]

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HRpulse Research Report
Organisations that link pay and performance – a summary

Most organisations use a mixture of techniques to gauge performance, with measurement against ‘individual KPIs’ and ‘judgement of manager’ being by far the most common techniques employed.

As the assessment methods involve a degree of subjectivity, the majority of respondents (57.36%) take the view that on balance the assessors are about even on the degree of subjectivity and objectivity at play, though a quarter (24%) believe the assessments are more subjective than objective.

On the question of confidence in the effectiveness of systems used, 31% of respondents don’t have a strong view either way, though 25% believe the system used in their organisation is ineffective.

Respondents were also asked to indicate what they observed about employee motivation following a performance appraisal linked with pay. While nearly half (46.5%) thought employees generally seemed pleased with the outcome, around a third (31.35%) could see little difference. Approximately 15% had noticed that employees were disappointed, demotivated or disillusioned at the outcome.

On balance, most respondents either have a positive attitude to the system or are uncommitted. That said, there are a reasonably large minority of respondents who have little or no confidence is the assessments, believe the system used to be ineffective and see poor outcomes.

SAMPLE RESPONDENT COMMENTS

Question: How could the system be more effective?

“Performance is not properly defined. High fee earning employees are favoured even though they may be failing in other areas (performance indicators based on balanced scorecard).”

“Better support training for new managers and far more rigorous benchmarking between managers.”

“The pay rises are still too small (too similar to CPI) and annually is too infrequent (to have an impact.”

“Taking out market based increases from the annual review process.”

“Only 3 ratings to choose from - need at least 5 ratings with corresponding % increase amounts.”

“We currently review salaries based on market and individual performance factors, but in a couple of areas we also provide an additional bonus on achievement of KPIs. This could be improved further by reviewing all base salaries based on relevant KPIs and provide incentives for higher levels of achievement above this baseline.”

“Move towards a greater variation, a tendency to spread the butter thin had weakened the effect of reinforcing good behaviour.”

“Move into individual assessments.”

“Senior management should put more confidence in line management decisions.”

“Make the system more transparent and meaningful.”

“More flexibility, consistency in application, one-off bonuses.”

“Not sure - need to be linked to more measurable KPIs and be equitable across the corporate roles – very difficult to achieve in practice.”

“Note: this performance pay is on for executive employees.”

“Educating managers on how to set more accurate KPIs.”

“Your premise is that salary is the only reward available to high performers. This is not the case; there are many options available. In regards to the next question, these listed impacts do not come from performance-based pay systems, but from strong alignment with the strategic goals. The link between pay and achievement of goals is not strong. In addition it can, if not managed properly, lead to all sorts of morale problems (e.g. someone worked very hard to get a large pay increase, but was not awarded one. It takes very mature management skills to manage these situations.”
“More transparency in the process.”

“More flexibility for managers to award ex-gratia payments (with a clear set of criteria).”

“Relate pay increments to more than just revenue.”

“Some perceived inconsistencies.”

“KPIs and targets should be set well in advance of the review time.”

“More flexibility with changing goals mid year when circumstances change.”

“Significantly large bonus payments linked to transparent KPIs.”

“Better evaluation of performance, leading to better differentiation of performance.”

“Managers require more training and online system would be useful.”

“Restriction of award pay structure means we can’t reward higher performing staff with better pay”

“Have more money available for pay rises.”

“Consistency in rating by all managers.”

“Accountability of management and impartiality. HR needs to drive the accountability.”

“Do away with a budgeted percentage increase.”

“My personal issue is that I returned to work 4 days, but my duties were not reduced. I am expected to do 5 days’ work in 4 days.”