

Why the Performance Appraisal System in the NZ Public Sector is Doomed to Fail!

The NZ Public Service has been driven by a policy of “fiscal responsibility” which prizes public accountability for dollars spent. On the face of it, it is entirely reasonable that Public Servants be able to account to their stakeholders, the general public, for the way they spend their, the public’s, hard earned money. This in turn has meant that there has been a gradual “power shift” within Public Sector Organisations, and those people with financial / auditing skills are in the ascendancy, and are therefore the people in the “power” positions of Management. Again, on the face of it, not an unreasonable thing to happen. After all they need people with those sorts of competencies to ensure that this is done. The environment that is established therefore is one of control. People to check and people to check the checkers, and in all probability prevent fraud. The fundamental belief is that the system is what will ensure honesty. It is interesting to note that this system however, has failed on numerous occasions in the past, where fraud has been perpetrated by people, up to an including, the Chief Executive level. Inevitable response, tighten the system, put in more controls, make people more accountable.

Along with this clear message, are also other messages from the leaders (both political and structural) that the Public Servant needs to work smarter and harder, and that if they want to get a pay raise they will have to fund any such raise from the organisation’s current vote. No more money will be made available to the organisation to pay for any increases in salary. So the message from the top is, “If you want more money you have to work harder and smarter to save that money from somewhere else”. This could also be seen to be reasonable, and possibly laudable, by most taxpayers. However, now we have an environment of control, which tries to regulate the behaviour of the people who work for it, by offering conditional rewards.

What is the psychological model, which drives this? Simple, “to get that, you have to do this”! Basic 101 behavioural psychology. In fact this is a model which a lot of people use in their day to day interactions with other people. Their partners, children, their sports team, etc. so it must be OK, or is it? Well Edward Deci would argue that it is not. He, and a number of other commentators, would argue that this type of model is both controlling and manipulative. Further it destroys intrinsic motivation in the individual for the immediate task, and other similar or related tasks.

What is the difference between “do that and you **can have** this (reward)” and “do that and you **will get** this (punishment).”? Coens and Jenkins would argue that they are effectively the same, in terms of their affect. When people do not get the rewards that they expect, then they believe that they are being punished, and maybe they are. They are certainly being controlled. So what do rewards motivate people to do? Nothing more than to seek rewards. Deci’s research, which has been duplicated many times, clearly demonstrates that the moment conditional rewards stop, so does the associated behaviours. There is no lasting long term change in behaviour (performance).

More insidiously, the focus on extrinsic rewards (money, fame, or beauty) to get the required performance, could, over time, cause the individual to place a high value on these as motivators, at the cost of the intrinsic motivators of competence, autonomy, and relatedness. Studies by Ryan and Kaser have indicated that where any one of the

extrinsic motivators is very high for individuals, they are more likely to display poorer mental health. The research suggests that people who have an unusually high aspiration for material success for example, are more likely to suffer from narcissism, depression, anxiety, and poorer social functioning. What right has a “good employer” which NZ Public Sector agencies are required by law to be, got to manipulate their employees in this manner and to possibly cause them psychological harm? What risk in terms of the Health and Safety legislation do they run?

In a 1997 report available on the State Services Commission website, it was concluded that;

“The future Public Service will require multi-skilled, adaptable workers who can provide Government with the information and advice needed to make high-quality decisions affecting the future wellbeing of the nation and to ensure implementation of Government's policy. Requirements include:

- *intellectual skills - to demonstrate high levels of analytical capacity and ongoing ability to learn;*
- *relationship management skills - to deal with people in a diverse workforce and society; to achieve goals through cooperation within and beyond the boundaries of organisations;*
- *bicultural skills - to understand a broad spectrum of issues as they relate to Maori, and build these into daily work and commitment to Maori;*
- *Public Service ethics - to apply the values of an apolitical, professional bureaucracy;*
- *technological skills - to use information technology systems to access and manage information;*
- *self-management skills - to plan and carry out work with minimal supervision;*
- *contract management skills - to manage a variety of contracts for provision of services”.*

