Contents

Using competencies to review performance

CHAPTER 5

In this chapter, reviewing performance is seen as a part of performance-management processes and refers to *all* situations in which the performance of an individual is reviewed, not just appraisal interviews. Reviewing performance might be a self-review or it could involve one or more others. This chapter does not include acting on outcomes from the review. Addressing underperformance and enhancing performance are dealt with in Chapter 6 (**Using Competencies for Training and Development**).

Performance reviews require skill to do well and they require tools to help manage the process – eg for collecting and structuring information. This chapter outlines how competencies can be used as a tool to help enhance both the design and the use of performance-management processes.

THE PURPOSE OF REVIEWING PERFORMANCE

There are many reasons for the performance of job-holders to be reviewed. From an organisational point of view these include:

- managing poor performance – identifying training and development needs for the current role
- identifying training and development needs for future roles
- motivating staff (eg setting challenging and stretching objectives, and providing positive feedback)
- rewarding performance (either through pay or some other reward)
- reinforcing stated organisational values and culture
- succession-planning (identifying individuals capable of moving to other jobs in the future)
- auditing (finding out what strengths and development needs exist in the organisation).

From an individual's point of view these include:

- identifying how well he or she is performing in his or her job
- identifying training and development needs for the current job
- rating performance for reward
- identifying potential to move on to another job.

In summary, performance reviews – while addressing many of the above needs – focus on one or more of the following purposes:

- establishing levels of performance
- identifying needs for performance improvement
- identifying development potential for succession
- discussing career interests/direction.

WHAT CONSTITUTES A PERFORMANCE REVIEW?

Performance reviews are often part of a larger process (eg appraisal and career planning). These larger processes frequently begin with setting objectives and action plans based on the requirements of the job and the abilities and development needs of the job-holder. The process then continues with interim reviews that monitor and revise action plans – in the form either of modified objectives or of a training and/or development plan. The process usually culminates in a formal review or appraisal of performance against both the objectives and the action plans.

Typically, performance reviews take place as one-to-one discussions between a job-holder and his or her manager or supervisor. However, reviews can also be conducted by teams or as a solo activity.

Increasing emphasis on teamwork has resulted in moves to review team performance as well as, or instead of, individual performance. Empowered teams may well be left to manage themselves in relation to who does what and how – a major measure of success being the achievement of team-set targets.

Whatever form the review takes, it will usually contain feedback on a job-holder's performance. It may be against pre-set objectives, behaviours and/or action plans. This may involve performance feedback from a range of people, from the job-holder to his or her manager, peers, direct reports and customers.

THE CONTRIBUTION OF COMPETENCIES TO REVIEWING PERFORMANCE

Competencies can make significant contributions to each of the purposes listed earlier, ie:

- establishing levels of performance
- identifying needs for performance improvement
- identifying development potential for succession
- discussing career interests/direction.

These contributions can clearly be seen in the steps which all performance reviews appear to have in common. No matter how complex or simple the review process, all forms of reviews usually follow a similar structure:

- identifying factors relevant to performance in the job
- collecting information on performance
- organising the information
- discussing or reviewing (eg for solo reviews) the information
- agreeing outcomes.

Identifying factors relevant to performance in the job

Once in the job, an individual will have specific targets or objectives that he or she must achieve (eg the number of units produced, items sold or calls answered). The more specific and measurable an objective or target, the easier it is to review that aspect of the performance of a job-holder. Targets and objectives may contain (we would argue that they *should* contain) specific and measurable outcomes. These outcomes are measurable indications of a job-holder's progress towards fulfilling the purpose of the job and are one type of job-performance measure.

A performance review might focus only on how well an individual has progressed towards meeting his or her targets or objectives. However, performance is no longer seen just as 'what' a job-holder achieves. Job performance is seen also to be about 'how' the job is carried out (eg the behaviour exhibited by the job-holder). Many organisations now review both what is achieved and how it is achieved when assessing job performance.

You get what you reward

A major international company expressed concern about poor relationships between one of its subsidiary companies and its partners abroad. A major objective of the subsidiary company was to guide the marketing of its parent company's key products in international markets.

Within the subsidiary company all customer-facing sales and marketing staff were set performance targets, based on sales volumes. Individuals were then appraised and rewarded according to performance against these targets. Sales met their target but customer complaints were rising and satisfaction of its international partners was plunging. Job-holder performance was reviewed only at annual appraisals in which the main focus was on assessing outputs and setting new output targets. Everything was aimed at short-term gains (outputs) without concern for how those gains were achieved, to such an extent that the future of the sales and marketing company was at risk.

In contrast, a public-sector organisation replaced its traditional appraisal process with a performance-review process based solely on competencies. This was founded on the belief that if a person does things in the 'right' way, they must produce the right outcomes. At first this might seem quite logical. However, competencies do not explicitly state what has to be done, nor do they define responsibilities or expected outcomes. Focusing performance reviews only on competencies (inputs) left individuals without clear direction, and disagreements arose about tasks and responsibilities.

These examples illustrate that problems can arise when performance reviews take too narrow a view of performance. Narrow views of performance inevitably lead to an underestimation of factors relating to or influencing job performance. This in turn undermines the potential benefits of reviewing performance as a whole.

Once an individual is in the job there is a lot of information available to help review their performance. For example, a job-holder could be reviewed against all aspects of his or her job, such as:

- producing things (eg products or decisions)
- fulfilling responsibilities (eg the management of others)
- behaving in a way that is acceptable within the organisation
- operating within particular contexts and environments
- dealing with other people
- operating pieces of equipment
- operating processes and procedures.

