"The study of Performance Management within a Large Irish Organisation"

A study of Ernst & Young

By

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Authorship Declaration

I hereby certify that this material, which I now submit for assessment of the programme of study leading to the award of BA in Human Resource Management is entirely my own work and has not been taken from the work of others save and to the extent that such work has been cited and acknowledged within the text of my work.

Signed

Date

Student Number
Abstract

The study of Performance Management (PM) within a large organisation is the subject of this dissertation. It looks at PM in Ernst & Young (EY) in relation to both strategic and operational aspects. The way in which PM is linked with organisational and individual strategy is formulated and the ways in which such linkages are fostered and analysed. Barriers and facilitators to PM at each vital stage of the PMP are also discussed. It looks at the effects of implementing a PMP within EY. The key findings in this dissertation are firstly in relation to implementing PM within EY. Secondly, in relation to the barriers and facilitators which EY face in relation to PM. Thirdly, in relation to how PM is structured within EY. And finally, in relation to the roles and responsibilities assigned to key players in relation to PM in EY particularly in relation to overall commitment to the process.
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Introduction

This dissertation examines performance management (PM) in a large organisation. Using a review of current literature and qualitative research done in a large Irish organisation, this dissertation aims to explore the issues surrounding PM. It attempts to provide an example of a way in which PM can be structured in an organisation and the various issues, which may arise at different stages of the PMP. The research if focused on six main areas, which are the basis of this study. Firstly, is PM strategic within EY? Secondly, who are the key players involved in the PMP in EY and what are their main roles and responsibilities in the PMP? Thirdly, what barriers and facilitators are faced in EY in relation to implementing PM? Fourthly, how is PM organised and structured within EY? Fifthly, what methods are used at each stage of the process and why? And sixthly, is PM evaluated in EY and if so, how is this done? The underlying rationale in carrying out this research is to explore the question, is PM managing the overall success of the organisation in light of the claims made in the literature.

Chapter 1 is a review of the relevant literature concerned with PM. It is concerned with providing reliable information to aid in the understanding of theories and topics pertinent to this study. The purpose of this chapter is to outline the key areas of interest, to examine the contributions of experts and academics in the field of PM and to consider the practical implications arising from such theory. Specifically this involves defining PM and explaining the concept and features of PM, looking at the issues in developing a PMP, looking at barriers and facilitators to PM, looking at the roles and responsibilities of key players in PM, examining the different structures which can be used to execute PM in an organisation, outlining the different stages of the PMP and activities which can take place at each stage and a discussion on the level of commitment by key players towards PM and how this is achieved.

Chapter 2 outlines the research of objectives of this study and justifies EY as the research material. It describes the research methodology used to investigate the structural and procedural issues surrounding PM in EY. It looks at the collection methods and sources of both secondary and primary data and describes how this data
is analysed to produce meaningful and relevant information. Finally, it describes the limitations of the research methods used in this study.

Chapter 3 provided a profile of the dissertation study organisation, EY. Then it highlights the results of the findings of the research in a structured and clear format.

Chapter 4 discusses and analyses the issues, which have a risen by the research findings in light of the literature. Conclusions are derived from the more interesting aspects of the study from the author's perspective. The issues include; the hierarchal manner in which business strategy is translated into PM within EY, the various barriers to EY experienced in EY and the ways in which EY have tried to overcome these barriers, the way PM is structured in EY and its implications; the methods used in PM in EY; and finally, the level of commitment of the current PMP within EY.
Literature Review

Introduction
The literature review begins by looking at the history and background of management and performance within organisations. It will also look at the concept of what PM means and then looks at the core objectives of PM within an organisation. Explanations are provided as to why there should be a Performance Management Process (PMP) in place within an organisation. Possible ways in which the process can be fostered are also outlined. Then the literature review identifies the barriers and facilitators to PM. Ways to overcome such barriers are outlined and ways to harness such facilitators are also described. An explanation of each stage of the process is given, with reference made to various methods as well as the issues associated with the different methods. Then descriptions of the various PMP approaches within an organisation are illustrated. Possible benefits and pitfalls of the different approaches are also outlined. Then there is an outline of the activities that are undertaken in the PMP. Following on from this, it is outlined how the key players, responsible for implementing an effective PMP, can affect the overall success of the process linking strategic and individual objectives.

Continuing on from the above points, there is an analysis of the key players that are affected by and in turn effect PM in an organisation. The key players, which are discussed, are senior management, line managers and the individual employee. In this section, reference is made to the employee as a valuable resource, and their impact on PM within the organisation.

The stages in the PMP which are outlined are, the assessment and implementation of organisational strategy reflecting the organisations goals and objectives as well as individual objectives, performance review measuring gap between expectations and actual behaviour of each individual, reward and recognition based on performance and the evaluation and transfer of training and development needs in order to meet the needs of the organisation and the individual. The literature review concludes at this stage, having covered all the areas, which are relevant to this particular study.
Performance Management (PM)

One of the primary influences in organisations and management of performance today stem from a number of significant studies carried out over a century ago. The study of management was devised at the end of the 19th century as a response to the managerial challenges posed by over a century of intense industrialisation. Torrington, Hall and Taylor (2002 p. 262) comment there was a pattern of thinking which set reward separate from performance: rewards were provided in exchange for performance powerfully influenced by the industrial relations history, as trade unions had developed the process of collective bargaining and negotiation.

According to Tieman, Morley and Foley (1996 p. 18) one of the major approaches associated with this era was scientific management. One of the first ever to create a science of management was social scientist Frederick Taylor, 1856-1915, (www.NetMBA.com). Taylor's 'Principles of Scientific Management', was first published in 1911 in which he described how the application of the scientific method to the management of workers could greatly improve productivity by optimising the way that tasks were performed and simplifying the jobs enough so that workers could be trained to perform their specialised sequence of motions in the one 'best' way. According to Taylor,

.....the principle objective of management should be to secure the maximum prosperity for the employer coupled with the maximum prosperity for each employee. This prosperity did not just mean profit, but the development of the employee to perform the highest grade of work for which he/she was able. (Tieman Morley and Foley 1996 p. 18)

In 1960, Douglas McGregor made his mark on the history of organisational management when he proposed the two motivational theories by which managers perceive employee motivation as Theory X and Theory Y. McGregor argues that under Theory X, management approaches to motivation range from a hard approach (coercion, implicit threats and tight controls) and soft approach (permissive, seeks harmony in order to obtain employee cooperation) which an organisation relies on satisfying lower level needs (monetary rewards and benefits) and higher level needs
The concept of PM, as we know it today, has grown to be one of the most important and positive developments in the sphere of human resource management. Armstrong (1995) indicates that PM, as a concept, emerged as a distinctive approach in the late 1980's as a result of a growing recognition that management of performance in organisations is a key variable in organisational effectiveness and growth and therefore a more continuous and integrated approach was needed to manage and reward performance. At this time, management began to see the need for more continuous and integrated approach to the management, appraisal and reward of performance as they were often faced with the challenge of getting more work out of less people for the same or less financial reward due to downsizing, resulting in reduced levels of motivation and morale.

As Pulakos (1997 p. 291) points out,

Rewarding and promoting effective performance in organisations, as well as identifying ineffective performers for development programmes or other personnel actions, are essential to effective human resource management in organisations. The ability to perform these functions relies on assessing employee performance in a fair and accurate manner.

PM became even more significant in the early 1990's, Armstrong and Murlis (1994 p. 205) comment, performance management emerged as a key business process and a major lever for achieving cultural change in the early 1990's when it became increasingly evident that it could play an important part in an integrated system of human resource management. Such systems of human resources management include training, job definition, reward and performance management.

There are various definitions of PM and perspectives on its core ingredients. While extant literature on managing performance reveals several terms that are often used interchangeably, such as performance appraisal, performance assessment,
performance evaluation and job appraisal it is perhaps clearer to make a distinction between them.

PM is a continuous process rather than simply another management system, striving to increase commitment as well as individual and corporate effectiveness. Performance appraisal is part of the PMP. The term performance appraisal conjures up the action of appraisal i.e. a twice yearly formal meeting whereby objectives and targets are set and where actual performance is measured against goals set in previous meetings. Alan Fowler in ‘Performance Management Plus’, June 1991 suggested staff work best when they are thought to have done and therefore need to talk with their managers at least once a year about this, Fisher (1995). One may then argue that performance appraisal is an essential component of PM but not the whole picture. Appraisal has more to do with performance control and supervision of staff whereas PM seeks to encompass all aspects of the improved performance of individuals and how this contributes to both team and organisational performance.

Armstrong (2003 p. 479) concisely describes PM as being concerned with,

.....getting better results from the organisation, teams and individuals by understanding and managing performance within agreed frameworks of planned goals, standards and competence requirements.

