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EQUITABLE GROWTH, FINANCE & INSTITUTIONS INSIGHT

Performance Management in the Public Administration — Seven Success Factors

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Acronyms

EFI	Equitable Growth, Finance and Institutions
EU	European Union
HR	human resources
HRM	human resource management
OECD	Organisation for Economic Co-operation and Development
PM	performance management
PRP	performance-related pay
RAS	Reimbursable Advisory Services



Acknowledgments

This Equitable Growth, Finance and Institutions (EFI) Insight note was prepared by a World Bank team consisting of Sabina Schnell (Senior Governance Specialist), Dimitrie Miheș (Governance Analyst), Anita Sobjak (Public Sector Specialist, Extended Term Consultant), and Wouter van Acker (Public Sector Specialist, Short-Term Consultant), under the overall guidance of Zahid Hasnain (Global Lead on Public Institutions Reform). The note originated with the review of international experience on performance management conducted under the Reimbursable Advisory Services (RAS) Agreement on Developing a Unitary Human Resources Management System within the Public Administration (P165191), signed between the General Secretariat of the Government of Romania and the International Bank for Reconstruction and Development, and co-financed by the European Social Fund under the Operational Programme Administrative Capacity (POCA) 2014–2020.¹ It primarily builds on two reports developed under Deliverable 5.1, “Analysis of the performance management system,” of Output 5, “Performance Management System,” of the RAS project, namely the *Analysis of the Performance Management System* (lead authors: Sabina Schnell, Senior Governance Specialist, and Dimitrie Miheș, Governance Analyst), and the *Report on the Introduction of Performance-related Pay in the Romanian Public Administration — A Case for the Excellency Award* (lead author: Anca Butnaru, Governance Specialist). It also incorporates insight from the forthcoming chapter of a United Nations publication, *Building Capacities to Transform Public Servants’ Mindsets to Implement the 2030 Agenda for Sustainable Development* (authors: Wouter van Acker, Public Sector Specialist, Short-Term Consultant; Ravi Somani, Economist, Extended Term Consultant; Lida Bteddini, Senior Public Sector Specialist; Zahid Hasnain, Senior Public Sector Specialist and Global Lead on Public Institutions Reform; and Daniel Rogger, Economist) (United Nations, forthcoming).

The authoring team would like to thank Ed Olowo-Okere (Global Director, Governance Global Practice), Roberto Senderowitsch (Practice Manager, Europe and Central Asia region, Governance Global Practice), Tracey Lane (Practice Manager, Global Unit, Governance Global Practice), Tatiana Proskuryakova (Country Manager, Romania), Carolina Rendon (Task Team Leader of the Human Resource Management RAS project and Senior Public Sector Specialist), May Olalia (Senior Public Sector Specialist), and the Governance Europe and Central Asia Operations team members for their overall advice, guidance, and support throughout the development of this note.

The authors are grateful for the very helpful comments and suggestions of the note’s peer reviewers: Donna Andrews (Senior Public Sector Specialist, Global Lead on Public Institutions Reform), Bernard Myers (Senior Public Sector Specialist), and Virginia Horscroft (Senior Public Sector Specialist).

1. “Developing a unitary human resource management system in the public administration,” SMIS code 119957.



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Why Performance Management Matters for Increasing Public Sector Productivity

- 1. Increasing public sector productivity² is vital for effective regulation, infrastructure, maintenance of law and order, service delivery, and the overall efficiency of government expenditure.** The public sector's productivity is highly dependent on the quality and commitment of its employees, not just on the amount of money being spent. The spillover effects of improved public sector employees' performance, and through them improved public sector productivity, can be significant. After all, these issues, in turn, affect the growth and development potential of the economy and society at large. The more the state can do with a given level of resources, the better its contribution to growth and development outcomes.
- 2. At the same time, the public sector has a heavy footprint in the national economy and in overall employment — the general government wage bill accounts for around 10 percent of gross domestic product globally and the public sector workforce accounts for 36 percent of formal employment.³** Increasing outputs for the public sector thus increases a significant portion of the economy overall, with a subsequent impact on national welfare. Money that is saved by increasing public sector productivity can then be used to address other priorities for the country (*see examples, next paragraph*). A better performing public sector, which spends and uses taxpayer money wisely and effectively, will increase citizens' trust in government (Lau, Lonti, and Schultz 2017), and vice versa.
- 3. Recent empirical studies have found that individual public officials and organizations are of primary importance for public sector productivity.** For example, moving the worst-performing quartile of bureaucrats to the 75th percentile reduces procurement expenditures by around 11 percent (US\$13 billion/year or "roughly one fifth of the total amount spent on health care by the Russian government at federal, regional, and municipal level combined"), thereby achieving greatly superior value for money (Best, Hjort, and Szakonyi 2017). Similarly, moving public servants from the 25th to 75th percentile of bureaucratic quality in Ghana increased project completion rates by almost 20 percentage points (Rasul, Rogger, and Williams 2018). Years of research on the effect of motivation on performance has shown a strong and consistently positive link between the two (Brewer 2010). Performance management can have a significant impact on public servants' motivations and attitudes, and thus, on the performance and productivity of the organization at large.

2. Productivity measures the efficiency with which a given organization transforms inputs into outputs.

3. World Bank Worldwide Bureaucracy Indicators dataset, Washington, DC (accessed June 2, 2021). <https://datacatalog.worldbank.org/dataset/worldwide-bureaucracy-indicators>.

4. **Given the difficulty in measuring and monitoring outcomes in the public sector and staff contributions to them, policies and measures that cultivate the right attitudes and behaviors of civil servants are important drivers of productivity.** How motivated and self-confident civil servants are and how they relate to their teams and within their organizations, particularly with their managers and colleagues, will play an important role in shaping their commitment to and engagement in their jobs, and in turn, in determining the quality of their work. The aggregate effect of morale, motivation, and confidence of hundreds or thousands of public sector employees can constitute a significant boost to, or drain on, public sector productivity.
5. **Human resource management (HRM) policies and practices that enable managers to effectively manage the performance of their staffs play a critical role in improving public sector productivity by increasing staff engagement and aligning individual efforts with organizational goals.** Practitioners must go beyond the traditional view that staff performance can be achieved only through the use of extrinsic incentives, triggered by an annual appraisal exercise of individual performance. Instead, performance management should be viewed as a continuous cycle of planning and defining, monitoring and enabling, measuring and evaluating, and rewarding (or sanctioning) employee performance, at both the individual and team levels. For instance, employees who understand their organization's or team's objectives and how their individual efforts contribute to them are more motivated and engaged — as staff engagement surveys have found across public administrations in countries of various income levels (Meyer-Sahling, Schuster, and Mikkelsen 2018; World Bank Group 2020). Similarly, regular communication and feedback from managers, when done effectively, contribute to higher job satisfaction and individual performance, which ultimately lead to better organizational results (World Bank 2014). This applies across the public sector, in education, healthcare, and the core public administration (Bloom and others 2015; Bloom and Reenen 2007; Rasul and Rogger 2018).
6. **However, organizations in the private and public sector alike often fail in designing and implementing individual performance management systems that achieve their intended purposes.** A review of