Although it might be possible to collect performance information on each of these areas, it is more usual to summarise performance into just two areas: the achievement of objectives or outputs, and behavioural performance – ie what the person achieves and how they achieve it. Behavioural performance information can be collected using direct evidence of competency, ratings of competency or feedback on competency observed by those close to the job.

Competencies provide a structure for collecting evidence of behavioural performance. At this stage in the process (identifying factors relevant to performance) it is necessary to identify the competencies and the levels of competency (if relevant) that are required in the job being reviewed.

Restricting the collection of competency performance information to competencies critical to performance at the required level reduces both time and effort in collecting the information. Therefore, rather than looking at the whole competency framework the review should just focus on the competencies needed for the specific job being reviewed, eg those listed in a competency-based job profile. This restriction also makes it easier to maintain a focus on important behavioural performance during the review discussion. A process for developing competency-based job profiles is provided in **Appendix 3**.

Competency-based job profiles should be developed through discussion with existing job-holders and their managers, because these individuals will have practical knowledge of the demands that the job places on job-holders. If a competency-based job profile already exists the job-holder and manager should at least discuss and check that it is still relevant, ie that changes have not occurred that alter the profile of competencies needed to deliver the job purpose.

Finally, it is important to be sure about the purpose of the performance review. For example, if a review is to assist in discussions about careers, the focus may be on competencies for future jobs/roles. However, reviews to establish levels of performance usually focus on competencies required in a current job/role.

Collecting information on performance

Once the competencies have been agreed, there are several ways in which information on behavioural performance can be collected.

The three basic forms of information that can be collected are:

- ratings of performance
- comments on performance
- examples of performance.

The type of information collected is likely to vary according to the availability of performance information and the purpose of the review. For example, many organisations use ratings of performance only where an overall performance rating is being sought as the outcome of the review – eg for pay reviews. However, other organisations collect comments only where the review purpose is to increase an individual's understanding of how he or she is perceived by others. Where an individual is new to a role, some organisations request individuals to undertake job-relevant assignments and to provide examples of outputs from the assignments.

Another way of collecting evidence of competency performance, widely used by many organisations, is to use an assessment centre process. This is justifiable for assessing competency performance for future or significantly changing roles or to select individuals for new roles. However, it is hard to justify using such a process to review performance relative to an individual's existing role – unless the normal performance-management and review process has not been used effectively, or where there are significant barriers to collecting on-the-job performance information. These assessment centres are often referred to as 'development centres', but this is an inaccurate description because the primary purpose is to assess performance and, by so doing, to assess individuals' development needs. We prefer to call this type of process an 'assessment-for-development centre' and cover this subject later in this chapter.

Assessment centres are discussed in Chapter 4 (**Using Competencies in Selection**) and development centres are discussed in Chapter 6 (**Using Competencies for Training and Development**). To retain the distinction between assessment centres for selection and those for identifying development needs, we refer to the latter as 'assessment-for-development centres' (ADCs) throughout this book.

Effective performance management and performance reviews should avoid the need to conduct assessments of an individual's current job performance using assessment centre processes. If a person is already doing the job, then information should be collected directly from the job using one, or a combination, of the following techniques:

- questionnaires
- records of achievement
- assignments.

To review performance relative to future roles or for career planning, the previous techniques may provide necessary information – but this could be supplemented with information from:

- assessment-for-development centres (looking at future roles)
- career review exercises.

Table 14 *Example of types of information and methods of collection used for different reviews*

Purpose of review	Forms of information	Methods of collection
To establish level of performance (current role)	Behavioural performance Output performance Task performance	Questionnaires Records of achievements Observations
To identify need for performance improvement	Behavioural performance Output performance Task performance Personal circumstances Organisational issues	Questionnaires Records of achievements Observations Discussions (eg with job-holder)
To identify development potential (future role)	Behavioural performance Output performance Task performance	Assessment-for-development centre Assignments
To discuss career interests	Work history Competency profile Aspirations Interests, knowledge and abilities Opportunities	Assessment for development centre Development centre Discussions with individual

In exceptional circumstances assessment-for-development centres may be required to collect evidence of performance for current job roles. Table 14 lists the different types of information and methods of collection that may be used for different reviews.

Collecting information using questionnaires

Questionnaires can be used to collect ratings of competency performance and they can also be used for collecting comments on competency performance. It is not always the case, however, that one questionnaire will collect both ratings and comments. Different questionnaires may be used to collect, for example:

- ratings against each behavioural indicator
- ratings against each behavioural indicator plus comments
- ratings against each competency
- comments on competency performance plus ratings against each competency
- comments on competency performance.

Because questionnaires are used to collect performance information about real job-holders in real jobs, the ideal questionnaires will be developed from the competencies necessary for effective performance in that job. Where an organisation has developed a competency framework, the framework should be used to develop the questionnaire.

'Off-the-shelf' competency questionnaires can offer a great deal of convenience where an organisation does not have a competency framework or where the framework does not cover the group of roles for which feedback is needed.

Features of off-the shelf questionnaires include:

- They are readily available.
- They are often machine-scoreable.
- Some provide comparisons with ratings obtained in other organisations.
- They provide professional looking reports.

But where a competency framework does exist, off-the-shelf questionnaires can pose problems. Matters that should be resolved when considering the use of such questionnaires include:

- Do they reflect the organisation's values/culture?
- Will they undermine confidence in the existing competency framework?
- Will users be distracted or confused by having more than one framework in use?
- What ownership will people feel for the content of the questionnaire?