Some of the questions raised for me in relation to these statements are around the arguments I have put above. For example how can people in the Public Sector “demonstrate high levels of analytical capacity and ongoing ability to learn” when the research clearly shows that the use of extrinsic rewards has a negative impact on people’s motivation to learn, and the Public Service advocates the use of these rewards? Kohn states that *when people are offered incentives they are less inclined to take risks, explore possibilities, play hunches or attend to anything whose relevance to the problem at hand is not immediately evident. In a word, the No. 1 casualty of rewards is creativity. The proof: a dozen psychological studies showing that the more people are led to think about rewards, the more they prefer easy tasks. Why? Not because of laziness, but because incentives encourage concern about what one is going to get, not about what one is going to learn or achieve. Deci further states that “for the type of engagement that promotes optimal problem solving and performance, people need to be intrinsically motivated”* yet it has been clearly demonstrated that

the use of extrinsic rewards destroys intrinsic motivation, and still the Public Service insists on using them

How can people be expected to *“achieve goals through cooperation within and beyond the boundaries of organisations”* when the measurement of their effectiveness is related to their individual effort rather than their co-operative effort? When people are measured by what they achieve rather than how they achieve it? Kohn points out that *“research and experience show that excellence depends on teamwork, both because of the exchange of ideas it fosters and the climate of social support it creates. But the scramble for rewards -- particularly when they are made scarce, creating competition -- destroys this valuable co-operation”*. So what does the Public Sector do? It focuses on individual effort and puts a fiscal cap on the rewards, making them scarce and makes people compete for them. Now we have extrinsic rewards, which are conditional, scarce, and allocated from a “one up – one down” position by management.

Further, how can people be expected to *“plan and carry out work with minimal supervision”* when the measurement model of their ability to do this is based on the principle of control by others through the use of a manipulative performance measurement system, The structure also creates a problem in that it is hierarchical and bureaucratic requiring operational plans which measure detail down to the amount of time the individual spends at “management meetings”? Again Kohn points out that *relationships between managers and staff, too, can collapse under the weight of incentives. If a manager wields sanctions, of course, employees will be about as glad to see that person coming as they would be to glimpse blue flashing lights in their rear-view mirror. But even if the manager is a rewarder, the effect is essentially the same. Incentive-driven employees will not ask for help when they need it. Instead, they will conceal problems to appear infinitely competent, or they will resort to flattery.*

Mark Lepper and his colleagues at Stanford University discovered that deadlines, imposed goals, surveillance, and evaluations, all served to undermine intrinsic motivation. So why, in the face of all of the evidence that shows that what they are using will not work, does the NZ Public Service persist with it? Kohn suggests that *“Managers typically use a rewards system because it's easy,”* He adds. *“it doesn't take effort, skill or courage to dangle a doggie biscuit in front of an employee and say, ‘Jump through this hoop and this will be yours.’”* It also does not require the manager to make any attempt to understand what it is that motivates individuals, or to try to understand their people at an emotional level.

So why is the current performance appraisal system “doomed”? Primarily because it is based on the theory of operant conditioning, which relies on the idea that you can get people to repeat desired behaviours by offering extrinsic rewards. The problem with this theory is that *“you can get people to do more of something or faster for a little while if you provide them an appealing reward,”* says Alfie Kohn in an article in the New York Times in 1997. *“But no scientific study has ever found a long-term enhancement of the quality of work as a result of any reward system. Bribes and threats can get you a short-term effect, but that's it.”* Even more problematic though is the damage that their use can cause.