the public administration literature on this topic finds limited evidence of the effectiveness of performance management systems (Heinrich and Marschke 2010). As an illustration of this, only half of respondents in the Ministry of Public Administration of Montenegro found the performance appraisal process to be a meaningful one⁴. This shows that *having* a performance management system is not enough; it is just one of several factors influencing and enabling staff performance (others are recruiting competent and motivated staff, ensuring the resources necessary for performance, adequately compensating performance, and so on). Yet more often than not, organizations approach the introduction or overhaul of their performance management systems as a one-off change in human resource (HR) rules and procedures, rather than as part of a broader set of long-term reforms of various core organizational processes (Aguinis 2013). With the former (one-off) approach, the newly introduced performance management system runs a high risk of being rejected in the organization and turned into a rote administrative process, because it is perceived as imposed from the top, with little consideration of the actual needs and capabilities of the system's end users. The latter (longer term) approach acknowledges that changing the performance management architecture is a multi-year project that must be informed by a two-way engagement with all stakeholders and led by a specialized implementation structure (such as an implementation team, a project management office, and a steering board), under the strategic direction of the top-level leadership. In so doing, it builds credibility among stakeholders that the proposed system is useful, fair, and necessary, thereby facilitating its acceptance. Nevertheless, throughout its lifecycle (from design to implementation to evaluation and adjustment), the system must observe a number of core principles, which this note will elaborate on in the following sections.

7. **This EFI Insight note distills the key principles of effective performance management in the public administration from literature and international good practice.** First, it presents the objectives and different approaches and tools for performance management, and then it details seven success factors that should be considered when designing and reforming public sector performance management systems: (1) start performance

4. This survey was conducted as part of a World Bank project, "Montenegro: Strong Institutions for a Modern Public Administration" (P165375).

management from the top; (2) align organizational and individual goals (“clear line of sight”); (3) tailor performance assessment to institutional and job characteristics, and adequately differentiate between levels of performance; (4) improve manager judgment and diversify the sources of information for performance appraisals to ensure objectivity and fairness in assessment; (5) motivate staff through both intrinsic and extrinsic incentives; (6) enable staff through adequate opportunities for growth and development; and (7) embed performance management in organizational culture and practice.

8. **By identifying seven success factors, this note proposes a new methodological approach to enhancing performance management in the public sector.** Existing performance management systems can serve one or more of three different objectives — steering,

motivating, and developing employees. Based on the intended objectives, reform teams should consider seven guiding principles that are key to the system’s success. Presenting success factors instead of “best practices” allows the reader to apply these factors to a variety of country contexts, regardless of the existing performance management system’s level of development in the public administration. The success factors can serve as guidance — and deployed as actionable steps — in designing new performance management systems and analyzing the effectiveness of and proposing improvements to existing ones. This guidance is supported by a matrix of diagnostic questions and reform tools structured around the seven success factors (see *Table 3, page 24*). This new methodological approach can be a useful tool for World Bank task teams, researchers, and government officials.



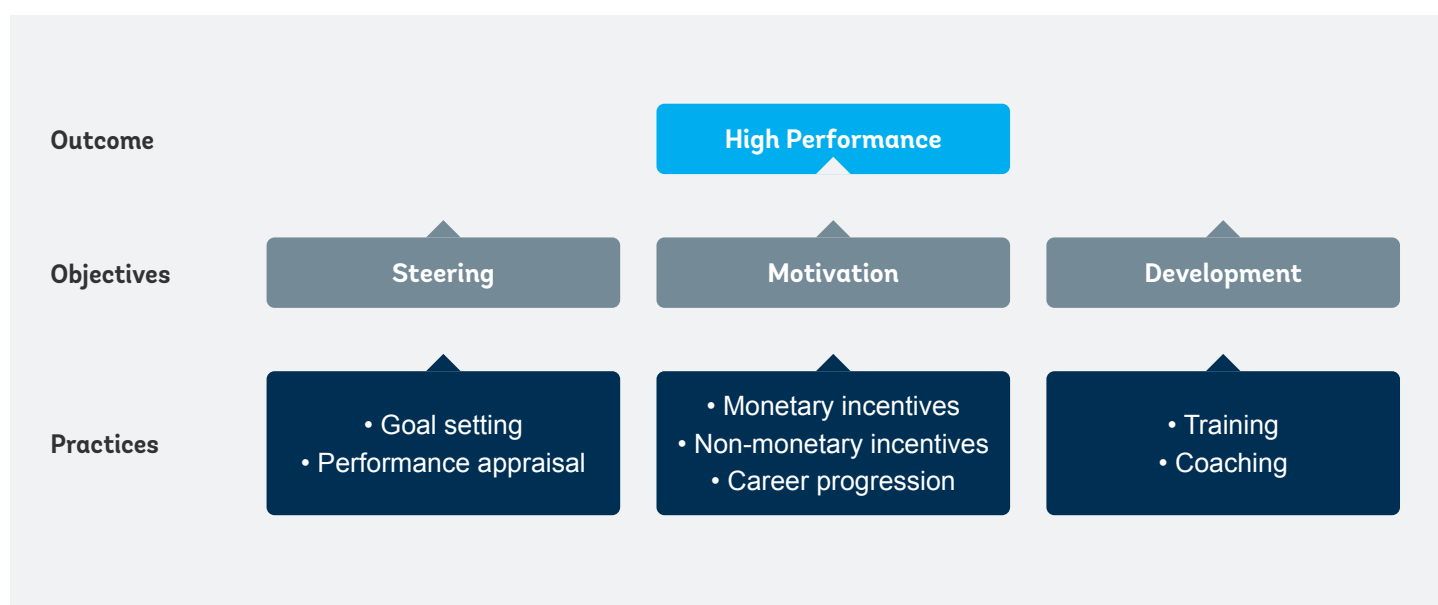
How Performance Management Can Improve Individual and Organizational Productivity: Success Factors

9. **Performance management systems can improve individual and organizational productivity by steering, motivating, and developing employees to achieve organizational, team, and individual goals (see Figure 1 below).** Steering requires managers to set clear and attainable objectives and performance targets, linked to organizational goals, and to assess progress on them. Motivating personnel to perform at high levels requires opportunities for career progression, as well as other monetary incentives, such as performance-related pay (PRP), and non-monetary incentives, such

as job enrichment, diversified work assignments, and job mobility. Developing staff to perform at high levels requires structured programs, incentives, and resources for staff to improve their competencies,⁵ for example, through training and on-the-job coaching. Managers can enable higher staff performance by creating a work environment that facilitates opportunities for staff to put their skills to their organization's best use. This would enable managers and staff to meet not only current, but also future, demands of their jobs and of a continuously evolving public sector.