The two main types of questionnaire used for collecting competency feedback, whether off-the-shelf or purpose-designed, are:

- ratings-based
- comments-based.

In the ratings-based type of questionnaire, raters are asked to rate each indicator of each competency. An overall rating is calculated for a competency by combining the ratings of the competency's indicators.

It is therefore important that the questionnaire enables raters to provide their best estimate of a job-holder's behavioural performance. This can be made easier by providing questionnaires that contain job-specific examples of the behavioural indicators – ie statements that describe how each behaviour would be observed in the particular job or role.

This type of questionnaire is often used where an overall rating of performance is being sought or a profile of the job-holder's competencies is being developed.

The indicators-based questionnaire can include sections for written comments, although they can make the questionnaire lengthy. If comments are particularly important, an alternative is to use a questionnaire in which the primary purpose is to collect written comments for each competency.

Another purpose of competency-based performance reviews is to provide the reviewee with insight into how he or she is seen by others. Although ratings-based questionnaires can be used for providing this feedback, it can be much more powerful when there are specific examples to illustrate why colleagues have given particular ratings.

Who said that?

Foreign exchange dealers in a major international bank attended a series of development workshops. During these workshops they were observed undertaking job-relevant tasks and they also received feedback on the tasks, as well as feedback from competency questionnaires completed by colleagues. Dealers frequently challenged observations of performance fed back by assessors. However, they readily accepted observations from their colleagues, taken from questionnaires, even though these simply confirmed the assessors' observations.

It can be useful to collect an overall rating for each competency with this questionnaire, because comments alone can be misleading.

The addition of a rating helps to ensure that comments are considered in the context of a view of overall competency. Without the rating there is a danger that positive or negative comments will be over-interpreted. Over-interpretation is especially likely where individuals in completing a questionnaire provide only one or two comments to highlight what they consider to be important issues.

When developing or choosing a questionnaire, careful consideration should be given to both the design of the questionnaire and its implementation. In particular, consideration should be given to:

- the length of the questionnaire
- its structure
- its rating scale
- who will complete the questionnaire
- managing the volume of questionnaires.

The length of the questionnaire – Experience tells us that most people do not like long questionnaires. It is therefore not a good idea to produce one questionnaire that includes all the behaviours in the competency framework. Many of the behaviours will not be relevant to specific job-holders being reviewed, and will waste time and distract raters.

Different jobs will have different competency profiles, so consideration must be given to producing job- or role-specific questionnaires. Where it is important that the review includes a detailed examination of competencies, and/or where detailed behavioural indicators already exist, a job-specific questionnaire may be justified. An alternative is to develop role-specific questionnaires – eg one for supervisory roles, one for administrative roles, and one for middle-managerial roles.

One way of producing job- or role-specific questionnaires is to organise the generic competency framework in a database or in word-processing files. The framework should be organised so that relevant job or role profiles can be printed out in a format appropriate for use in a questionnaire. For example, each competency level could be stored as a record in a database. It is then relatively easy to produce a job- or role-specific questionnaire by creating a file of behavioural indicators that correspond to the competency levels in the job or role profile.

Another effective approach is to administer the questionnaire on the computer screen. This can be done directly from a database. An advantage of this approach is that responses can be manipulated by the computer to produce feedback reports for the review discussion.

Automatic cover

A life assurance company introduced performance reviews for its sales staff. To facilitate the reviews a handbook was produced that included pencil-and-paper-based questionnaires and guidance for the review process.

After successful use of the handbook, the process was computerised. This enabled feedback questionnaires to be administered from the computer and for development profiles to be easily and automatically analysed.

The structure of the computer program enables updating of the competencies, and completely new competencies can easily be added. Because the computer contains the whole competency framework, new job-specific questionnaires are easily compiled.

Structure – Questionnaires are often designed in such a way that raters cannot easily tell which areas of performance specific questions relate to. However, in a competency framework some behavioural indicators (which will be converted into behavioural questions for the questionnaire) may be easier to interpret if it is evident which competency they relate to – eg, if behavioural questions are grouped under the relevant competency heading.

We have found that the most consistent ratings of competency for review are achieved when questionnaires are structured so that raters can clearly see which competency each indicator/question relates to.

Rating scale – Behavioural indicators are often rated using scales that require raters to indicate how effective they think the job-holder has been at using each of the behaviours, or how frequently the job-holder has used the behaviours effectively. Actual scales may vary depending on the specific application. For example, a major insurance company featured two scales in the same questionnaire – the first to indicate the frequency with which behaviours were used when needed, and the second to indicate how effective they were when used.

Because some raters may not have an opportunity to observe all the behaviours listed in the questionnaire, it is important that raters are able to respond 'cannot say' where appropriate. Each point of the rating scale must be clearly defined and definitions should be kept as simple as possible.

Tables 15 and 16 give two examples of rating scales.

In Table 16, raters are asked to use both scales to rate each behaviour. This approach enables more accurate ratings than Table 15.

Who will complete the questionnaire? – Questionnaires for performance reviews should be completed by individuals best placed to provide accurate feedback – ie those individuals with whom the job-holder's job requires regular interaction. When several people are asked to complete questionnaires relating to one reviewee, it is called a 'multi-rater' (sometimes alternatively called a 360-degree) process.