It is the link between individual performance and the goals and objectives of an organisation. The process is based on a simple premise – if individual growth and development are in line with what is important to the organisation, everyone will benefit. It aims to ensure continued success for the organisation through enforcing specific types of behaviour and for individuals it can result in enhanced performance and greater rewards. Having a common understanding of the organisations business direction and clear appreciation of what is expected of the individual assists individual performance. Capability of individuals to achieve goals and objectives will lead to meaningful rewards and career progression.

According to Armstrong and Baron (1998), the PMP is essentially a strategic and integrated approach to delivering sustained success to organisations by improving the
performance of the people who work in them and by developing the capabilities of teams and individual contributors. Improving performance and getting the most out of the workforce has always been a predominant management preoccupation, (Torrington, Hall and Taylor 2002 p. 262).

The main objectives and the core elements of PM are: *performance management* in order to achieve organisational, team and individual effectiveness. As Lawson (1995) points out, organisations have to get the right things done successfully. *Employee development* as performance improvement is not achievable unless there are effective processes of continuous development. The needs and expectations of the organisations *stakeholders* must be satisfied – owners, management, employees, customers, suppliers and the general public. Finally, PM is concerned with *communication* and *involvement* of each individual within the organisation in order to establish mutual understanding of what is to be achieved and a framework of managing and developing people to ensure that it will be achieved, (Armstrong, M. 2003 p. 480)

As well as aiming to achieve overall success, organisations are subsequently concerned with what should be done to achieve sustained high levels of performance through people in order to achieve such success. This means giving close attention to how individuals can be best motivated through such means as incentives, rewards, leadership and, importantly, the work they do and the organisation context within which they carry out their work. As Penn, Schoen and Berland (1998) explain, employee satisfaction is positively correlated with training, performance related pay and individual responsibilities: 86% of German workers in companies that provided training, individual responsibility and linked pay to performance said they were ‘very loyal’ compared to only 66% in other companies.

As Fletcher and Williams, (1992 p. 47) suggests,

.....the real concept of performance management is associated with an approach to creating a shared vision of the purpose and aims of the organisation, helping each individual employee understand and recognise their part in contributing to them, and
in doing so manage and enhance the performance of both individuals and the organisation.

Diverse external pressures are adding to the challenges facing organisations. Global geo-political developments, continued terrorist threats, health scares and the economic slowdown make the future for business less certain than it has been for sometime. Recent global capital market adjustments combined with the high profile corporate scandals (such as Enron and Worldcom) have altered shareholder expectations and heightened the need to re-build trust between business and stakeholders through improved transparency. The ageing population, changing preferences between work and leisure and increasing mobility are among many forces altering the shape of the potential workforce, PriceWaterhouseCoopers (2003).

A key challenge facing organisations today is how they continue to deliver sustained advantage in the short term while preparing for long term success. PM is a process for establishing shared understanding about what is to be achieved, and an approach to managing and developing people in a way that increases the profitability that it will be achieved in the short and long term (Armstrong, M. 2003 p. 480).

It is widely acknowledged that the basis of sustainable competitive advantage has shifted. The shift has been toward focusing on a motivated and committed workforce as the main source of competitive advantage. Sustainable competitive advantage can be described as something, which distinguishes a company from its competitors, provides positive economic and financial benefits and finally and most importantly is not readily duplicated. Traditionally, sources of competitive advantage were focused on areas such as product and process technology, protected and regulated markets and access to financial resources. However, in today’s fast paced competitive environment, such sources have either become obsolete or diminished in significance. For example, product technology no longer can guarantee competitive advantage, with product life cycles becoming shorter and new-product introductions coming increasingly more rapid. Protected and regulated markets are declining in the face of internationalisation of trade. Access to financial resources has been eroded as a source of competitive advantage also, due to more efficient financial markets. However, mounting evidence has shown that a motivated and highly committed
workforce can be the key to sustainable competitive advantage. As Walker (1992 pp. 8-9) points out, people, not companies, innovate, make decisions, develop and produce new products, penetrate new markets, and serve customers more effectively.

This viewpoint entails seeing the workforce as a source of strategic advantage, rather than a cost to be minimised. It follows from this that if competitive advantage is achieved through the workforce, then the management of performance should be a key concern. Weiler, (1988 p. 6) suggests, with tougher competition and more volatile corporate activities, the know-how, attitudes and commitment of employees play an increasingly important role in building up and safeguarding a lasting competitive edge.

This would imply that introducing a PMP is a prerequisite in order to achieve competitive advantage for an organisation.

**Barriers And Facilitators to PM**

Now that the rationales behind PM and its core ingredients have been outlined, the next step is to look at factors, which can act as barriers or as facilitators to its implementation. Even though there is a strong economic rationale behind a strategic approach to managing performance, it is found that in many organisations the level of satisfaction with performance initiatives is typically low, Jacobs (1993) and (Antonioni) 1994. 70% of chief executives drawn from 600 companies agreed that people were their firms' most important asset. But only 10% said that they considered people issues in the same way as they did more traditional concerns such as finance, Chartered Institute of Personnel Development (2001).

There are various reasons why organisations are sometimes reluctant to adopt a strategic approach to PM. These barriers can be in the form of institutional arrangements such as an environment, which encourages a focus on the short-term financial results and is more concerned with the 'bottom line'. Or these barriers can be organisational, such as an organisational culture or climate, which inhibits the process of managing performance. As Purcell (1999) identifies, there is considerable evidence of attempted changes which have failed for a wide range of reasons.
including: trust is low, change is seen as a management fad which will go away; change has been poorly communicated and understood; change is just a way to get us to work harder for the same money. Barriers can also be created by the people who impact or are impacted on by PM.

Individual lack of interest can also be a major barrier to PM. Employees themselves may present barriers to PM, through lack of motivation to participate in the PMP. This is the case despite the fact that a PMP can benefit them through increased ownership of their personal goals and ambitions, opportunities for career progression, training and development and by unleashing their full potential. There are various reasons as to why employees might act as a barrier to PM. They might have had previous bad experiences with PM e.g. not being previously rewarded for a job well done resulting in a feeling of working harder for the same financial reward. This leads to the employee not to be receptive to such initiatives in the workplace because of this prior experience. They might not trust the process or not feel committed enough to the organisation to engage themselves in a PMP.

Individual barriers can also come from other stakeholders and interest groups in PM, such as the PM function itself, line managers and even senior managers. Barriers from these key players can come in various forms, such as lack of trust in the PMP, through not identifying with the value PM can create and through lack of motivation and time to engage in the PMP. The details of how each of these parties can pose a barrier to PM will be elaborated on later on in this chapter.

Cost can also be a barrier to implementing PM. This is especially true in countries such as the UK and the US, where there is a short-term, cost based approach to managing activities due to dependence on shareholder capital. Shareholders look for short-term returns on investment, shown in such areas as end of year profits. Such an attitude runs contrary to investment in implementing a PMP, which usually has immediate costs in terms of senior management investing time and effort into coaching, mentoring and evaluating performance of individuals resulting in less time being spent on carrying out activities directly linked with producing profits.
The difficulties involved in proving that PM can improve performance can pose a significant barrier to the implementation of a PMP. In other words, does the way that people are managed affect the bottom line? Sometimes the view of performance is used, on the basis that management accounting procedures can influence bottom line figures. However, despite critics views that performance management does not by itself, improve performance, the evidence outlined earlier in this chapter shows that PM can indeed contribute to improving performance. It is just a matter of establishing what the desired outcomes of the PMP are before implementation and then assessing the behaviours and attitudes of employees regularly in order to measure and evaluate the contributions made by each individual. Such assessment techniques shall be discussed in detail later in this chapter.

There are also various facilitators and ways of gaining support for implementing a PMP. Philpott and Sheppard (1993) propose the following factors can facilitate PM; awareness of organisational culture, mission and values, clearly defined roles, evaluation process, reward and recognition. PM must be congruent with the existing culture of an organisation in order to ensure that the process will support the achievement of high performance standards while assisting to change or reshape attitudes and behaviors within an organisation if necessary. Clearly defined principle responsibilities of managers and staff must also be implemented so that they are fully aware of their objectives, the standards of performance expected of them, and the quantitative key performance indicators, which will be used to measure their achievements.

The PM function can provide a systematic review of performance against strengths and weaknesses, which will assist in identifying career development and training programmes for individuals providing a basis for motivation through intrinsic and extrinsic rewards. Providing an integrated approach to increasing motivation and commitment, which combines the impact of result-orientated performance appraisal and performance related pay systems, will assist to develop attitudes and behaviours resulting in better performance. Forging such a link is one of the most important ways of gaining support for PM in an organisation.
Internal values and systems are also important for PM because when powerful parties in an organisation, such as senior managers, are committed to managing performance, it provides opportunities for PM to prove its strategic value.