> > >

FIGURE 1 - The Objectives of Performance Management



Source: Figure 1 was developed as part of a World Bank project for the Romanian Government, "Reimbursable Advisory Services (RAS) Agreement on Developing a Unitary Human Resources Management System within the Public Administration (P165191).

5. Understood as skills, behaviors, and attitudes.



10. Globally, performance management systems differ in their approaches to engendering staff performance.

These systems can emphasize steering employees through backward-looking performance assessment tied to administrative rewards and sanctions. Or they can emphasize forward-looking development of staff to enable them to perform in the future. This reflects two broad philosophies to managing staff performance: one that focuses on ensuring *accountability* for performance, and one that aims to foster staff *development* and growth.⁶ They are not mutually exclusive; rather, they reflect a spectrum, and most successful performance management systems combine both. However, they do entail differences in which approaches and tools are emphasized. Accountability is pursued by using performance ratings to inform HR decisions, such as pay and career progression. Development aims to enable staff to grow and increase their performance through coaching, regular feedback and communication between staff and managers, and expanded learning and development opportunities. This happens with recognition that improving performance requires more than just assessing it (DeNisi 2006, 271). Non-financial rewards, such as new challenges, mobility, and personal development opportunities, complement or even supplant more traditional, pecuniary, or disciplinary rewards and sanctions.

11. The type of performance management tools should be prioritized based on the organizational and job

characteristics. The more clearly observable outputs and outcomes of public sector jobs are, the easier it is to create clear performance indicators, and thus, to measure and ultimately reward performance through extrinsic rewards like pay-for-performance schemes (Hasnain, Manning, and Pierskalla 2012). In Wilson’s (1989) classic typology (*adapted in Table 1, page 12*), these are “production jobs.” When coupled with hierarchical organizational settings, where tasks are certain and static, management is directive, and staff autonomy, collaboration, and professional independence are low, such jobs are the most suitable for defining strict and stable quantitative performance indicators and tying them to rewards, even to pay increases and promotions (Trost 2017). By contrast, for “coping jobs” and in agile organizational environments,⁷ where outputs are difficult to quantify and mechanically link to monetary rewards and promotions, more flexible performance management tools and a stronger focus on non-monetary rewards and development opportunities are needed.⁸

12. While there is no one size fits all performance management model, there are nevertheless certain features that enable performance management systems to achieve their objectives. Figure 2 (page 12) presents these success factors and highlights that they are mutually reinforcing, rather than each contributing in isolation to the system’s effectiveness. The remainder of this note elaborates on each success factor.

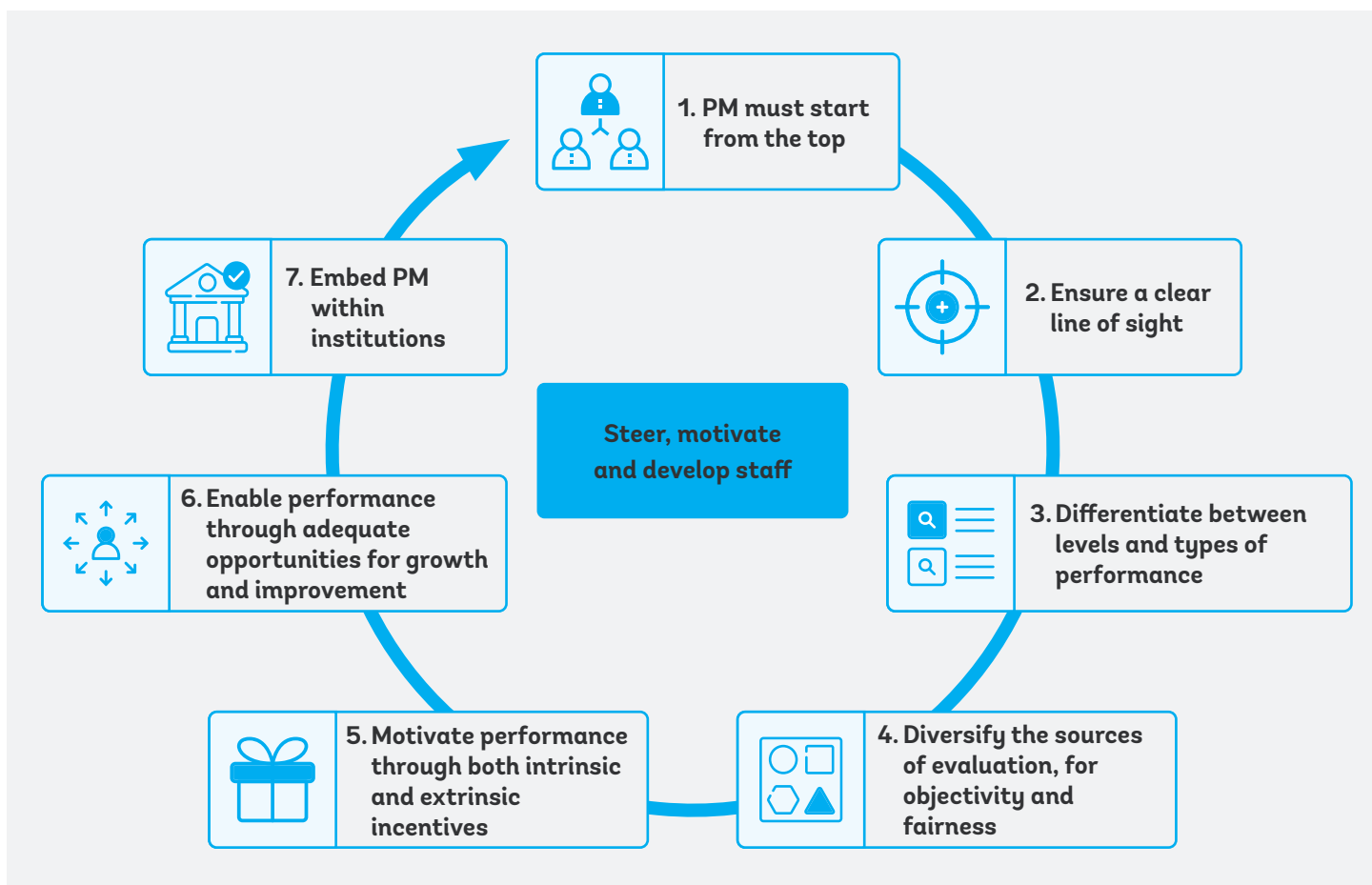
6. See Barbieri, Girosante, and Valotti 2017. The administrative versus development typology also overlaps with what much of the literature defines as performance appraisal versus performance management. See, for instance, Kloot and Martin 2000; Aguinis 2013; and Armstrong 2006.
 7. Characterized by (i) high task uncertainty and dynamism, (ii) participative and supporting management, and (iii) high levels of autonomy, collaboration, and professional independence.
 8. Many core civil service jobs fall in the latter category (such as policy-making jobs). See Wilson (1989) and Hasnain, Manning, and Pierskalla (2012). This literature distinguishes between types of jobs and organizations for which activities and/or results of these activities’ outputs can be observed and standardized and thus measured with quantitative indicators (for example, claims processing — called “production organizations”), jobs for which the activities/processes can be observed and measured, but results are harder to assess (“procedural organizations/jobs,” such as the military in peacetime), jobs for which the results but not the process/activities can be observed and assessed (such as teaching — called “craft jobs/organizations”), and those for which neither can be adequately observed and measured (“coping jobs,” for example, policy making, coordination, and so on).