Table 15 *Example 1 of a rating scale for performance review*

Use the following scale to indicate how often and how effectively the person used each of the behaviours listed in the questionnaire:	
5 Cannot say	You have not been present in situations when the person needed to use the behaviour.
4 Very effective	The person used the behaviour effectively whenever a situation needed it.
3 Moderate effectiveness	The person used the behaviour in most situations which needed it and it was usually effective.
2 Marginal effectiveness	The behaviour was not very often used in situations that needed it, and/or when it was used it was not usually effective.
1 Poor effectiveness	The behaviour was not used in situations that needed it. Or if it was used, it was not effective.

Table 16 *Example 2 of a rating scale for performance review*

Use the following scales to indicate how often and how effectively the person used each of the behaviours listed in the questionnaire:			
Rating	**Frequency of use**	**Rating**	**Effectiveness**
5	No opportunity to observe		
4	All occasions when it was needed	**4**	Always effective
3	Most occasions when it was needed	**3**	Usually effective
2	Very few occasions when it was needed	**2**	Occasionally effective
1	Never, even though situations needed it	**1**	Never used effectively

Research indicates that multi-rater feedback can be affected by how confident the rater is that his or her feedback is going to remain anonymous. Perhaps it is not surprising that when raters believe they might be identified as the source of a low rating they tend to moderate their feedback scores. In general, this finding does not apply to the job-holder's manager, who in many feedback systems will be easy to identify. It has also been reported that job-holders tend to be more lenient when they rate themselves. However, we have found that this varies, depending on the purpose of the review. Where the review has a clear development purpose, job-holders often *underrate* their own performance.

Collecting feedback from several colleagues is more effective when it is reserved for special situations – for example, a development event or career review – or at least limited to the annual performance review. The job-holder can be left to choose whom he or she would like to complete questionnaires, and for development events this has proved very effective, because individuals often choose to apply for feedback from those who will not hide their opinions. A self-completion is almost always included, and other completions would include those of direct reports, peers, the manager and 'significant others'. Significant others have included customers and professional colleagues from outside the organisation. Including self-completion, seven to nine completed questionnaires are usually sufficient.

Questionnaires can also provide job-holders with a useful 'one-off' tool for self-review or for collecting the views of one or two individuals to review specific situations, such as individual roles within a project, or difficulties with particular working relationships.

Managing the volume of questionnaires – Competency questionnaires completed by several colleagues can produce a powerful review tool, but the tool can be weakened if the approach is used too often or if individuals do not have sufficient time to complete the questionnaires. In organisations where appraisals are scheduled within a narrow time-period, staff can get overloaded with requests for providing review feedback, because each individual may have several roles:

- job-holder
- peer to several colleagues
- manager
- internal supplier
- internal customer
- project team member.

Not only does this mean that an individual could be asked to complete 10 or more questionnaires, it also means there could be 10 times as many questionnaires in circulation than numbers of staff. If all appraisals are happening within an annual pay review period, these questionnaires will be distributed and will be circulating during a very short time-period. Add to this issues of confidentiality while keeping track of which questionnaires have been completed, and it becomes clear that a process is needed to manage the distribution and collection of questionnaires.

Computer-administered questionnaires can alleviate the administrative load, provided that confidentiality is built into the process. A tracking system of some description will be necessary to enable the chasing-up of tardy respondents.

It's in the post

A major FMCG company decided to introduce 360-degree feedback into the performance review process.

The numbers of staff made the task appear quite daunting. There were particular concerns about managing the volume of questionnaires and chasing up slow completions without undermining confidence in the confidentiality of the process. In addition, the organisation had a generic competency framework covering all jobs. However, the organisation did not want to have one competency questionnaire to cover all jobs: three hundred and sixty-degree feedback would be much more effective if questionnaires were based on the appropriate competencies and levels for each specific job. This meant, potentially, a unique questionnaire for every job role. The solution was to develop and install a competency-based 360-degree feedback system on the organisation's intranet.

The computerised solution was designed to enable unique, job-based competency questionnaires to be generated and completed online.

At the appropriate time in the review cycle, individuals received standardised e-mail requests for feedback. The e-mail provided information on who feedback was required for and a direct link to the appropriate place on the intranet for completing the questionnaire. Monitoring of completions could be done electronically without breaching confidentiality.

The system was launched as a trial with a small group of managers. However, news quickly spread and the system was rapidly adopted by the rest of the organisation.

Collecting information using records of achievement

Organisations are extending the use of the record of achievement – eg learning and development diaries – to include examples of behavioural performance for a wide range of staff. These examples may be actual outputs – eg copies of letters or reports – or they may be written summaries of how the individual has dealt with specific situations using the job competencies.

It is important, when using records of achievement, to train both the reviewer and the job-holder collecting the information. Reviewers and job-holders need to be aware of the type of information required and the quality. This will reduce the chances of collecting huge volumes of relatively useless paperwork.

This material lends itself to a wide range of performance reviews – for example, solo reviews of performance, discussion with peers or team, or review with manager and/or coach/mentor.

It's quality, not quantity, that counts

In one public-sector organisation, records of achievement were introduced. The training required the staff to be briefed about what sort of information would be needed. Three months later an assessor was presented with a file 80mm (slightly more than 3 inches) thick – full of paperwork to back up one competency.

The training was then amended to cover quality. As a visual demonstration two files were held up, one 80mm thick, and the other a much slimmer 16mm thick (less than three-quarters of an inch). The trainer announced that both files contained enough information to assess the same competency – and for everyone concerned the thinner file was the preferred one.