Results provided by a survey carried out by PWC (Global Human Capital Survey:2002) established that companies with a documented HR strategy have 35% higher revenues per employee, 12% lower absenteeism and more efficient performance management and reward systems. Three quarters of those firms with a documented HR strategy also feel that their performance management systems are 'very effective'.

Roles And Responsibilities in PM

PMP's need to be introduced with great care as too many ambitious schemes fail because this seemingly obvious requirement has been neglected (Armstrong, M. 2003 p. 506). PM concerns everyone in the business – not just managers. It rejects the cultural assumption that only managers are accountable for the performance of their teams and replaces it with the belief that responsibility is shared between managers and their teams (Armstrong, M. 2003 p. 481).

Before any effort can be made to implement a successful PMP, it is necessary to take account of all the key players interest so that there is less chance of resistance to changes brought about by conflict of interest. These key players are senior managers, line managers, and the individual employee. Each of these key players has different interest areas in PM and can pose potential barriers to progressing PM to more strategic levels. Each of these key players shall now be described with reference to the ways they can pose both positive and negative effects to the PMP.

Senior Management

Senior management is the group responsible for strategic decisions. Organisations are now faced with hyper-competitive markets, and it is becoming harder as already mentioned, to find a basis for sustainable competitive advantage. Many senior managers are beginning to see people as their greatest asset, and beginning to see the link between HR practices and business performance (Guest and Baron, 2000). As
PWC, Global Human Capital Survey (2002) states: employees are increasingly seen as key business stakeholders whose perceptions, attitudes and behaviours can significantly affect businesses' performance. However despite this, evidence shows that very few senior managers engage in the PMP as outlined by Sparrow and Hiltrop (1994), studies have shown that in organisations that utilise performance management, 90% of senior managers have not received performance reviews in the last two years. Clearly the problem here is that PM is not used, modeled and visibly supported at the top of the organisation. Sooner or later people at lower levels catch on and no longer feel compelled to take the time to make PM work. This can be seen as detrimental to a PMP, because PM has a significant impact when senior management supports it. According to Wright and Brading, (1992) the PM system should have the full commitment of top management, yet not be viewed as a top-down affair.

Senior management also carries the responsibility for communicating a clear vision about what the PMP means to the organisation and the part it is to play in organisational performance and growth i.e. the core mission statement, values and objectives of the PM must be clearly set out. Only when the strategic level is clear can objectives, standards and processes be generated at lower levels within the organisation. The strategic aims of an organisation reflect the particular goals of teams, departments and individuals.

However, while numerous reports and case studies have proven the worth of PM to an organisation, there can often be top management resistance. There are various reasons for this resistance as Armstrong (2003 p. 47) explains, managers will block or erect barriers if they are not persuaded that it will benefit both the organisation and themselves at an acceptable cost (money and their time and trouble).

A constant aphorism with any management initiative is the need for endorsement from senior management. Senior management is required to acknowledge and accept that the initiative is something in which they must support and participate in continuously. If resistance can be overcome, senior management can have a vital role in championing the PMP throughout the organisation. There are various ways in which senior management can support PM. They can do this by showing
commitment publicly to PM in the organisation. This only has an impact however if senior management acts consistently with the vision they send out with regard to the purpose of a PMP.

They can also support PM through communicating with employees and line managers about the value of PM and how they see it contributing to business goals while also contributing to achieving individual goals. Armstrong (2003 p. 480) suggests communication and involvement of PM creates a climate in which a continuing dialogue between managers and the members of their teams takes place to define expectations and shared information on the organisation's mission, values and objectives. This establishes mutual understanding of what is to be achieved and a framework for managing and developing people to ensure that it will be achieved.

**Line Management**

Although senior management support is vital with regards to PM, it is the active involvement of the line manager carrying out the PM and implementing the process that drives the success of PM in an organisation. High levels of organisational performance are not achieved simply by having a range of well conceived policies and processes in place, as pointed out by Purcell et al (2003) what makes the difference is how these policies and processes are implemented.

The line manager is the individual who has the responsibility of getting teams and individuals to participate, through performance review meetings, in defining their objectives and the means to achieve them through agreeing the tasks, knowledge, skills and competencies that are required of each individual. It is, as Purcell et al (2003) states, line managers who bring HR policies to life.

However, even when an organisation has developed a best-practice PMP, there is often a breakdown in implementation at line manager level. According to Hazard (2004) the most prevalent reason is, the organisation values and rewards short-term, bottom-line results over good people management. The greater this emphasis, the easier it is for managers to overlook investing in people. Ultimately though,
achieving good results is impacted by employees’ ability and motivation to perform well.

In addition to Hazard’s thoughts, there are certain also other issues that can restrict line managers from implementing PM. These issues include similar reasons, to those that can restrict senior managers’ commitment to PM. For example, line managers may not have the ability carry out performance reviews. People centered activities such as managing performance require special skills which some managers to not possess and so they tend to devalue PM or even see it as a threat to their position if it can identify a gap in competencies required of a line manager. Line managers can also be too busy to consider the benefits of PM. PM schemes often fail because of the reluctance of managers to carry out reviews (Armstrong, M. 2003 p. 46). Senior managers might also be at fault, if they do not try to involve line management in the PM planning and implementation.

However, despite these possible problems, there are various ways in which line management can become involved in and support PM. Firstly, senior management must build and communicate the business rationale for superior talent management. Gaining buy-in from leaders to hold both themselves and line managers accountable for effective PM. By involving line managers at the design stage ensures the competencies cover the criteria in which they really make decisions. As Hazard (2004) advises:

Work with line managers until evaluation criteria are observable and measurable, directly related to productivity, objectives and/or organisational values and policies. This ensures non-biased, effective means to judge and improve performance.

Finally, and most importantly, line managers must be provided with the necessary skills to manage performance including induction, giving feedback, coaching and employee development. Training should be provided to fill skill gaps.
Individual Employee

The individual employee is the recipient of PM. The purpose of PM as already mentioned is as strategic and integrated approach to delivering sustained success to organisations by improving the performance of the people who work in them and by developing the capabilities of teams and individual contributors (Armstrong and Baron, 1998). Without the individual, the whole process of PM would have no value. Because of the key role individuals have in the process of PM, they can have a very prominent effect on the success of PM within an organisation. If individuals are not motivated or interested in their tasks and responsibilities then he/she will not buy-in to the process of PM of carrying out agreed goals and objectives in order to achieve better organisational and individual performance. If the individual feels that there will be an appropriate outcome from the PMP, then they will be motivated to take part. The outcome can be intrinsic or extrinsic reward. This idea is based on Vroom's expectancy theory, which states that, people will behave in a certain way if they expect an appropriate outcome for such behaviours (Vroom cited in Rummler and Brache, 1995). Issues which might effect the individuals motivation is their attitude towards PM, as mentioned earlier by Purcell (1999) trust is low, change is seen as a management fad which will go away; change has been poorly communicated and understood; change is just a way to get us to work harder for the same money.

Another key issue is that individuals must also see the worth of the PMP. Line managers should regard the people who report to them as customers for the managerial contribution and services they can provide (Armstrong, M. 2003 p. 481). Line managers and individuals are jointly responsible for results and therefore should be jointly involved in agreeing what they need to do and how they need to do it, in monitoring performance and taking action. Such an involvement can help the individual understand the worth of PM and assist in motivating by feelings of ownership of their job role and career path. Because of the key impact on the overall success of an organisation relies heavily on individuals and teams, it is essential that line managers take the interests of the individual into account setting goals and objectives in order to achieve the necessary motivation to carry out tasks to a higher performance level.
Employees are treated as partners in the enterprise whose interests are respected and who have a voice on matters that concern them, whose opinions are sought and listened to. PM should respect the needs of individuals and teams as well as those of the organisation, recognising that they will not always coincide, (Armstrong, M. 2003 p. 480).

The Performance Management Process (PMP)

Historically, performance was typically seen as a result of the interaction between individual ability and motivation. According to Armstrong (2003 p. 297) increasingly, organisations recognise that planning and enabling performance has a critical effect of individual performance. So, for example, clarity of performance goals and standards, appropriate resources, guidance and support from the individuals manager all become central i.e. the PMP. In the PMP, there are five main stages. These are the agreed role profile, performance agreement, performance development, managing performance and reviewing performance. All these stages are necessary in order for PM to meet organisational needs. Each stage is mutually reinforcing. The process is illustrated by a model adapted by Armstrong (2003 p. 486) illustrated as follows:

Figure 1.