Kohn says *rewards may actually damage quality and productivity, and cause employees to lose interest in their jobs. Why?*

- *Rewards control behaviour through seduction. They're a way for people in power to manipulate those with less power.*
- *Rewards ruin relationships. They emphasise the difference in power between the person handing out the reward and the person receiving it.*
- *Rewards create competitiveness among employees, undermining collaboration and teamwork.*
- *Rewards reduce risk taking, creativity and innovation. People will be less likely to pursue hunches, fearing such out-of-the-box thinking may jeopardise their chances for a reward.*
- *Rewards ignore reasons. A commission system, for example, may lead a manager to blame the salesmen when they don't meet quotas, when the real problem may be packaging or pricing”.*

Another perspective is provided by Rob Lebow who states that the ten top control based ideas that destroy accountability are:-

1. **Incentive Programs & Pay-For-Performance Plans:** Promote cheating and distracts people from doing the ‘right thing’ by encouraging the practice of ‘going for the dough no matter what!’
2. **Internal Competition:** Destroys trust, discourages co-operation, and encourages hoarding of resources.
3. **Performance Reviews:** Devastate the human spirit by offering judgements rather than encouragement.
4. **Forced Ranking Systems** (another form of judgement): Assume some people are unsalvageable and give management an excuse not to deal directly with performance issues in a more proactive way.
5. **Personal Improvement Plans** (another form of judgement): Send the message that people are ‘broken’ and need to be ‘fixed.’
6. **Managing People:** Makes the manager accountable, not the employee, and suggests people need watching.
7. **Restrictive Policies and Procedures:** Inhibit creative solutions that lie outside established policies and procedures; and, by demanding compliance, give people an excuse not to be accountable for making wise choices.
8. **Employee Recognition Programs:** Discount the contributions of those who are not recognised, encourage suck-ups, and foster office politics.
9. **Missions, Visions, and Values Statements:** Imposed from the top, are seen by most as mere wallpaper which at best, are ignored; at worst, create cynicism.

10. Traditional Job Descriptions: Restrict personal initiative by telling people what they don't do.

This is one part, which plays a significant part in the “doom” of the present system. The second part, is the competence of the “leaders” in the Public Service. Without people with a high level of Emotional Intelligence leading the Public Sector, change will not happen. Emotional Intelligence has been described as the ability “*to monitor one's own and others' emotions, to discriminate among them, and to use the information to guide one's thinking and actions*”. Research demonstrates that it differentiates between mediocre managers and superior performing managers. For example a study was conducted on *three hundred and fifty-eight Managers across the Johnson & Johnson Consumer & Personal Care Group (JJC&PC Group) globally to assess if there are specific leadership competencies that distinguish high performers from average performers. Participants were randomly selected, then coded for performance rating, potential code, gender, functional group and regional area. More than fourteen hundred employees took part in a one hundred and eighty three question multi-rater survey that measured a variety of competencies associated with leadership performance including those commonly referred to as Emotional Intelligence. Results showed that the highest performing managers have significantly more "emotional competence" than other managers.*

The apparent lack of awareness of the need for this competency by those with the structural power in the NZ Public Service, will cause such a level of inertia that will make change virtually impossible. This then probably leads to the question “well how many of these people exist in the Public Service today”? The answer is that nobody knows. The system has been so busy promoting the “excellent technicians” into leadership roles that it has not even considered the need to assess this competency in the recruitment process. As far back as 1679, however, this need for self awareness was recognised by people such as Jean De La Fontaine when he stated “*he who knows the universe and does not know himself knows nothing*”. Take time to look at the competencies expected to be displayed by NZ Public Service Chief Executives at <http://www.ssc.govt.nz/Documents/CEComps.htm>. There is not a lot in there about the Chief Executives competence in relation to Emotional Intelligence. There is a lot about control