Collecting information using assignments

An assignment is a work-based project or task designed to allow an individual to demonstrate his or her competencies in relevant circumstances. Assignments can be useful for reviewing performance against current or future roles. They are used for current roles when an individual:

- has not been in a job long enough to obtain work examples
- is taking, or has taken, on new responsibilities
- has had mixed feedback about performance in a particular area of the job.

Because each competency can contribute to effective completion of more than one key job activity, assignments will usually enable collection of information on more than one competency.

Assignments must be carefully specified to ensure that tasks within them are representative of the job being reviewed and that these tasks provide adequate opportunities for observing and recording competency-relevant behaviours.

Individuals who undertake assignments can be given guidelines for the recording of behaviours, the approach and the outcomes during the assignment. Interpretation of the behaviours, approach and outcomes may be done solo, using written guidelines, or it could be reviewed in a team setting, or a one-to-one setting.

Collecting information using assessment-for-development centres (ADCs)

The purpose of an ADC is to identify what an individual would have to learn, or to improve on, to be considered a suitable candidate for another job or particular development scheme. In exceptional circumstances ADCs are used to assess development needs within the current job. Assessment centres for selection are covered in Chapter 4 (**Using Competencies in Selection**). Centres which are based on assessment centres, but which do not result in competency scores, and which are primarily for participants to practise and get feedback on competencies, are development centres, which are covered in Chapter 6 (**Using Competencies for Training and Development**).

ADCs are usually events during which individuals undertake a number of assessment activities. An individual's performance in each activity is compared against a set of benchmarks. This comparison results in a profile that is fed back to the individual. The outcome of the ADC process is usually a performance development action plan which addresses those areas in which the individual's performance fell short of the benchmark.

Competency frameworks can be used as:

- an aid in the design of the ADC activities
- the benchmark against which performance is measured
- the framework for discussing outcomes with the individual.

These points are expanded below.

There are two things that can be done to improve the contribution which competencies make to the design of ADCs:

1. Identify the competencies or competency levels which are essential for effective performance in the target job or group of jobs or critical for success on a development programme. Where the ADC is targeted at a future job the competencies will be those that make up the competency-based job profile. Where the ADC is targeted at a group of jobs the ADC competencies may just be the competencies common to all jobs in the group or they may be all the competencies required across all jobs in the group. Where the ADC is targeted at a specific development programme, the competencies should be those that are critical for success on that programme. As ADCs are normally future-focused, the competencies should be reviewed for relevance in the future, ie against anticipated changes.
2. Identify detailed examples of the generic behavioural indicators – ie what these generic behaviours will actually look like in the target job, group of jobs or the development programme, in the future. See the 'Adapting an existing framework to meet specific needs' section in Chapter 3 (**Developing a Competency Framework**).

ADC activities are essentially the same as assessment activities for selection – that is, they allow observers to assess the levels of performance in an activity against agreed benchmarks. The principles of the design of such activities are also similar to those outlined in the 'Designing simulations for specific vacancies' subsection in Chapter 4 (**Using Competencies in Selection**) and we do not repeat them here. However, there are some important differences between the events that surround ADCs and those that surround assessment centres for selection. These are:

- benchmarking
- the scale of the event
- feedback.

In much the same way that they can be adapted for use in selection events, behavioural statements are used in ADCs. However, it is likely that a wider range of competencies and therefore more behavioural statements will be used – especially in cases where people are attending an ADC to assess potential for another job or level in the organisation.

An increased number of competencies and behavioural statements means an increase in the number of assessment exercises or activities that make up an ADC. ADCs are typically longer in duration than assessment centres for selection.

Another key difference between assessment centres for selection and ADCs is the emphasis on feedback during and after the event. In many ADCs the feedback is extensive and focuses on what was and was not observed rather than on ratings of performance.

ADCs place at least as much emphasis on understanding and diagnosing performance as they do on assessing it.

Organising the information

For indicator-based questionnaires, the overall score for each competency is calculated for each questionnaire (rater) before ratings from all questionnaires are combined to produce the feedback information. 'Cannot say' ratings should not be incorporated into the overall competency rating. 'Cannot say' ratings should be reported separately in the feedback because these can be useful pieces of information – especially if they are ratings given by raters who *should* be able to say!

When competency scores are collected from a group of colleagues (such as peers and direct reports), it is a relatively easy task to combine and analyse scores on each competency. This information can then be fed back graphically, as in bar charts, and it is easy to feed back comparisons of scores – eg how colleagues rated a reviewee on a competency and how his or her direct reports rated him or her on the competency. Figure 3 is an example of how scores can be illustrated using a bar chart.

Such a diagram is a useful presentation of competency ratings because it enables easy comparison between groups of raters, making it easy to identify significant differences between them. This is important because significant differences can occur when groups rate a competency, and these differences may be both valid and meaningful. For example, direct reports may have the best opportunities and experiences to provide the most accurate ratings of their manager's 'GROWS INDIVIDUAL CAPABILITY' competencies. A job-holder's manager may be in the best position to rate the job-holder on the 'Business Focus' competency and 'Customer Focus' competency.