![Performance Management Process Diagram](image-url)
Role Profile

The first stage in the PMP is known as the role profile. This stage is concerned with providing the framework for PM. As Torrington, Hall and Taylor (2002 p. 297) comment, it recognises the importance of a shared view of expected performance between the manager and employee. It sets out the purpose of an individual’s role with an organisation such as a traditional job description, key goals (the desired output), performance standards, specific objectives or targets (expected achievement) and essential competency requirements. An individual’s role is derived from the organisation’s strategic objectives, which are jointly devised by the appraiser and appraisee (Torrington, Hall and Taylor 2002 p. 311). These objectives are results rather than task orientated, are tightly defined and include measures to be assessed. The objectives are designed to stretch the individual, and offer potential development as well as meeting business needs. Advising individuals of how their personal objectives contribute to team and organisational objectives is an important part of the PMP. Performance expectations need to be understood and, where possible, to involve a contribution from the employee. For example, although the manager sets out key objectives they will also need to be discussed with the employee. Specific objectives allow for and benefit from a greater degree of employee input, as employees will have valid view of barriers to overcome, the effort involved and feasibility. Incorporating employee input is assists to generate a higher degree of employee ownership and commitment (Torrington, Hall and Taylor, 2003).

The key result areas are the responsibilities of an individual, which define the main output of the role. Key competencies indicate the tasks and behaviour required to carry out those tasks effectively. They provide the basis for drawing up personal development plans and for assessing the input aspect of performance (Armstrong, M. 2003 p. 487).

Performance Agreement

Once a role profile has been discussed and agreed, the second stage of the PMP establishes a performance agreement otherwise known as a performance contract which outlines the tasks, knowledge, skills and competencies required by an individual to achieve their key objectives (Gunnigle, Heraty and Morley 2002 p. 176).
Agreements are devised and agreed by both the line manager and the individual, detailing development goals and activities designed to enable the individual to meet his/her objectives (Torrington, Hall, Taylor 2002 p. 311). The objectives are designed to stretch the individual, and offer potential development as well as meeting business needs and can be expressed as targets (quantifiable results to be attained, which can be measured in such terms as output, sales and cost reduction) or projects (achieve defined results). According to Armstrong (2003 p. 488), there should be an upward flow, which provides for participation in goal setting and the opportunity for individuals to contribute to the formulation of their own objectives and to the objectives of their teams, functions and, ultimately, the organisation. Many organisations use the 'SMART' acronym for describing individual objectives or targets (Torrington, Hall, Taylor 2002 p. 311): Specific, Measurable, Appropriate, Relevant and Times. Armstrong (2003 p. 488) explains that objectives can be work related, referring to the results attained or the contribution to be made to the achievement of organisational, functional or team goals.

The performance agreements also advise how levels of competency will be assessed/measured including discussions to clarify expectations with reference to the role profile. Armstrong (2003 p. 489) states, it is necessary to define not only what is to be achieved but also how those concerned will know that it has been achieved. Performance agreements may also refer to the core values of the organisation for quality, customer service, team working, employee development etc, which individuals are expected to uphold in carrying out their work i.e. the mission statement of the organisation.

Performance Development Plan
The third stage is an important component of the PMP which focuses on the development of employees work related skills, knowledge and experience. The development process offers another opportunity for the manager and individual employee to work collaboratively to improve or build on his or her own performance and to contribute to organisational effectiveness. As Armstrong (2003 p. 493) comments, PM should be regarded as an integral part of the continuing process of management. This is based on the philosophy that emphasises:
Performance development facilitates management to set out the actions individual employees are expected to take in order to develop themselves in order to ensure that their knowledge and skills increase their levels of competence and to improve their performance in specified areas. Continuous performance development of employees is an inherent aspect of the process where specific training requirements are identified at the review stage (discussed later in this chapter), and informal training and learning through coaching, mentoring and self-development is encouraged throughout the year. As Torrington, Hall and Taylor (2002 p. 311) comments, the emphasis is on managerial support and coaching.

According to UCSD Human Resources Department (www.hr.ucsd.html), there are four stages of the PMP whereby management have the opportunity to discuss training, education or development opportunities in order to identify specific steps to be taken in order to accomplish the objectives of the organisation through the individual employees performance contribution;

- after definition or review of a performance standards;
- as part of the ongoing process of observation and feedback;
- as the final element of the performance appraisal process (discussed later in this chapter);
- when an individual employee initiates a request for education or development opportunities.

Effective performance development results in supporting and encouraging the growth and development of individual employees, which in turn builds employee motivation and commitment to the organisation, and improves morale. (www.hr.ucsd.html)
Managing Performance

At this point of the PMP, action is taken to implement the performance agreement and personal development plan as employees carry on with their day-to-day work and their planned learning activities. Managing performance throughout the year entails a continuous process of providing feedback on performance, conducting informal progress reviews, updating objectives and, where necessary, dealing with performance problems. The performance cycle identifies three aspects of effective performance, according to Torrington, Hall and Taylor (2002 p. 298) these aspects can be used as a stepping-stone in managing performance. The framework as follows;

Figure 2.

While the employee is working to achieve the objectives agreed, the manager retains a key-enabling role. As Armstrong (2003 p. 492) suggests, managing performance is a continuous process, which reflects normal good management practices of setting direction, monitoring and measuring performance, and taking action accordingly. There may well be unforeseen barriers to the agreed objectives, which it falls within the managers’ remit to address, and sometimes the situation will demand that the expected performance needs be revised. Ongoing coaching during the task is extremely important from the employees’ perspective. Managers can guide employees through discussion and by giving feedback. A relatively new feature of PM is the method of 360° feedback, as defined by Ward (1995) as: a systematic collection and feedback of performance data on an individual or group derived from a number of the stakeholders on their performance. Although it is the employees’ responsibility to achieve the objectives agreed, the manager has a continuous role in providing support and guidance.
Performance Review

Performance review is likely to take place on a daily basis, often on a very informal way through casual meetings and informal discussions between managers and their staff. However, the establishment of a formal review (appraisal) system is a systematic approach to evaluating and reviewing employee performance. Appraisal systems formalise the review part of the performance cycle. They are typically designed on a central basis, usually by the HR function, and require that each line manager appraise the performance of their staff on an annual, six-month or ideally on a quarterly basis. As outlined by Armstrong (2003 p. 496), the performance review meeting should be regarded as a conversation with a purpose, which is to reach firm and agreed conclusions about the individuals development, and, if applicable, any areas for improvement and how such improvement will be achieved.

There are five key elements, which form the basis of the performance review meeting;

1. Measurement – assessing results against past agreed targets and standards;
2. Feedback – providing feedback on past performance;
3. Positive reinforcement – acknowledging a job well done to ensure desired behavior is repeated in the future and only making constructive criticisms;
4. Exchange of views and rating of performance,
5. Agreement on action plans for the future.

As most formal performance review meetings take place once a year, both parties should set aside some time in order to consider the points for discussion. Armstrong (2003 p. 498) comments, reviewing performance is not something that managers do to their subordinates, it is something they carry out together. The manager (the reviewer) should consider how well the individual (the reviewee) has done in achieving objectives and meeting performance standards since the last review meeting and the extent to which personal development plans have been implemented. The individual (the reviewee) should also spend time reviewing their performance and contribution since the last review meeting.
An analysis should also be made of the factors affecting performance and the reasons for success or failure. The method for feedback must also be considered and provided at the meeting as well as the evidence that will be used to support the feedback, and any actions that might be taken to improve performance and possible objectives for the next review period. Feedback should focus on the attainment of work targets and standards, as Gunnigle, Heraty and Morely (2002 p. 189) comments, a balanced discussion must always takes place whereby the manager is required to praise the employee for good performance, but also be frank in discussing any perceived weaknesses.

When areas for appraisal are measured quantitatively some form of rating scale is used, often comprising five categories of measurement from ‘excellent’, or ‘always exceeds requirements’ at one end to ‘inadequate’ at the other, with the midpoint being seen as acceptable, Torrington, Hall and Taylor (2002 p. 301). Scales are often used in conjunction with results-orientated schemes, which measure performance against a set of objectives. However, Armstrong (1995) and Gunnigle (1990) argue that, while rating scales are a convenient way of comparing employees in order to evaluate performance, they tend to ignore the complex variables that determine work performance, and are a highly subjective method of assessment.

Once the meeting has been conducted and feedback is given to the employee, it is important to ensure that the focus on performance is not neglected. The PMP requires a continuous alignment of work targets with key objectives and therefore the meeting should conclude with both parties having agreed goals and targets for the future.

**PM Systems**

As Armstrong (2003 p. 309) states, PM systems are increasingly seen as the way to manage employee performance rather than relying on appraisal alone. Armstrong (2003) explains, in 1992 Bevan and Thompson found that 20% of the organisations they surveyed had introduced a PM system. PM systems offer the advantage of being tied closely to objectives of the organisation, and therefore the resulting performance is more likely to meet organisational needs.
Performance appraisal is almost always part of the PM system, but is integrated with ensuring that employee effort is directed towards organisational priorities, that appropriate training and development is carried out and that successful performance is rewarded and reinforced. Some PM systems are development driven for example a balance scorecard approach and some are reward driven for example performance related pay approach.