TABLE 1 - Typology of Public Activities Based on Measurability

		Observable Outcomes	
		Yes	No
Observable Outputs	Yes	<p>Production activities: the actions of officials and their impacts can be observed</p> <p>Examples: mail services, tax collection, sanitation, vehicle registration.</p>	<p>Procedural activities: activities are observed, but their impacts are diffuse</p> <p>Examples: mental health services, counseling, military (peacetime), youth penitentiary.</p>
	No	<p>Craft activities: it is difficult to characterize the necessary outputs, but there is a clearly observable outcome</p> <p>Examples: field inspections, military (wartime), doctors, forest rangers.</p>	<p>Coping activities: neither the activity nor the outcome can be cleanly measured</p> <p>Examples: diplomacy, intelligence, research.</p>

Source: Authors' elaboration of Wilson (1989).

FIGURE 2 - Principles for Setting up Successful Individual Performance Management (PM) Systems



Source: Figure 2 was developed as part of a World Bank project for the Romanian Government, "Reimbursable Advisory Services (RAS) Agreement on Developing a Unitary Human Resources Management System within the Public Administration (P165191).



I. Performance Management Must Start from the Top

13. **Leaders and top managers⁹ of public organizations must visibly and continuously demonstrate commitment to performance management for it to be effective.** First, the organization's leadership must publicly endorse performance management as an organizational priority, so that managers and staff are encouraged to allocate the appropriate time and effort to fully engage with the process beyond administrative requirements. A study of 80 cases of reforms in government across 50 countries found that successful transformations were underpinned by a committed leadership, which assumed personal and collective responsibility for results, and which generated buy-in among staff through intensive, two-way communication, as well as through leading by example (McKinsey Center for Government 2018).

Second, for such a personal endorsement to be credible, the leadership must ensure adequate resources within the organization to implement and sustain the performance management system. For instance, the organization's leaders might introduce mandatory training programs for managers and HR departments, but they must be ready to enforce accountability in the process, even for high-level stakeholders (Pulakos and O'Leary 2011). To this end, when evaluating the performance of public managers, many countries consider not only their performance in meeting individual objectives, but also their contributions to achieving their organizations' strategic goals and their managerial and leadership competencies, including those pertaining to staff performance management (see *Box 1*).

> > >

BOX 1 - Performance Management of Senior Civil Servants in the United Kingdom Civil Service^a

In the United Kingdom (U.K.) Civil Service, performance management policies are centralized for senior civil servants. Their day-to-day performance is managed by the political heads of departments and agencies within a central framework determined by the Cabinet Office. Senior civil servants must achieve four categories of objectives, as defined with their managers: business/delivery, finance/efficiency, people/capability, and corporate contribution. The yearly objectives of senior civil servants are linked to their employing institutions' corporate objectives (as reflected in the Single Departmental Plans), while the competencies they are required to display are set out in the Leadership Statement and in the U.K. Civil Service competency framework, called the "Success Profiles." The Cabinet Office monitors the quality of objective setting among senior civil servants through random sampling of their performance agreements.

The performance of senior civil servants is reviewed by their line managers against the aforementioned objectives and set of competencies during a mid-year discussion and during an end-of-year meeting. For the purpose of the yearly appraisal, senior civil servants must provide a self-evaluation of their performance, as well as input from peers, subordinates, and superiors, collected through a "360-degree" feedback system. Managers are encouraged to support their subordinated senior civil servants in identifying and achieving their development needs and career aspirations. Moreover, employing institutions are required to provide the Cabinet Office with information on high-potential staff, as identified through the set "Indicators of Potential."

Sources: U.K. Civil Service HR 2019.

a. *Box 1* was originally produced as part of a World Bank project for the Romanian Government, "Reimbursable Advisory Services (RAS) Agreement on Developing a Unitary Human Resources Management System within the Public Administration (P165191).

9. Understood as the highest-ranking level(s) of public managers within public institutions who are not politically elected (but can be politically appointed).

14. **Managers at all levels in organizations should exercise performance management practices that reflect the practices endorsed by their organizations' top leadership.** Whether it is about steering, motivating, or developing staff, performance management practices are primarily the tools of managers, and they need to have the skills and dedication to apply them effectively. A meta-analysis of 49 studies shows that the effectiveness of performance management systems relies heavily on the quality of management practices (Gerrish 2015). This was confirmed by a survey in the Romanian public administration, where the quality of management practices related to the performance management process was found to be positively correlated with employee motivation (World Bank, forthcoming).

15. **Managers need to be equipped with the necessary competencies to effectively manage performance.** To put in practice the success factors outlined in this note, managers require specialized and regular training on issues such as defining performance, evaluating competencies, differentiating levels of performance, recognizing unconscious bias, mastering difficult conversations, and giving constructive feedback to staff. In countries such as Ireland and Canada, training in performance management is compulsory for all public sector managers. To make this training more effective, the content should be made gender sensitive and locally customized — an approach shown to increase the impact of training (McKenzie 2020). Beyond performance management techniques, such training could also leverage intrinsic motivation, which recent experimental evidence from Ghana demonstrates can impact the quality of management and the overall performance orientation of the organizational culture (Azulai and others 2020). For instance, managers who undergo training in performance management and are perceived as effective by their teams can be asked to provide motivational speeches to their peers in future training sessions. Finally, classroom training¹⁰ could be complemented by providing each trained manager with a mentor (for example, a more experienced peer) or instructor who can follow-up bilaterally to reinforce the content taught in training (McKenzie 2020).