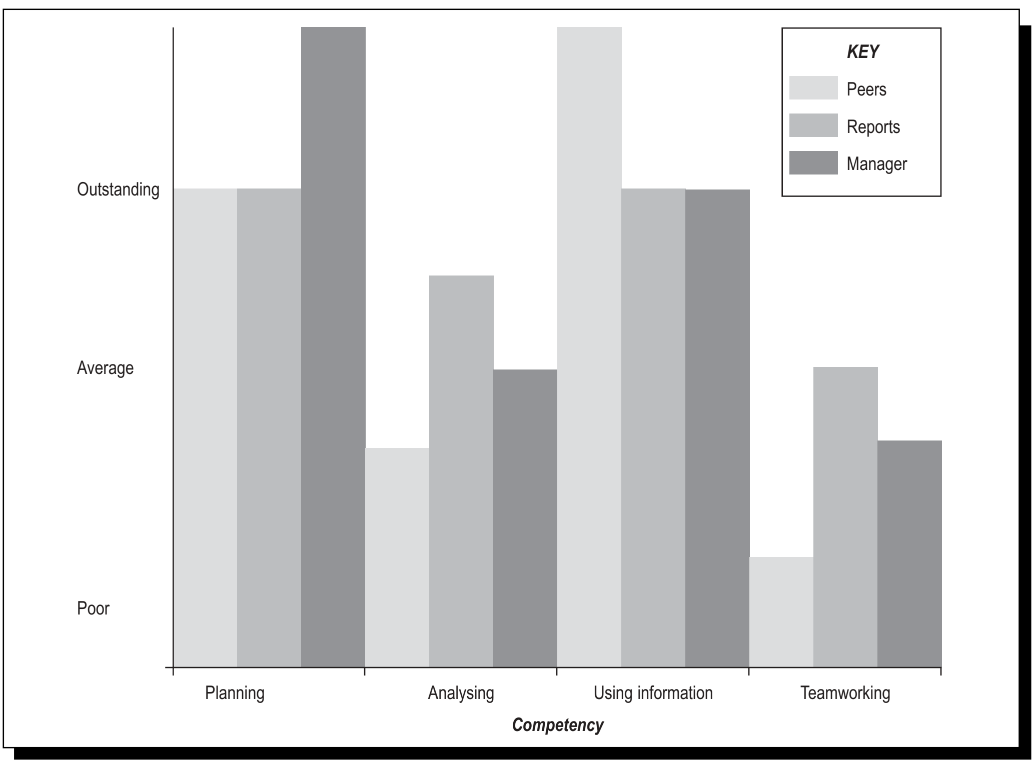

Figure 3 *Illustration of scores using a bar chart*

A separate overall rating can also be presented for each competency. Presenting this separately and in addition to ratings from the different rater groups reduces the potential to discard meaningful differences. Such differences can be lost if overall competency ratings only are produced. For example, a job-holder may have received an overall average rating for ‘teamworking’. On surveying the ratings from different rating groups it may appear that peers and more senior colleagues have rated the individual at a little above average whereas members of the team that the individual manages have given consistently low ratings. This difference could be critical, indicating that the individual’s approach to working with his or her team’s members is below an acceptable standard.

Some competency-based feedback systems go much further and present a breakdown of ratings. This breakdown usually gives some indication of the spread of ratings obtained within each competency and within each rater group. Table 17 shows how this may be presented.

In this example there are nine raters, as indicated in the top row. For each competency the highest and lowest ratings are shown for each group of raters. This level of detail is useful when there is a dispute over the overall rating given to a competency. For example, it may be that direct reports tend to see a different side of their manager’s ‘leadership style’ than do the manager’s colleagues. This detail is also useful when diagnosing performance and when considering development.

A similar format can be used to summarise ratings by rater groups at the behavioural indicator level. At this more detailed level, the range of ratings can be displayed, as in Table 17, and the number of ‘cannot say’ ratings can also be included. Having both overall competency ratings and detailed indicator ratings makes it easier to prepare for the review discussion – eg key development areas within a competency can be discussed without losing sight of the fact that overall performance on the competency was rated acceptable.

Where examples of performance have been collected – eg records of achievement and assignments – they are usually evaluated/rated against the competencies before they are discussed. Rating guidelines are required to do this consistently.

Examples of competency from ADCs will usually be evaluated at the centre by the facilitators. Assignments and records of achievement may also be evaluated prior to the review discussion. These could be evaluated by the job-holder, if trained to do so, or by some other trained person. It is important not to reduce this information to a number (rating) which, compared with the examples, is relatively meaningless. It is the examples that are important, because they indicate the elements of a competency that may require training or development. If a person has been rated ‘3’ overall for ‘Planning’, it may indicate that the person has a development need in this competency. Another person may be rated the same, but have a different development need in that competency. What is important for the review discussion is *why* the person was rated as having a development need. A good reviewer will have prepared evidence from the available examples to support his or her assessments of competency.

Table 17 *Example of spread of ratings per competency*

Raters / **Competency**	4 × Reports		3 × Colleagues		1 × Manager		Self	
	min	*max*	*min*	*max*	*min*	*max*	*min*	*max*
Managing relationships	3	4	2	5	3	3	4	4
Teamworking	4	4	3	3	3	3	4	4
etc								

When preparing feedback from questionnaires, the reviewer needs to prepare examples to illustrate ratings. In the comments-type questionnaire, examples can be selected from the comments to illustrate consistent themes: *both* strengths *and* development needs. Examples can even be prepared from the rating questionnaire. In this case preparation may focus on ratings of the behavioural indicators. Where a competency received an overall poor rating, it is important that the reviewer can quickly show which behaviours contributed to the poor rating – ie which behaviours were rated lowest – and, if appropriate, which rater groups rated them low.