**Balance Scorecard (BS)**
Managers want a balanced presentation of both financial and operational measures, which can be achieved using the BS approach. The BS was originally developed by Kaplan and Norton (1992) in order to provide a set of measures that gives managers a fast but comprehensive view of the business. Armstrong (2003 p. 491) comments, the scorecard requires managers to answer four basic questions, which mean looking at the business from four related perspectives: customer perspective; internal perspective; innovation and learning perspective and financial perspective.

Measurement provides for the basis of generating feedback information for use not only by the line manager but also by the individual to assist in monitoring and developing their own performance. Measurements can be classified under the following: finance, output, impact, reaction and time. According to Armstrong (2003), no single measure can provide a clear performance target or focus attention on the critical areas of the business. The target refers to the standard or expected achievement and defines precisely what an individual is aiming to achieve.

**Performance Related Pay (PRP)**
Finally, PRP derives as a consequence of effective performance management. The basic rational behind performance related pay is that it is reasonable to expect an organisation to differentiate rewards between employees performing at different levels in the same role. The PMP can operate with or without a PRP system, and indeed, may be preferable. There are two distinct varieties of systems, which can be identified according to Torrington, Hall and Taylor (2002 p. 602) as merit-based systems and goal-based systems. Merit-based systems involve appraising the employees work performance during the previous year resulting in a proportion of
future remuneration being linked to a rating derived from the appraiser. Goal-based systems are more objective and are particularly effective in assessing managerial performance, according to Torrington, Hall and Taylor (2002 pp. 602-603). It involves both appraiser and appraisee agreeing on a list of objectives to meet in the coming year and at the end of the year the employee is assessed on the basis of which objectives have been achieved and not achieved. A score is then derived and a bonus or pay increase is awarded.

Armstrong (1995) suggests that either performance rating or PRP are not inevitably associated with performance management in isolation, while Wright and Brading (1992) argue that formal ratings of performance should be avoided if possible and the focus should be on qualitative outcomes. While there is an increasing tendency to link rewards with performance in order to attract and retain employees and also in order to influence performance and behaviour at work, Allen (2001), it is recommended that decisions on pay be separated from the performance review to facilitate the development nature of PM (Armstrong 1995; Gunnigle and Flood 1990; Evenden and Anderson 1992).
Research Methodology

Introduction
The objective of this chapter is to describe the methodology used to investigate the research problem and explain the reasons why it was chosen. This chapter begins with a statement of the research objectives. Then the rationale for using EY shall be explained. Then the various sources of primary and secondary data will be described. Finally, there is an outline of the ways in which the data collected will be analysed. The main limitations to the study are highlighted at the end of the chapter.

Research Objectives
Tull and Hawkins (1990) view the steps in research methodology as, defining the research objectives, deciding what information to generate and the data collection method. The research objectives of this study are as follows:

- To explore the approach taken in formulating the PMP within EY;
- To identify the barriers and facilitators of the PMP within EY;
- To examine how PM is structured within EY - is there a clear link between goals and objectives of the organisation with those of each employee;
- To examine the commitment of key players in EY (senior managers, line managers and the individual as well as the HR department).

Justifying EY As A Research Choice
The overall purpose of this study is to determine whether the approach taken to PM within EY is a cost effective and valuable process, which results in delivering high levels of individual and organisational performance in order to remain one of the 'Big Four' professional services firms worldwide. A study may be viewed as exploratory or formal. The essential distinction between the two is the degree of structure and the immediate objective of the study. According to Cooper and Schindler (1998), the purpose of exploration is usually to develop hypotheses or questions for further research. The formal research design in contrast is concerned with testing the hypotheses or answering the research questions posed. As such this study is an exploratory one. The study aims to uncover the approaches taken to PM at both
strategic and operational level in EY. There is an attempt to uncover the ways in which such a large organisation manages and co-ordinates PM. EY acclaims to be a ‘people first’ organisation focused on attracting, recruiting, developing and motivating its best people in order to achieve the goals and objectives of the organisation. This study aims to discover if this is the case. There is a focus on unearthing the activities and methods used at each stage of the PMP within the organisation.

Secondary Data
Before engaging in primary research it is useful to review the existing data that is available on your research topic. This is known as secondary data. Secondary data that is available but which was not developed for the purpose of the research question at hand. Brannick and Roche (1997:24) define secondary data as,

Data that is already collected and not devised and controlled by the researcher, such as company records, government statistics or publications or previous surveys or case studies are examples of secondary data.

According to Malhorta (1993), before you can begin any primary research, it is imperative to analyse the secondary data available to properly define the research question. This approach was adopted in the study. The research objectives for this study and the research design were formulated after a thorough review of the literature on PM.

The secondary data used in this dissertation comes from external and internal sources. The external sources used are books and journals based on the topic of PM. Books and journals are a useful source of establishing what some authors believe are the key issues facing a particular industry or field. The internal sources include the organisations documentation such as EY policy statements and the firms’ annual exit interview analysis report, which highlights some useful issues relating to PM.
Primary Data

Primary data is data that is collected solely for the purpose of answering the research question (Brannick and Roche, 1997). This section describes the methodology used for primary research including reference to the quantitative/qualitative debate, the research technique used and the limitations of this research technique.

Data can be collected in a number of ways. These include, mail, questionnaire, telephone surveys and interviews. There are two main categories of research, which have extensive surrounding debates. These are quantitative and qualitative research. It is useful to distinguish between these two forms of research in order to establish which approach is most suitable for this research. The following table taken from Malhorta (1993), illustrates the differences between these two techniques.

### Difference Between Quantitative And Qualitative Research

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<tr>
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<th>Qualitative Research</th>
<th>Quantitative Research</th>
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<tbody>
<tr>
<td><strong>Objective</strong></td>
<td>To gain a qualitative understanding of the underlying reasons and motivations</td>
<td>To quantify the data and generalize the results from the sample to the population of interest</td>
</tr>
<tr>
<td><strong>Sample</strong></td>
<td>Small number of non-representative cases</td>
<td>Large number of representative cases</td>
</tr>
<tr>
<td><strong>Data Collection</strong></td>
<td>Unstructured</td>
<td>Structured</td>
</tr>
<tr>
<td><strong>Data Analysis</strong></td>
<td>Non Statistical</td>
<td>Statistical</td>
</tr>
<tr>
<td><strong>Outcome</strong></td>
<td>Develop an initial understanding</td>
<td>Recommend a final course of action</td>
</tr>
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The aim here is to develop a general understanding of the PMP in a large organisation and is not in any way intended to give conclusive results. This table then clearly demonstrates the appropriateness of qualitative research to the study of PM in EY.

The method used in this study to gather such qualitative data was a questionnaire (shown in Appendix I). This approach was chosen by the researcher to be the most appropriate research instrument with which to obtain the required information. This
type of approach is appropriate when questions require a good deal of thought and when responses need to be explored.

**Design of Questionnaire**

The type of information needed and how best to elicit that information are two key decisions that must be made early in the design process. The information required by the researcher where various pieces of factual information on the status of the respondents and also the attitudinal and behavioral information in relation to the PMP as operating within EY.

The information required on identifying the barriers and facilitators of PM within EY required that attitude and behavior questions be asked i.e. whether they are committed to the PMP or felt that it was simply another system imposed on them by management. For example, questions were asked which sought to elicit the respondent's commitment to the process and also their view of the process. In the questionnaire these questions were put directly after each other.

It is possible that an individual could facilitate the process and yet see it as a system imposed from management, particularly if the respondent felt they had an inconsequential impact on the initial consultation and design of the process, i.e. imposed on them by management. Other attitude questions sought to find out if respondents felt that such a change was necessary, what immediate impact the PMP has had on the organisation.

Behavior questions try to find out how an individual behaves or intends to behave in a certain situation for example, preparing for a review meeting is extremely important for both the reviewer and the reviewee. If individuals were willing to spend time preparing for the PM meeting, one could argue that it was important to do so, therefore the researcher asked the questions which sought to find out the approach and methods used by individuals with regard to PMP for example, if any preparation was done or would be done before a PM meeting and also the amount of time spent on such preparation. These questions were both closed i.e. the respondent chose from a
list of provided responses. The researcher used closed questions extensively throughout the questionnaire in order to retrieve the following:

*Information* — questions where factual information was needed for example grade, length of service, training and reading materials received prior to the introduction of the new PMP and amount of time, if any spent in preparing prior to an appraisal meeting.

*Level of commitment* — a high level of commitment is crucial in contributing to the success of any PM system. The researcher set out a scale ranging from 'a good opportunity to clarify goals' to 'a total waste of time' in order to test the overall level of commitment by key players in order to assess the extent to which they perform their role and responsibility as part of the process.