16. **Given that effective performance management requires not only compliant, but also invested managers, appropriate incentives need to be in place.** If managers are not only to assess, but also to motivate and enable staff performance, it is not enough for them

to conduct the formally mandated yearly performance appraisal. Instead, they need to be personally engaged on a regular basis. One way to incentivize managers to take performance management seriously is to include it in their own performance objectives. In Canada, for instance, the Management Accountability Framework's "people management" requirement includes coaching responsibilities as part of performance management. Another incentive can take the shape of performance-related pay, which, while shown to have limitations when applied to bureaucrats, may have a role in incentivizing managers to manage performance (Marsden 2009). Evidence from a civil service survey in the Philippines suggests that management motivated by performance bonuses is more focused on target setting and monitoring and in engaging staff in the process than other approaches (World Bank Group 2019).



I. Ensure a Clear Line of Sight (Goal Alignment)


17. **Steering and motivating employees toward achieving organizational goals requires a clear vision of what the goals are and how they can be achieved** (Smither and London 2009, 46). Well-functioning organizational performance management systems are a prerequisite for effective individual performance management. As a minimum, the relationship between the objectives of the organization and each unit's objectives should be clear. In Romania, a 2018 public employee survey found that the vast majority of respondents see their mission misaligned with that of their organizations, which was also shown to correlate with lower levels of motivation of the same employees (World Bank, forthcoming). In some cases, organizational goals can be derived to units and further to individuals, based on the concept of "management by objectives." For example, revenue collection goals in tax or customs agencies can in principle be broken down to the unit, and even the individual, level. This can provide transparent connections between what an employee does and the organization's key goals. However, public organizations have multiple, complex goals and types of jobs; automatically cascading organizational goals to individual ones is not always feasible or advisable. As a second-best option, individual-level goals can be linked to unit-level goals, if these are clearly defined.

10. Either in-person or, increasingly, virtually, given the need to adapt training to restrictions imposed by the COVID-19 pandemic.

18. **Ensuring alignment between individual and organizational goals is possible without automatically cascading the latter down to the individual level.** This alignment can be achieved by strengthening and clarifying the link between the goals of high-level managers and organizational goals. For example, in the Belgian civil service, the system for assessing the performance of executives is the same as the one for assessing organizational performance.¹¹ Frequent communication and discussion of organizational goals with employees can also generate awareness and buy-in, allowing managers and staff to align their goals with the organizational mission without being overly rigid or prescriptive (Pulakos and O’Leary 2011, 149). This is important not only for steering, but also for motivating performance. If public sector employees perceive their own work as important for accomplishing their agency’s goals, this may provide significant intrinsic motivation for them to perform well (Wright 2004, 73).

outputs. For example, in units and organizations focused on policy making or coordination, measuring compliance with procedures in preparing policy proposals says little about the quality of the policies or their effectiveness. Focusing on the competencies defined for a particular standard of performance, which is better suited for assessing performance in complex jobs (Glifford 2016), is even more difficult — even impossible — based on standardized quantitative indicators.

20. **Even for the jobs that lend themselves more readily to quantitative standardized indicators,¹² performance is more than the sum of tasks completed.** Assessing performance also requires managers to make judgments about the context in which employees perform their work, for instance, by factoring into their evaluations external challenges that might affect employee performance. At the same time, managers must also consider how the work accomplished by the employee affects, in turn, the wider context — individual objectives may be achieved at the expense of team cohesion and, ultimately, team performance. As such, individual performance cannot be assessed simply in terms of quantitative targets met, but also in terms of how such targets were met and the corresponding broader implications. Otherwise, overreliance on quantitative indicators may foster deviant behavior, goal-displacement effects, or even gaming the system (Burgess and Ratto 2003; Holmstrom and Milgrom 1991, 24) — ambulance drivers choosing short-distance calls to meet a response time target, teachers focusing on exams’ curricula because they are assessed by successful students’ quota, or police officers not reporting crimes to avoid increasing the area’s crime rate and thus guaranteeing their bonuses (Osterloh, Frey, and Homberg 2013). *In sum, assessing performances requires careful managerial judgment, which can be guided and aided, but not replaced, by standardized performance indicators.*



III. Differentiate Performance Assessments Across Institutions, Job Types, and Levels of Performance

19. **Defining and measuring staff performance should be adapted to the nature and responsibilities of the job.** For example, for front-line staff who interact directly with beneficiaries, measures of client satisfaction (through direct or indirect feedback) can be particularly important. A similar case can be made for jobs that deliver services to internal clients (see [Box 2](#) for an example of a performance assessment system for service delivery in the Dutch public administration). Specific and detailed performance indicators may work to some degree for highly predictable and routine tasks (“production-type jobs”), but they are less useful for more complex and less tangible types of

11. See Barbieri, Girosante, and Valotti (2017). Other examples of this approach are evident in Chile, the Republic of Korea, the United Kingdom, and the United States.

12. These jobs consist of observable, repetitive tasks and produce observable, discrete outputs (“production-type jobs,” for example, verifying compliance with procedures and processing claims). See Hasnain, Manning, and Pierskalla (2014).

BOX 2 - Measuring Performance for Production-Type Jobs: The Case of P-Direkt in the Netherlands^b

P-Direkt is the shared services center for human resource management administrative services for institutions across the Dutch government. It is responsible for providing services to around 130,000 end users, both employees and managers in the public administration. Its services focus on payroll, providing HR information to relevant stakeholders and processing HR transactions. To ensure high quality, reliable, and efficient services, P-Direkt sets and digitally measures and reports on yearly targets for a number of key performance indicators pertaining to customer satisfaction, processing times for requests, and availability of services. The institutions use the targets to incentivize and improve performance by clarifying expectations and identifying areas for improvement, rather than for punitive purposes. These targets are integrated as performance standards into the performance appraisal of front-office and back-office staff. For instance, in 2019, front-office staff were expected to answer telephone calls within 10 seconds and to address 85 percent of telephone inquiries within 45 seconds. Back-office staff had to respond to 90 percent of queries and complaints within five working days. Customer satisfaction is measured on a scale of 1 to 10 and assessed through electronic surveys of satisfaction following each operation and through follow-up telephone calls to a sample of clients (around 10 percent).

Sources: P-Direkt 2019; Netherlands, Ministry of the Interior and Kingdom Relations 2018.

b. Box 2 was originally produced as part of a World Bank project for the Romanian Government, "Reimbursable Advisory Services (RAS) Agreement on Developing a Unitary Human Resources Management System within the Public Administration (P165191).