Reviews should be balanced. Preparation should ensure that individuals are aware of actual and potential strengths as well as development needs. Preparation must not just seek examples to reinforce feedback of weaknesses or development needs.

One step forward, two steps back

A grant organisation ran a series of ADCs to assess the potential of staff for supervisory positions. The feedback from the ADCs was focused entirely on development needs. Unfortunately, this meant that participants felt deflated, hearing only messages about what they were not yet able to do – ie were not good at. The result was that instead of leaving the ADC looking forward to developing into a role, most participants left feeling that they would never make it.

Discussing the information

Performance review discussions require skill and good preparation. The reviewer should be someone who has a good understanding of both the purpose of the review and the review information, which will often contain information in addition to that on competency – eg performance on job objectives, service standards and career aspirations/opportunities.

Where a review follows an assessment centre for selection or an ADC, it is usually better if the review discussion is undertaken by a centre facilitator, because he or she will be intimately acquainted with the examples of performance. Ideally, ADC facilitators should be a mix of line managers and HR specialists. If reviews are based on feedback prepared on behalf of the reviewer, the reviewer must spend sufficient time getting to understand the information before the review discussion.

Although rating-type information is easier to present, this does not mean that it is easier to discuss. Rating information, usually in the form of multi-rater feedback, is becoming very popular. This may be because:

- it is easy to work with the data
- analysis of data is not as time-consuming as analysis of written information
- it is easy to present the information graphically
- agencies make this easy to produce.

Drawbacks to this form of feedback are that:

- it may appear more factual than is warranted
- raters will not have had equal opportunities to observe all behaviours
- behaviours may not be equally amenable to rating
- the reviewee focuses more on the scores than on the examples.

These points must be borne in mind and accounted for during the discussion. It may be that during the discussion examples are explored which result in changes to evaluations arrived at when preparing for the discussion.

As stated earlier, job performance is not just about outputs; nor is it just about behaviours or competencies. A thorough and meaningful performance review should also look at factors that affect an individual's ability to demonstrate appropriate behaviours and factors that influence the individual's ability to deliver the required job outputs. These factors relate to characteristics of the person, their personal circumstances and circumstances within the organisation. The relevance of specific personal and organisational factors to performance rarely becomes apparent until behavioural and output performance has been established. It is therefore usually during the discussion of performance information that these factors are identified and explored.

There are many factors which influence how job-holders behave and perform. Table 18 lists a number of them.

There are a few important points that reviewers need to keep in mind when feeding back a summary of competency ratings:

- It is easy for this form of review information to appear, or to be presented, as a series of facts – eg 'You are good at this' . . . 'You are not so good at this.' This can be avoided by describing what was reported – eg 'You were rated highly on this area by . . .' .
- The feedback summary is a very structured and condensed set of perceptions. It is not a definitive statement about the reviewee.

Table 18 *Examples of factors that can influence performance at work*

Factor	Examples
Domestic	❑ home life – ie family role, relationship issues ❑ other commitments – eg hobbies, studies, voluntary work
Organisational	❑ resources for work ❑ politics at work ❑ context – eg changes, uncertainty ❑ relationships ❑ culture ❑ role/task clarity
Managerial	❑ relationship ❑ support for the job ❑ support for the person ❑ changes
Personal	❑ abilities – mental and physical ❑ preferences ❑ values ❑ traits ❑ experience ❑ knowledge ❑ attitudes

- It is quite possible that some behaviours have been misinterpreted by raters, so it is important to identify them and to try to understand why they may have been misinterpreted.
- This form of review information is for discussion. It is a tool to check out the reviewee's view of his or her typical competency. The task is to find out how and why the review information fits or contrasts with the individual's own views.
- The examination of examples provided in discussion by the reviewee may result in a new view of the reviewee's competencies.
- Disagreements between groups of raters can be meaningful. It can be useful to explore disagreements during the review to develop an understanding about how they may have arisen – eg managers' views versus team members' views.
- Behaviours may not be equally amenable to rating. Some behaviours, such as those related to analysing information and decision-making, may not be easy for some colleagues – who may see only superficial aspects of some behaviours – to rate.

  One example of this in our **Appendix Framework** (see page 133) is the behaviour 'Uses knowledge of the external environment to maximise opportunities for the business' ('GROWS BUSINESS CAPABILITY: Business Focus, Level 1'). Many observers may have knowledge of the actions a reviewee has taken to maximise opportunities for the business, but few (if any) may have been close enough to know what information was used and what information was available.

These points reinforce the need to use competency-rating feedback as a basis for a discussion about the behavioural side of performance rather than as an assessment tool.

Solo/self-review

Not all performance reviews are conducted with another person or other people. It is possible for individuals to review performance information alone. If individuals are going to undertake solo/self-review, there should be very clear guidelines and training, where appropriate, to assist them through this process. The important points that reviewers need to keep in mind when feeding back information about competency ratings outlined above are particularly relevant here. If there is no one with whom an individual can discuss the outcomes, it may be easy for review information to be seen as 'the final word', rather than as a basis for exploring behaviour.

On the whole, performance review is better conducted with at least one other person, if only so that an alternative viewpoint or challenges can be put forward. Solo or self-reviews can, however, be beneficial in their own right, as well as helping individuals to prepare for discussion with others.

Agreeing outcomes

If an overall rating of the behavioural performance of an individual is required, it should result from a discussion of the questionnaire and other feedback – it should not come directly from questionnaires.