*Opinions* — several closed questions sought to elicit opinions and views of the respondent for example, 'in your opinion, what is performance management?' The respondent was also asked 'in your opinion, which benefits most from the performance management process?'

*Rating* — several questions required the respondent to rate aspects of the process on a scale for example respondents were asked to rate the effectiveness of the process which preceded the introduction of the system on a five point scale ranging from excellent ⇔ poor.

*Ranking* — the researcher took eight of the main qualities considered important in the conduct of reviewers and the PMP in general both in the literature and in the EY documentation on the process, the respondents were requested to rank them in order of importance to them from both the reviewee and reviewer's perspective and identify if both perspectives were in line with each other.

The open-ended questions were kept to a minimum in order to encourage the respondents to complete and return the questionnaire. People may be discouraged if they are requested to elaborate on the information they are providing. The researcher set out open-ended questions, which required short answers unless, of course, the
respondent chose to give a fuller answer. The researcher used open-ended questions in order to extract information including the approach taken in implementing the new process for example, what form of training and communication took place prior to the introduction of the new process and the degree to which the respondent saw the need for change in the process.

The questionnaire was sent out electronically to participants and returned via post. Important issues were taken into account with relation to the design of the questionnaire. Anonymity was important and therefore personal details, which may have identified individuals was excluded from the questionnaire.

Research Population
The researcher distributed the questionnaire to 50 members of staff within the Dublin office in EY at various grades, i.e. 20% of the staff within the Dublin office (over 50% of EY members of staff were engaged in client work or out of the office on study leave and therefore unable to complete the questionnaire). An analysis of the qualitative data was carried out on a total of 37 questionnaires completed and returned by the following individuals:

- 5 Directors (job specification shown in appendix II)
- 9 Senior Managers (job specification shown in appendix III)
- 8 Managers (job specification shown in appendix IV)
- 4 Supervisors (job specification shown in appendix V)
- 4 Senior Accountants (job specification shown in appendix VI)
- 7 Administrators/Secretaries (job specification shown in appendix VII)

Whilst all those listed above, are themselves reviewers and or reviewees, the researcher has chosen to question each employee, each of different rank within the organisation, to describe their experiences.
Limitations
There are a number of limitations to the study that one should take into account. Firstly, the researcher has worked in EY for five years prior to conducting the study. Consequently, some opinions of PMP within the organisation had been formed prior to the research process. However, the researcher was aware of this problem and made every attempt to conduct objective, non-biased research. Secondly, there was a problem that the research only focused on one organisation. A multiple study can provide more convincing results, because of its larger sample size, and wider range of perspectives. However, this study provided depth in one organisation, rather than breadth across many organisations. And finally, the study focused on the Dublin region. It is difficult to conclude whether questionnaires completed in the regional offices would have yielded significantly different results.

Conclusions
This concludes an outline of the methodology that was employed for this study. It has detailed the processes that were followed and the reasons that these approaches were used. In doing so it has helped validate the results that emerge from this study. It has also outlined the shortcomings of this study.
Research Findings

Introduction
This chapter will begin by giving a short profile on Ernst & Young (EY) and an overview of how PM is structured within EY. Then the findings from the questionnaires completed by EY staff will be outlined. In the next chapter these findings will be discussed and analysed in light of the literature reviewed in chapter one.

Organisation Profile
EY is ranked as one of the leading firms of auditors and business advisors in the country with a first class range of clients who operate in all aspects of the Irish economy. The firm was formed in 1989 following the merger of two predecessor accounting firms. It is a partnership with over 50 partners and approximately 750 staff in 5 cities. The Irish practice is managed by an Executive Group and is subject to the absolute authority of all the partners. It comprises the managing partner and 5 other partners representing the Dublin office and each of the 4 regional offices. EY clients include some of Ireland's biggest companies who operate in all sectors of the economy. The organisation is non-unionised.

The mission of the firm is to be recognised as the leading Irish professional services firm. The core values adopted by the firm support the firm's mission statement (www.EY.ie); delivering value, teamwork, trust and openness and pride and confidence. The Performance Management Process (PMP) was introduced into EY over the last eighteen in order to improve and measure performance and to provide an impetus for cultural change within the organisation. The new process, PMP, an evolution of the previous Performance Development System, seeks to link the strategic planning process of the organisation with the goals of each business unit and to provide coherence and measurable objectives for management. It provides an opportunity to link pay to productivity and performance and is an improved step in the organisation's development as a competitor in the Big 4 marketplace.
To structure EY's vision of PMP, the information, which was uncovered in the questionnaires will be broken down into headings: -
Approached Taken to Formulating PM Within EY

The executive group introduced the new process, PMP, an evolution of the current Performance Development System (PDS). The process took the form of focus and project groups facilitated by external consultants on technical matters. The focus groups consisted of management representing each department within the firm. Training and development of partners and management was a key part of the new process in order to ensure that management had the necessary skills and competencies to ensure a direct link between the organisations goals and objectives and the expectations of each individual.

25% of respondents were involved in the consultation and training process prior to the introduction of PMP resulting in 75% of the respondents having not had any involvement whatsoever in the formulation of the PMP. It could be argued therefore that the approach taken in formulating PM within EY was very much management driven with little or no input from members of staff outside the executive group.

The Barriers That EY Face In Relation to PM

There were various barriers uncovered in relation to the PM within EY. From all the reviewee’s points of view, inadequate information and training had been provided resulting in lack of trust and commitment from the outset. Constraints on time and people were seen as major barriers. From a managerial perspective it was found that management invest less time and effort as they should into coaching, mentoring and evaluating performance of individuals which may be due to business pressures in carrying out activities which are directly linked to meeting the expectations of clients on a day to day basis and in turn producing profits. Also it was found that 34% of respondents spent no more than 30 minutes preparing for a PMP meeting. This would indicate that a large number of PMP meetings held within EY are neither, informative or productive as a result of neither party preparing appropriately. 47% of the respondents with greater than five years length of service believe that the overall impact of the new PMP has been negative with various reasons expressed such as; poorly communicated and understood; has created anti-team working environment as result of a direct link of an individual’s performance rating and their level of reward and advancement. These results indicated resistance to change from staff in the way
their performance is managed. It could be argued that staff serving longer years with the firm act as a barrier to change.

**How PM Is Structured Within EY**

The design and development of the PMP within EY is based on a Balanced Scorecard (BS) approach, outlined in Appendix VIII. The scorecard is the document that provides the structure for setting and measuring both financial and non-financial goals. The firm scorecard is based on the following four strategic perspectives; financial; client service, operational excellence and people.

The goals set within the firm scorecard cascade through the department's scorecards into the individual's personal scorecard. This ensures that the goals of all partners and staff align with the strategy and goals of the firm. It recognises that both partners and staff need to be evaluated on contribution to the business, and it supports their development needs and career aspirations. According to EY literature (staff handbook), the success of the PMP ensures:

- All partners and staff have clear goals set on an annual basis. Each individual's performance is assessed against these goals. Ratings provide a clear and objective measurement of performance and contribution.

- A direct link exists between an individual's performance rating and their level of reward and advancement.

- Training and development needs of partners and staff are identified and met.

**Level Of Commitment From Key Players**

Once the goals set within the firm scorecard cascade through the department's scorecards into the individual's personal scorecard the success of PMP relies heavily on each individual within EY to fully engage in the process, take personal ownership of their own performance and professional development and coaching of others. The Human Resources Director in association with the PMP Executive within the Human Resources Department is responsible for ensuring each individual engages in the process.
Whilst 78% of respondents understood the concept of PMP, and recognised the worth of a formal PMP, they were aware that some management did not recognise this worth and hence had an unproductive attitude toward PMP. For example, reviewers who did not see PMP as contributing to the business tended to not allocate enough time to PMP. It was discovered that 34% of reviewers allocated 30 minutes of their time in preparing for a PMP meeting and in turn in their opinion there was only a slight impact on individual performance within their team/department. However, it was also found by 66% of respondents that the process had a significant impact on the performance levels within their own departments, interestingly these respondents each spent > 60 minutes preparing for the PMP meeting, clearly indicating commitment to the process.

Each of the senior accountants advised they were not given the opportunity from management to discuss their personal achievements of goals and objectives during their PMP meeting resulting in lack of commitment and a feeling of no recognition for working harder. It could be suggested that due to management's lack of commitment to PMP, it can send out signals to staff that it is not valued which has a knock on effect on staff attitude to PMP.