21. **Focusing on performance at the team level, as appropriate, may better capture actual performance in achieving organizational objectives.** Job responsibilities of staff in the core public administration typically entail substantial interdependencies between different individuals, sometimes across departmental or organizational boundaries. Given these interdependencies, improving individual performance will not necessarily lead to improved results for the organization. In these circumstances, objectives should be set at a level at which results can be adequately measured, that is, at the team (in cases for which it can be defined) or unit level (Farr and Tippins 2010). Nonetheless, placing too much emphasis on team-based objectives might incentivize free-riding within the team, while disincentivizing managers to tackle individual underperformance. A study in the U.K. Civil Service found these issues to undermine the expected benefits of team-based objectives, in the absence of competent managers to address them (Makinson 2000). Limiting the scope of objectives to smaller, more established teams could help alleviate these issues and lead to improved team productivity (Burgess and others 2010).
22. **For both accountability and development purposes, performance ratings should reflect the variance in employee performance.** This can be challenging in public and private sectors alike (Wigert and Harther 2017). Two ways to enable both comparability of ratings across units and consistent and comparable differentiation among different levels of performance are

(ex-ante) frame-of-reference training (Schleicher and Bull 2007) and (ex-post) calibration of grades (Caruso 2013). Through frame-of-reference training, managers within an organization are provided with guidelines and training on how to evaluate different aspects of performance and to distinguish different levels of performance. This is especially useful for behavioral, qualitative, and other aspects of performance that are difficult to measure quantitatively based on administrative data. Through calibration, managers at each hierarchical level meet after the individual staff appraisals are done to discuss and compare provisional grades and grade distribution across and within units. Both tools introduce some degree of quality assurance to how performance is rated.

23. **While calibration adds an additional step to the process and is somewhat resource intensive, it generates a series of benefits.** It improves managers' accountability for the appraisals (managers have to justify their initial ratings), increases total information used in decisionmaking (discussion with other managers and supervisors), diminishes the pressure on managers to inflate ratings, and ensures a shared frame of reference that increases the accuracy of ratings (Speer, Tendrink, and Schwendeman 2019). Discussing specific examples of performance also helps managers align their views of how to interpret and apply standards, which increases rating consistency across employees. As such, calibration diminishes bias and increases the fairness of the system. If combined with well-defined performance standards and

training of managers (for example, frame of reference), calibration is uniformly well received and useful in practice (Bock 2015; Pulakos and O’Leary 2011, 161). If calibration is tied to and integrated with the annual organizational performance planning and management processes, it has the added benefit of strengthening the latter process and its link to individual performance management (see figure 2, principle 2, page 12).

24. **Forced distribution is a more radical technique of differentiating between levels of performance, and it can have detrimental side effects.** A forced distribution requires managers to place team members in different performance categories, based on a fixed percentage for each category. A number of European Union (EU) member states have applied forced distribution to various degrees, such as Portugal for top ratings, Latvia and Italy for all ratings, and the United Kingdom for all ratings of senior civil servants (Staroňová 2017). However, in general, forced distributions were found to generate significant downsides (Schleicher, Bull, and Green 2009; Stewart, Gruys, and Storm 2010), because they force managers to artificially rank staff. This can have a demoralizing effect on staff in the medium- to long-term — especially if employees deem their scores unfair. It can also promote excessive individualism and competitiveness among co-workers to the detriment of teamwork and collaboration (Stewart, Gruys, and Storm 2010). These side effects are particularly damaging if the performance rating is linked to financial or career consequences. In countries where the level of trust among staff concerning the objectivity of manager evaluations is low, quotas for top ratings can be used as an in-between solution. This helps to differentiate and reward high performers, while not forcing managers to rate some of their employees as underperforming, which might be viewed as excessively punitive.



IV. Diversify the Source of Evaluation, for Objectivity and Fairness

25. **Effective performance management systems improve and augment, rather than replace, human judgment in the appraisal.** As noted, even for jobs with standardized tasks and predictable results, managers must integrate in their appraisals of staff performance elements such as task complexity, exogenous challenges, and the broader implications of individual performance on the work environment (for example, by

applying, or not, the right mix of competencies). There are various ways to achieve this:

- a. **Diversify the sources of data used for the assessment.** For some types of jobs with clear tasks or outputs, this can be done through better use of administrative data (for example, from document management or management information systems, where they exist) and modern technologies (such as tablets and cell-phones to monitor activities, especially for some types of field workers who use them in their daily work), or to gather direct citizen feedback on services provided by frontline staff (see Box 2 for an example of principle 3 on measuring performance in P-Direkt in the Netherlands). Another option is to include feedback from multiple people in the assessment of a given individual. Multi-source feedback is increasingly popular in performance assessment in the public sector, and it may include self-evaluation, evaluations by colleagues, and evaluations by external sources, such as clients, beneficiaries, and citizens (Glifford 2016). Tools such as 360-degree evaluations (which include feedback from supervisors, peers, clients, and subordinates) are especially valuable for managers since they can capture various aspects of managerial performance. However, 360-degree appraisals are resource-intensive and, unless certain conditions within the organization are met (such as ensuring anonymity of feedback providers, having an open feedback culture, and using the feedback for developmental purposes), they can become an administrative burden (Latham and Mann 2006). The resources needed to implement and sustain a 360-degree performance process make it challenging for most public administrations to use for all but the most senior managers within their organizations (Kuperus and Rode 2016).
- b. **Acknowledge and address unconscious bias in performance appraisals.** Organizational psychology literature and behavioral sciences have documented numerous forms of potential bias (Scullen, Mount, and Goff 2000), as shown in Table 2 (page 18). Managers who have been trained in performance appraisal techniques and have been made aware of potential unconscious biases are more likely to provide fair and accurate ratings. The two most effective types of training for this purpose were found to be frame-of-reference training, which enables managers to recognize a given set of standards of performance across different employees, and

behavioral-observation training, which enables managers to observe, record, and recall staff behaviors (Glifford 2016; London, Mone, and Scott 2004). Moreover, requiring managers to justify their ratings and/or establishing an independent review process of the ratings was found to reduce the effect of biases on performance rating (ibid.).

> > >

TABLE 2 - Examples of Possible Managerial Biases in Performance Appraisals

Possible Bias in Performance Appraisal	Description
Halo effect	Managers generalize an employee's overall performance based on only one aspect of the employee's work
Lower rating for less challenge	Managers consider staff in less complex roles, such as back office jobs, as low performers simply because they perform routine tasks
Personal bias	Managers award high ratings to staff who they like and/or who have a similar work style
Central tendency bias	Managers have the tendency to award most employees an "average" performance rating, despite actual performance, because they find it difficult to distinguish between performance levels
Leniency and strictness bias	Managers generally assess employees either higher than their actual performance (for instance, to prevent losing them or to avoid conflict and preserve relationships) or lower than their actual performance (being overcritical of their employees)
Recency effect	Managers focus on the performance of their employees in the period leading to the performance appraisal, rather than on their performance throughout the assessment period

Sources: London, Mone, and Scott 2004; Wigert and Harter 2017; Table 2 was developed as part of a World Bank project for the Romanian Government, "Reimbursable Advisory Services (RAS) Agreement on Developing a Unitary Human Resources Management System within the Public Administration (P165191).