Annual performance reviews and appraisals usually feature an overall performance rating. Including competencies in the review process automatically raises the perceived importance of behaviour in job performance. As illustrated in the earlier example (page 76) **You get what you reward**, ignoring competencies when producing an overall performance rating reduces the perceived importance of behaviour.

A thorough assessment of performance therefore includes evaluations of both competency performance and achievement of outputs etc, taking account of both personal and organisational influences. Such an assessment often results in ratings for achievement of each output as well as ratings for each competency, especially when the review contributes to pay awards. This approach is often taken further to produce an overall rating for achievement of outputs and an overall rating of competency performance.

A third stage is sometimes included, which combines the overall rating of achievement of outputs with the overall rating of competency performance to produce one overall performance rating.

This approach results in three layers of ratings:

- individual ratings for competencies and for outputs
- overall ratings for competencies and for outputs
- overall performance rating.

For example:

- An individual has been rated on six targets and eight competencies
- Rating scales similar to those in Table 19 (opposite) are then used to establish an overall rating for outputs and an overall rating for competencies
- The two overall ratings are then combined to produce one overall performance rating.

Combining performance ratings

Organisations combine overall output and competency ratings to produce one overall performance rating in different ways. Three examples are:

1. Average the two ratings.
2. Produce an average after weighting one of the ratings: eg some organisations give more weight to outputs than to competencies.
3. Use a set of rules to limit the combined rating – eg to avoid a very low rating and a very high rating being averaged to produce a mid-level combined rating.

In the first example (average of ratings), an overall output rating of '5' and an overall competency rating of '3' would produce a combined rating of '4'.

In the second example, an overall output rating might be weighted by a factor of 2. So an overall output rating of '5' and an overall competency rating of '3' would produce a combined rating of '6.5' (5×2 [the weight] $= 10$, $10 + 3$ [the competency rating] $= 13$, $13/2 = 6.5$).

These approaches can produce odd combined scores. For example, the first approach would produce a combined rating of '3' for overall ratings of '1' and '5', the mid-point of a five-point scale. The definition of a combined rating of '3' may be 'acceptable'. However, the organisation may consider that anyone obtaining a rating of '1' cannot be considered acceptable.

The effect is less exaggerated with the second approach. For example, a rating of '1' on outputs and a rating of '5' for competencies would produce a combined rating of '3.5'. As the scale for combined ratings using this approach is 7.5 to 1.5, 3.5 is below the mid-point.

In the third example a set of rules is applied to recognise the presence of low ratings. Table 20 illustrates how ratings could be combined.

This approach produces a combined rating of 2 for overall ratings of '1' and '5', acknowledging that overall performance is considered poor.

Table 19 *Example of rating scales*

	Outputs	Competencies
5	Exceeded standards required on all targets	All competencies rated 'outstanding'
4	All targets achieved to required standards: some exceeded	A mix of 'good' and 'outstanding' ratings
3	Most targets achieved to required standard	Most competencies rated 'good'
2	Many targets achieved close to standard; a few not met, but progress made	Most competencies rated 'marginal'
1	Very few or no targets achieved to standard	Most competencies rated 'poor'

Table 20 *Combining overall ratings*

Overall ratings	Combined rating
5 + 5	5 – outstanding
5 + 3, 5 + 4, 4 + 4	4 – good
5 + 2, 4 + 3, 3 + 3	3 – acceptable
5 + 1, 4 + 2, 4 + 1, 3 + 2, 2 + 2	2 – poor
3 + 1, 2 + 1, 1 + 1	1 – unacceptable

KEY POINTS

- Performance reviews may be undertaken for a wide variety of purposes.
- To be effective, reviews must focus on what an individual does (outputs), how he or she does it (behaviour), and the factors that may influence these things (personal and organisational factors).
- Reviews that focus on limited information do not produce a fair view of overall performance.
- Where used for reward, limited reviews are likely to encourage individuals to adopt a narrow view of what is important in their work.
- Competencies provide a useful focus for obtaining information on how a person goes about their work.
- Competency information can be collected in many ways and from a variety of people. This requires specialist tools and effective procedures to manage the volumes of both information and work that can be generated.
- Care must be taken when using competency information because questionnaire data, in particular, can be easy both to misinterpret and to misrepresent.
- To be meaningful, the data must be discussed in the light of what the person is trying to achieve as well as personal and organisational influences. It is also necessary to understand how and why others might have different perceptions of an individual's behaviour.

- Competencies provide a useful structure for feeding back or discussing behavioural performance.
- It is important when preparing information for a review discussion that the information is not reduced to numbers.
- Where ratings of behavioural performance are discussed, it is important that the purpose of the review is not forgotten. In many cases the purpose will be to ascertain and/or agree the level of an individual's performance, including areas for improvement.
- The purpose of most reviews is not to discuss behavioural performance, but to use the discussion to arrive at an overall view of performance, which then leads to some form of action – eg a development plan or a pay adjustment.
- A good review requires a good reviewer – someone who can effectively prepare performance information for discussion, evaluate the information against benchmarks and measurable targets, apply rating rules, explore (with the reviewee) any personal and/or organisational factors that may be affecting performance, integrate output and behavioural information with personal and organisational factors, and arrive at an agreed and fair assessment of overall performance.
- Competencies make an important contribution to performance reviews because they help structure and standardise discussions about how a person goes about doing their job. However, it is the successful combination of all the factors mentioned in this chapter (eg reviewers, review processes and use of other appropriate performance criteria) that make reviews good. A good competency framework will not, by itself, either make poor reviewers good or a poor review process good.