It was also discovered that there was disparity of respondents through the rating of the main areas considered important in the conduct of reviewer's from both the reviewee and reviewer's perspective. The results indicated that both perspectives were not in line with each other. The four main areas of importance identified were;

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<tr>
<th>Rating</th>
<th>Reviewee's Perspective</th>
<th>Rating</th>
<th>Reviewer's Perspective</th>
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<tbody>
<tr>
<td>1</td>
<td>Coaching</td>
<td>1</td>
<td>Honesty</td>
</tr>
<tr>
<td>2</td>
<td>Active Listening</td>
<td>2</td>
<td>Encouraging</td>
</tr>
<tr>
<td>3</td>
<td>Counselling</td>
<td>3</td>
<td>Focus on outcomes, not on person</td>
</tr>
<tr>
<td>4</td>
<td>Honesty</td>
<td>4</td>
<td>Active Listening</td>
</tr>
</tbody>
</table>

The table would suggest a greater focus on supporting individual's development needs and career aspirations is required by management. It could be argued that there does not appear to be a balanced approach between the goals and aspirations of the
organisation and the individual. There is a general perception from reviewee’s that management benefit most from the process.
Discussion And Analysis

The previous chapter looked at the findings of the research carried out for this dissertation. At this point, the research objectives will be once again revisited. Key issues which were described in the findings chapter under each of the research objective headings will be compared and contrasted with the findings in the literature. These areas are as follows:

Approaches Taken To Formulating PM Within EY

In EY, the way in which strategy is formulated is very much driven by management however this is not in line with the literature. According to Armstrong (2003), PM concerns everyone in the business – not just managers. It rejects the cultural assumption that only managers are accountable for the performance of their teams and replaces it with the belief that responsibility is shared between managers and their teams.

Training and development of partners and managers was a key part of the new process however little or no involvement was considered for the rest of the staff. It is imperative that the system is not seen as imposed from management, particularly if the respondent felt they had an inconsequential impact on the initial consultation and design of the process, i.e. imposed on them by management. In the literature, providing an integrated approach to increasing motivation and commitment assists to develop attitudes and behaviours resulting in better performance. Forging such a link is one of the most important ways of gaining support for PM in an organisation. As this is not evident in EY according to the respondents there are several barriers to PM within the organisation.

The Barriers That EY Face In Relation To PM

In the literature various barriers to PM are put forth, such as the cost of PM (both monetary and time costs), individual lack of interest, the culture of the organisation, poor communication and understanding and difficulties in proving the link between PMP and organisational success. Some of these reasons were evident in EY, such as time constraints and people resources. In EY it was found to be difficult for
management to find the time off from their day to invest time and effort into coaching, mentoring and evaluating performance of individuals. Long serving staff found it difficult to see the advantage of PMP due to a lack of understanding and poor communication across all levels of staff according to the respondents.

Financial costs were also seen as a major barrier in EY. It may be argued that poor amounts of time spent of preparing for PMP meetings and lack of understanding from long serving members of staff may be as a result of the culture within EY. Charging working hours to clients is the way in which EY’s business operates and therefore time spent on preparing for PMP meetings results in costing the firm financially if staff are not charging their working hours to clients. As discussed in the literature review, the PM must be congruent with the existing culture of an organisation in order to ensure that the process will support the achievement of high performance standards while assisting to change or reshape attitudes and behaviors within an organisation if necessary.

EY are aware of the barriers to PMP and are trying to overcome this in a number of ways. Firstly, a PMP booklet is currently being produced to provide all employees with a handbook on key information regarding the process. Secondly, training sessions will take place as part of the firm’s induction programme from the reviewee’s perspective so they understand what is expected of them in relation to their performance and how it is linked to the success of the organisation and finally, for the year 2003/2004 and going forward, management must ensure to carry out PMP meetings twice yearly and provide sufficient feedback to each member of staff. Meetings will be recorded electronically through a HR system and any member of the management group that does not carry out review meetings for their staff will not be eligible to participate in the firm’s annual Profit Participation Scheme (management bonus scheme).

**How PM Is Structured Within EY**

In EY, the way in which PM is structured is very much driven by business strategy. The BS approach within EY is in line with much of the literature, in that it is purported that for PM to be successful in its approach it must create a shared vision of
the purpose and aims of the organisation, helping each individual employee understand and recognise their part in contributing to them, and in doing so manage and enhance the performance of both individuals and the organisation Fletcher and Williams (1992).

The BS approach requires all partners and staff have clear goals set on an annual basis. Each individual's performance is then assessed against these goals. Ratings provide a clear and objective measurement of performance and contribution. However, 47% of the respondents believe that the overall impact of the new PMP has been negative creating anti-team working environment as result of a direct link of an individual's performance rating and their level of reward and advancement. It could be argued that poor communication and lack of training provided by management to all staff at the initial stages of PMP is the cause of such attitudes.

The literature states that clearly defined principle responsibilities of managers and staff must also be implemented so that they are fully aware of their objectives, the standards of performance expected of them, and the quantitative key performance indicators, which will be used to measure their achievements.

**Level Of Commitment From Key Players**

The EY literature states that the success of PMP relies heavily on each individual within EY to fully engage in the process, take personal ownership of their own performance and professional development and coaching of others. However, most of the decision-making structures in relation to compiling PM or carrying out review meetings are slowed down by the hierarchical nature of the process. It was found that some management did not recognise the worth of PM and hence had an unproductive attitude toward PMP. Clearly the problem here is that PM is not used, modeled and visibly supported at the top of the organisation. Sooner or later people at lower levels catch on and no longer feel compelled to take the time to make PM work. This can be seen as detrimental to a PMP, because PM has a significant impact when senior management supports it. As discussed in the literature, the PM system should have the full commitment of top management, yet not be viewed as a top-down affair Wright and Brading (1992). PM should respect the needs of individuals and teams as well as
those of the organisation, recognising that they will not always coincide, (Armstrong, M. 2003 p. 480).
Conclusion

Clearly EY as a study supports a lot of the findings in the literature in relation to PM. This was found to be particularly the case in relation to its PM strategy development being driven by improving the process in order to link the strategic planning process of the organisation with the goals of each business unit and to provide coherence and measurable objectives for management. Another key similarity was in relation to the problems experienced within the organisation due to time and lack of commitment at all stages of the process as performance managers and employees alike, responding to these changes has been a slow and difficult process.
Bibliography


Penn, Schoen and Berland (1998), Poll of 2,000 German and US workers, Quoted in *Mastering People Management*, FT/Prentice Hall, 2002


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Tiernan, S., Morely, M. and Foley, E. Modern Management, Theory and Practice for Irish Students, 1996


Wright, V., and Brading, L. (1992), 'A balanced performance', Total Quality Magazine, October


QUESTIONNAIRE - PERFORMANCE MANAGEMENT (PM)

NOTE: Please do not put your name on this questionnaire.

PART I

1. Gender: Male □ Female □

2. Client Facing Staff Member □ Practice Support Staff Member □

3. Grade: ______________________

4. Length of Service < 2 years □ 2 - 5 years □ > 5 years □

5. In your opinion, what is performance management?

________________________________________________________________________

6. In your opinion, who benefits most from the performance management process?

Management □ Staff □ Both □

6. How would you rate the performance management process in EY?

Excellent □ Very Good □ Good □ Average □ Poor □

7. In your view, was there a need to formalise the PMP within EY?

Yes □ No □

8. Since the introduction of a formal PMP within EY, in your opinion what has the overall impact been on the organisation?

Positive □ Negative □

If yes, please provide examples.

________________________________________________________________________

________________________________________________________________________
PART II - When completing Part II, you may answer questions in the context of a reviewee or a reviewer or indeed both. Please answer the questions appropriate to your role(s) in the PMP.

REVIEWEE

1. Did you receive any communication or documentation before the introduction of PMP? Yes □ No □

If yes, what form did it take?

2. As the person being reviewed, do you prepare any items for discussion prior to the PM meeting? Yes □ No □

If yes, what is the approximate amount of time spent on the preparation?

30 minutes □ 60 minutes □ > than 60 minutes □

3. During the review, is there an opportunity for you to discuss the circumstances, which may have led to the achievement of goals or indeed your failure to achieve goals? Yes □ No □

4. Describe your personal experience of the review process. Please tick the box, which most closely reflects your views.

A good opportunity to clarify goals □
A motivating and challenging experience □
A good opportunity for identifying gaps in skills, knowledge, etc. □
A chore I do not wish to repeat □
I found it to be a total waste of time □

5. The following are some of the skills, which are important in the context of such review meetings. Please rank them in order of importance to you.

<table>
<thead>
<tr>
<th>Skill</th>
<th>Ranking</th>
</tr>
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<tbody>
<tr>
<td>1. Active Listening</td>
<td>□</td>
</tr>
<tr>
<td>2. Counselling</td>
<td>□</td>
</tr>
<tr>
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<td>□</td>
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<tr>
<td>4. Honesty</td>
<td>□</td>
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<tr>
<td>5. Openness</td>
<td>□</td>
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<tr>
<td>6. Positive Body Language</td>
<td>□</td>
</tr>
<tr>
<td>7. Encouraging</td>
<td>□</td>
</tr>
<tr>
<td>8. Focus on outcomes, not on person</td>
<td>□</td>
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</tbody>
</table>
REVIEWER

1. Were you involved in any consultation process or training before the introduction of PMP?  
   Yes □ No □  
   If yes, what form did it take.