It is also interesting to note that the introduction by the State Services Commissioner states that “*to be a chief executive of any organisation is both a privilege and a major responsibility. Chief executives are in a position to shape the direction, structure, systems and culture of their organisations, influence the careers of the staff who work within them*”. So we start off with a statement that is control based and manipulative in its nature. You are privileged to have this position, and by inference this privilege can be taken away from you by people with more power, if you do not do as they say. In point of fact this message has been reinforced by the same State Services Commissioner “choosing not to renew the contract” of a Chief Executive who had apparently erred or not “fit” the required style? Obviously I cannot comment on the rights or wrongs of this decision, however I am sure that it had a salutary affect on all other Chief Executives who may have been inclined to “push the edges”. I am also sure that it has engendered as sense of compliance in other Chief Executives, and probably the whole of the Public Sector, whether this was the intended purpose or not. An interesting side note to the control model here is that the tenure of Public Service Chief Executives is for a fixed term of 5 years with no automatic right of renewal.

Now there is a strong message to the “free thinkers” or “tempered radicals” that may aspire to the positions.

It has been suggested that the ultimate test for performance appraisal systems is *would you go home and sit your partner, or your family, down and put them through the process? If the answer is no, why are you prepared to do it to other peoples partners, or families?* Hi dear I’m home. I would like to set a time with you to sit down and discuss your performance over the last 12 months. Please bring along your performance agreement in which we set out some performance expectations for the year and some milestones for you to meet, and we can then rate how well you achieved them. I tried this and I can assure you that it does not work for me!

Can the present Public Service model work then? I think not. Can it be repaired? I think not. So what to do instead? Well Coens and Jenkins have some ideas on that, so did Deci, and a more recent book I have had the privilege of reading (as it has not been released yet) has some really exciting options. Rob Lebow in his book “Accountability: Freedom and Responsibility Without Control” (due for release in October this year) talks about the development of a “Freedom Based Culture” rather than the traditional “Control Based Culture” that exists now in most organisation. But that, as they say, *“is a whole different story”!*

For the beginning of that story however, consider the following. *“Never doubt the capacity of the people you lead to accomplish whatever you dream for them.”* states Ben Zander, conductor of the Boston Philharmonic Orchestra, and follows this up with the exhortation to always follow rule number 6 *“Don’t take yourself so goddamn seriously”*. There are no other rules by the way

He states *“the conductor doesn’t make a sound. The conductor who recognises that he does not make a sound can focus on making other people more powerful. Unless he constantly connects his effectiveness as a leader to how others are playing, he’s likely to blame his players when things go badly. This goes for business leaders as well: If the people you’re managing feel lively, energetic, and connected, they’ll be able to feed you information that’s valuable to you as a leader.”*

He suggests that as a manager one way to check whether you’re doing an adequate job is to look in your people’s eyes. The eyes never lie. If the eyes are shining, then your leadership is working. *“Human beings in the presence of possibility react physically as well as emotionally. If the eyes aren’t shining”* ask yourself, *“What am I doing that’s keeping my people eyes from shining?”*

Says Roz Zander *“The new leader’s job is to create a powerful vision that allows room for things to occur that are as yet undreamed of. The leader must hold the definition of the vision so clearly that all the players involved are able to align with it daily.”*

Maybe the American Army has something to offer as well. The basic soldier has an ear piece, which enables him to directly hear the communications of the senior officer in the field. This allows him know what the overall plan is and how he fits into it. Or to go back to Zander’s model, each individual knows the music, not just the notes on the sheet of paper in front of him/her.

These models still provide individual with the overall direction of the business and coaching in their part in the plan. However, the focus then becomes **enabling** the individual to perform rather than **making** them.

As final comment if I may paraphrase W. Edwards Deming, that relates to a “non-performing” staff member. It is “*did you recruit him brain dead or did you kill it*”?

References

“*Why we do what we do*” Edward L. Deci.

“*Primal Leadership – Realising the Power of Emotional Intelligence*” Daniel Goleman, Richard Boyatzis, and Annie McKee

“*A Journey into a Heroic Environment*” Rob Lebow

“*Leadership – An Art of Possibility*” Ben Zander

“*Freedom and Responsibility Without Control*” Rob Lebow

“*Punished by Rewards*”. Alfie Kohn,.