V. Motivate Performance Through Both Intrinsic and Extrinsic Incentives

26. **Civil servants can be motivated through monetary and non-monetary rewards** (Bandiera, Khan, and Tobias 2017, 7). Beyond economic self-interest, civil servants' decisions and choices are also affected by factors such as fairness, professional pride, and societal responsibility (Guszcza, Bersin, and Schwartz 2016). Monetary incentives (also known as performance-related pay) motivate through their extrinsic value, as sanctions do through pay cuts, demotions, and dismissals. In turn, non-

monetary incentives appeal to an individual's intrinsic and "pro-social" forms of motivation, including job satisfaction, new challenges, mobility, personal development, and social recognition, among others (Rose 2014; Watkins and Beschel 2010). Indeed, the trend in private and some public organizations is toward "total reward strategies," which include a variety of elements of the employment package other than wages (see [Box 3](#)).

BOX 3 - Total Reward Strategies^c

Total reward strategies cover all relevant aspects of the employment package that help attract and retain the right staff in the organization. While performance-related pay is often included in the reward package, the total reward strategy also includes other financial elements (such as medical insurance, dental insurance, leisure vouchers, and so on) and other important non-financial incentives, such as:

- The work itself — its challenge, variety, autonomy
- Learning and development opportunities
- Opportunities to grow — career prospects
- Enabling environment— working conditions, work-life balance, flexible work arrangements
- Management quality — including the quality of the framework for managing performance and encouraging manager-employee performance discussions.

For example, in the U.K. civil service, the total reward strategies are a key element of the reform of the pay system for senior civil servants, as highlighted in the *Government Evidence to the Review Body on Senior Salaries on the Pay of the Senior Civil Service* (March 2020). As part of the reform strategy, there is increased emphasis on the benefits of working in the civil service, beyond base pay and performance-related pay. The document mentions pensions as well as the intrinsic importance of the role. Similarly, the British Council has developed a framework that intends to provide an “attractive total reward offer (pay, benefits, personal development, career progression, work-life balance, and environment and culture) to attract, engage and retain” qualified staff. In addition to the pay structure, the rewards strategy includes: 32 days annual leave in addition to statutory holidays, the benefit pension scheme, flexible working and well-being policies, enhanced family-friendly benefits (such as childcare vouchers), cycle to work plan, and so on. The framework is accompanied by a detailed guide for local councils on developing total reward strategies for their organizations.

Sources: Armstrong 2019; United Kingdom, Cabinet Office 2020; Local Government Employers 2010.

c. Box 3 was originally produced as part of a World Bank project for the Romanian Government, “Reimbursable Advisory Services (RAS) Agreement on Developing a Unitary Human Resources Management System within the Public Administration” (P165191).

27. While many governments use performance-related pay, evidence on its impact on performance is mixed.

Implementing PRP systems remains a challenging issue in many Organisation for Economic Co-operation and Development (OECD) countries (OECD 2005). Performance-related pay seems to be most effective for “production jobs” that have more readily observable outputs and outcomes (Hasnain, Manning, and Pierskalla 2012). This is not the case for “craft” or “coping jobs,” which make up much of the core civil service jobs; for these, there is insufficient evidence on the benefits of PRP. This is partly because an important side-effect of monetary incentives is that of crowding out intrinsic motivation (Marsden 2009). Associating an economic value with a certain activity that the organization may consider should be driven by intrinsic motivation (for example, serving the public good) changes the nature of motivation to that of a contractual exchange. As a result, the absence of continued financial rewards can disrupt the altered positive behavior. Furthermore, if employees worry excessively about the pay implications

of ratings, the fear of potential losses can influence their behaviors twice as much as the prospect of potential gains (Ewenstein, Hancock, and Komm 2016). An approach to address the issue of employees taking yearly bonuses for granted and their tendency to excessively focus the annual performance appraisal on monetary implications is to award “spot” bonuses throughout the year that recognize superior effort or a salutary initiative (Hancock, Hioe, and Schaninger 2018, 52).

28. For knowledge-intensive and more creative jobs, tools that leverage intrinsic and pro-social motivation show better impact on performance (Gallani 2017; Nava, Bandiera, and Kelsey 2014; Trost 2017). Techniques to appeal to intrinsic drivers of performance in the public sector through non-monetary incentives include:

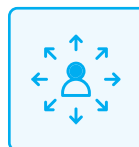
- Public sector awards: these can encourage productivity and innovation and promote pride in one’s work (Watkins and Beschel 2010). The conditions for

such positive effects are to award only a few of them, have a transparent and fair selection process, and effectively communicate the program.

- Less formal recognition: lunchroom celebrations, town hall announcements, employee-of-the-month and team-achievement awards encourage and help sustain high performance at little to no cost (Carpi, Douglas, and Gascon 2017).
- Building team spirit: for some workers the best motivation is maintaining a sense of closeness and connection with their colleagues. They want to please, and certainly not disappoint, their team members, so appealing to team spirit is an effective motivating tool. However, this works only when teams are cohesive and members get along (Stewart, Courtright, and Barrick 2012).
- Tailor-made benefits for individual needs: with the evolving nature of work and the labor market determined by generational shifts and societal disruptions (such as the COVID-19 pandemic), expectations for the workplace also transform. Employees increasingly seek benefits in the form of opportunities for growth, flexible worktime and better work-life balance, career coaching, and other career development opportunities (Deloitte 2015).

29. **Transparent, fair, and accessible opportunities for career progression and development are also critical determinants of staff engagement.**¹³ This is particularly true for the new workforce from the millennial generation, which prioritizes opportunities of personal and professional development and fulfillment in a job (Wigert and Harther 2017). A coherent and clear career path encourages staff to invest personally in a long-term commitment with their employing organization. Increasingly, public administrations are looking to establish specialist tracks for the various professions operating within their organizations (as in Australia¹⁴ and Ireland¹⁵), or they have done so already (as in the United Kingdom¹⁶). Staff are thus able to easily identify career progression opportunities within their specific fields of work and across organizations and to invest in upskilling to help meet the prerequisites for a career change.

30. **Limited career progression and development opportunities can be supplemented through structured horizontal mobility programs.** Most public administrations are characterized by rigid career progression systems, hence opportunities for promotion may be limited. However, horizontal mobility schemes can also offer staff new challenges and opportunities, allowing them to diversify and augment their skills and competencies by working in other sectors and on different projects. From an organizational perspective, internal mobility can foster collaboration between institutions to deliver whole-of-government priorities in a coordinated manner. Moreover, it can help mobilize staff to fill capacity gaps in institutions or for specific projects that require their expertise on short notice (Boyle and O’Riordan 2014; Kuperus and Rode 2016; U.S. GAO 2019). A number of EU and non-EU public administrations have aimed to encourage internal mobility (permanent or temporary) among their staffs, particularly for public managers. A 2016 OECD survey found that 13 of 35 OECD member states encourage, to various degrees of intensity, their senior managers to undergo mobility assignments (OECD 2015). This can vary from formal requirements for senior managers to change positions after several years (such as in the Netherlands) to opening up vacant senior management positions first to internal mobility (such as in Ireland).