2. As the person performing the PMP meeting, did you receive any training in the required methodology?  
   Yes □ No □  
   If yes, please state who delivered this training and what form it took.

3. Having operated the PMP for sometime, in your opinion has it had an impact on levels of performance within your department/team?
   Significant Impact □ Slight Impact □ No Impact □

4. As the person performing the review, do you prepare any items for discussion prior to the PM meeting?  
   Yes □ No □  
   If yes, what is the approximate amount of time spent on the preparation?  
   30 minutes □ 60 minutes □ > than 60 minutes □

5. In your opinion, is the performance management process an effective tool to manage the expectations of individuals?  
   Yes □ No □
The following questions appear in the reviewee section also and need not be replied to again here unless you have not answered the reviewee section.

6. Describe your personal experience of the review process. Please tick the box, which most closely reflects your views.

A good opportunity to clarify goals
A motivating and challenging experience
A good opportunity for identifying gaps in skills, knowledge, etc
A chore I do not wish to repeat
I found it to be a total waste of time

7. The following are some of the skills, which are important in the context of such review meetings. Please rank them in order of importance to you.

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<td>□</td>
</tr>
</tbody>
</table>

Thank you kindly for your time and effort in completing this questionnaire. Please return completed questionnaire to sinead.mccabe@ie.ev.com alternatively, you can post same to the following address:

Sinead McCabe
Human Resources Department
Ernst & Young
Harcourt Street
Dublin 2
APPENDIX II

Job Description - Director

Reports to:
Managing Partner, Partner-in Charge or Partner.

Level of Authority:
The Director will have signing authority, other than for opinions. The Director must provide technical expertise and leadership at the highest level, are recognised as leaders in their particular specialism both within the Firm and in the wider business community. The jobholder must be capable of managing a Department or Office.

A mature approach to business is expected and exceptional job performance is a pre-requisite to appointment to the role.

Skills required:
Strong Leadership, man management and business development skills, significant experience of management at a senior level and/or high level of technical expertise. Excellent communication and influencing skills, demonstrate practical skills in handling changes situations, performance issues, managing conflict and managing internal relationships. Ability to contribute to the growth of the Firm through input at a strategic level.

Ernst & Young is an equal opportunity employer. Excellent opportunities exist for the successful candidates for both personal and professional development within the firm.
APPENDIX III

Job Description – Senior Manager

The role of Senior Manager is a professional leadership role within the Firm. The knowledge, skills, and responsibility displayed by jobholders at this level is of the highest professional standards. In addition, the job holders are likely to have full management responsibilities including people management, financial, and client relationship.

Reports to:
Would normally report to a Director or Partner.

Eligibility:
Appointment to the position of Senior Manager is restricted to individuals who have over a period of years, displayed an in depth knowledge of their role, department, and have a good understanding of the Firm and the structures in which it’s business operates. He/she must also be able to show a strong understanding of the Firm’s strategic objectives and shared values ethos.

Candidates for the Senior Manager role must have a proven track record of outstanding performance and display a high level of business and people skills. They will also be expected to have shown an on-going commitment to their personnel and professional development through continuing education and training. Appointees must have a Professional qualification or the equivalent.

Experience/Skills Required:
• The ability to win business from both new and existing clients
• Strong Business and Client Handling skills
• Excellent Interpersonal skills and People skills including Performance Management, Change Management, 
• Communication and Negotiating skills
• Sound Knowledge of the principles of Leadership and Business Strategy
• Demonstrate on-going commitment to Personal and Professional Development

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APPENDIX IV

Job Description – Manager

This is a general management role within the Firm responsible for a major activity within the Firm and has full management and technical responsibility including financial, people, and client relationships.

Reports to:
Would normally report to a Senior Manager, Director or Partner.

Eligibility:
Appointment to Manager is limited to individuals who display a high technical knowledge of their specialism and who have shown they have the interpersonal skills to manage people and interact positively with others, at all levels. They will also be expected to have shown an on-going commitment to their personal and professional development through continuing education and training.

Critical Factors for appointment to Senior Manager:
• Outstanding job performance
• Excellent client relationships
• The ability to communicate with persuasiveness to all levels of staff
• A thorough understanding of the key business issues within the business
• An ability to manage projects & teams

Ernst & Young is an equal opportunity employer. Excellent opportunities exist for the successful candidates for both personal and professional development within the firm.
APPENDIX V

Job Description — Supervisor

The supervisor is responsible for co-ordinating and supervising a team of people within a Department. They will have a specialist knowledge of their technical area and an understanding how their unit interacts with others. The Supervisor position is responsible for providing technical guidance to others in the team and ensures quality standards are met.

Reports to:
Would normally report to a Manager, Senior Manager or Director.

Eligibility:
Appointment to Supervisor is limited to individuals who display the highest standards of technical knowledge and who have shown they have the interpersonal skills to manage people and interact positively with others, at all levels. They will also be expected have shown an on-going commitment to their personal and professional development through continuing education and training.

Critical Factors for appointment to Senior Manager:
• Outstanding job performance
• Excellent technical knowledge
• The interpersonal skills to interact positively with all levels

Ernst & Young is an equal opportunity employer. Excellent opportunities exist for the successful candidates for both personal and professional development within the firm.
APPENDIX VI

Job Description – Senior Accountants

Short Job Description:
To develop and maintain a comprehensive audit service to the firm’s financial services clients.

Responsibilities:
To organise and oversee planning, execution and completion of audit file, combined with the ability to meet with tight reporting deadlines. Develop and maintain productive working relationships with client personnel and assess client’s satisfaction. Demonstrate a thorough understanding of complex accounting and auditing concepts and apply them to client situations. Adapt the audit approach to the changing client environment. To organise and oversee planning, execution and completion of audit file, combined with the ability to meet with tight reporting deadlines. Develop people through effectively delegating tasks and providing guidance to staff. Foster an efficient, innovative, and team-oriented work environment. Contribute ideas/opinions to the audit teams and listen/respond to other team members’ views.

Use technology to continually learn, share knowledge with team members, and enhance service delivery.

Requirements:
To qualify for this challenging and rewarding position, candidates must be newly or recently qualified accountants trained in a medium or large practice, and possess:

- Strong accounting and auditing skills are essential.
- Excellent project management skills.
- Advanced written and verbal communication skills.
- Ability to foster an efficient, innovative and team-oriented environment.
- Integrity within a professional environment.

Experience in the following areas would be an advantage though not essential:

- Group Consolidation
- IFRS
- US GAAP
- S404

Ernst & Young is an equal opportunity employer. Excellent opportunities exist for the successful candidates for both personal and professional development within the firm.
APPENDIX VII

Job Description – Administrator/Secretary

Reporting to:
Report executively to assigned partner, responsible functionally to secretarial supervisor

Overall Purpose:
To provide an effective and efficient secretarial and administrative support to partner and managers

Main Duties/Responsibilities

(i) Prepare correspondence which includes billing clients at the end of every month as requested by assigned Partner
(ii) Prepare correspondence which includes billing clients at the end of every month as requested by assigned managers (the managers also deal with clients that make up other Partners’ portfolios)
(iii) Maintain and update extensive electronic and manual filing systems of your assigned partner’s portfolio as well as electronic filing in other audit partners’ portfolio as necessary
(iv) Handle telephone calls and queries from clients, also cover phones at least 3 times a month during lunchtime for the secretarial area
(v) Make appointments, book and organise meetings
(vi) Interact with other managers not assigned directly to you but who work on your assigned partner’s portfolio
(vii) Deal with and distribute routine correspondence on own initiative
(viii) Interact with and support other secretaries in the group when necessary
(ix) Undertake photocopying and binding jobs as requested

Qualifications & Skills Required
Secretarial qualifications
Relevant employment experience - experience in financial background is desirable but not essential
Typing speed - 60-70wpm
Audio typing
Microsoft Word for Windows 95 V7/Microsoft Word 2000 V9
Microsoft Powerpoint for Windows 95 V7/Microsoft Word 2000 V9
Microsoft Excel for Windows 95 V7/Microsoft Word 2000 V9 (desirable but not essential)
Knowledge of computer servers (desirable but not essential)
Lotus Notes or a similar application
Good organisational skills (especially when it comes to filing)
Team player and extremely flexible as it may be necessary to work overtime
APPENDIX VIII

Ernst & Young - Scorecard Approach

Below is an outline of how the firm's strategic perspectives drive the goals contained in the Firm's Scorecard. These strategic goals then cascade through the Business Unit/Service Line Scorecards to the Personal Scorecard in the form of specific goals and measures.

Strategic Perspectives