VI. Enable Staff Performance Through Adequate Opportunities for Growth and Development

31. **Regular feedback and coaching of staff by managers can improve staff motivation and is essential for staff development, and thus, performance.**¹⁷ The feedback loop for the typical yearly performance assessments and one-off review meeting is too long to identify and address problems in a timely manner. It is also strongly focused on reviewing past performance, identifying errors, and holding staff accountable for them. Since it is difficult to assess an entire year’s worth of performance, managers often mainly concentrate on the most recent events (“recency bias”). More frequent feedback through regular informal conversations contributes to a better and immediate

13. For examples, see Australia, Department of the Prime Minister and Cabinet (2019) and U.S. GAO [United States Government Accountability Office (2019)].

14. For example, see Australia, Department of the Prime Minister and Cabinet (2019).

15. For example, see Ireland, Department of Public Expenditure and Reform (2017).

16. See U.K. Civil Service professions (<https://www.civil-service-careers.gov.uk/professions/>).

17. For examples, see Latham and Mann (2006); Soltani and others (2005); Gruman and Saks (2011); and Wigert and Harther (2017).

understanding of performance, and it provides employees with direction as well as the opportunity to quickly adjust course (Trost 2017). It also increases staff morale. For example, in a public employee survey conducted in the Romanian public administration, regular feedback from managers was found to be positively correlated with staff motivation and engagement (World Bank, forthcoming c). To be effective, such conversations should use constructive language and focus on building rapport with employees and identifying avenues for future growth, rather than just discussing activities to be performed (Christensen 2015; Ewenstein, Hancock, and Komm 2016).

32. It is recommended that managers separate conversations focused on employee development from formal performance conversations that have primarily accountability and control functions. Both managers and employees tend to use different cognitive processes for formal performance appraisal discussions than for discussions focused on development. Experimental studies have found that managers tend to disproportionately consider examples of poor employee performance when deciding whether to award extrinsic benefits to staff. They were also found to rate employees too generously to avoid conflict. Employees, in turn, were found to take a combative approach to these discussions, focusing on justifying their weaknesses, defending against feedback, and over-emphasizing their strengths, all to improve their ratings (Bock 2015; Gifford 2016). However, when evaluating staff performance without having to link it directly to administrative decisions, managers look at employee performance more comprehensively and tend to rate staff more realistically. Also, employees are more open to talking about their weaknesses and ways to improve their performance. Separating discussions about pay and promotion from those about development and learning can lead to more constructive conversations about performance between managers and staff. The difference in mindset between administrative and development conversations also applies to peer feedback. Input from peers is more candid and effective in changing behaviors when it is used for developmental purposes, such as learning, rather than administrative purposes, such as promotions or bonuses (Smither, London, and Reilly 2005; Trost 2017).

33. Competency-based management is one way to identify both needs and potential for development of staff. Competencies are key behaviors, skills, and knowledge that staff need to use on the job in order to fulfill their specific responsibilities (OECD 2011). They can help identify staff with high potential for promotion, especially at managerial levels. Competencies are used in performance appraisal to identify behaviors, skills, and knowledge that should be further developed to enable staff to better perform and further progress in their careers and to link these to concrete development opportunities tied to employees' personal expectations and career aspirations (Trost 2017, 31). Development opportunities can take the form of training, mobility, or new responsibilities or tasks of higher complexity and challenge. If done adequately, development opportunities can be more effective at building skills and competencies than traditional forms of learning, such as training. Assessing and developing competencies as part of performance management can also help address underperformance, which is one of the most challenging aspects of any performance management system.¹⁸ Assessing competencies allows for a better understanding of what causes underperformance — whether lack of motivation or the competencies necessary to perform on the job.



VII. Embed Performance Management in Organizational Culture and Practice

34. An effective individual performance management system must be coherently integrated into the organization's culture, practices, and processes. For instance, to ensure a clear line of sight between organizational and individual objectives, the organizational strategic planning and management framework (through which strategic objectives are defined and progress toward meeting them is monitored and evaluated) must be formally connected to the staff appraisal process and must inform management decisions on staff rewards, sanctions, and development needs. However, this clear line of sight rests on the organization having a practice

18. For example, see Australian National Audit Office (2017); and as discussed in Barbieri, Girosante, and Valotti (2017).

of setting measurable strategic objectives and regularly reviewing progress in meeting them. Other elements, such as institutional safeguards in the shape of appeal procedures or review boards, are also needed to ensure that managers use performance management tools adequately and that performance assessments are fair and credible. All these processes should be linked to each other through appropriate internal rules and improved communication channels between relevant departments. Finally, even when performance management is part of an integrated system within the organization, it must be embedded in the organizational culture for effective use and sustainability. This is achieved through intensive and continuous communication efforts, as well as public endorsements and transparent accountability measures from the organization's leadership (see *Figure 2, principle 1, page 12*).

35. Staff need to be involved and consulted in the design, implementation, and adjustment of the performance management system to ensure its take-up and effectiveness. Having a role in shaping the policies and processes that affect them and seeing the organization's leadership addressing their concerns can be a major boost to staff morale and engagement (OECD 2016). One increasingly common instrument for eliciting staff perceptions are staff engagement surveys, either large-scale or focused on a specific topic ("pulse" surveys). Staff

engagement surveys are standard practice in most OECD countries; in most cases, they are undertaken every year, through a standardized methodology for the entire public administration (*ibid.*). These surveys can help identify high-performing organizations and facilitate learning across the public administration.

36. Human resource departments have a key role in ensuring that performance management achieves its three-pronged objectives (steering, motivating, and enabling staff). At a basic level, HR departments support the process administratively and verify compliance with the applicable performance management regulations. More advanced HR departments also play a strategic role in performance management, by (i) ensuring its coherence with all the HRM processes underpinning the employee lifecycle; (ii) actively building capacity among managers in managing staff performance within existing frameworks; and (iii) continuously evaluating and adapting the performance management system to effectively support the institution's strategic priorities. To this end, HR departments must not only embed the adequate level of subject matter expertise (for example, through specialized training, internal centers of expertise, or external partnerships), but also benefit from a commensurate mandate and leverage over strategic decisions in the organization.




How to Apply the Seven Success Factors




37. **World Bank task teams and government officials can use the framework proposed in this note to assess and improve performance management systems.** It is advisable to first conduct a review to gain an understanding of the overall HRM structures and determinants of performance in the particular country context. This includes a review of the legal and institutional framework for HRM, in general, and performance management, in particular. The next step is to assess how well the objectives of steering, motivating, and developing staff are achieved by the current systems. Staff surveys, such as those conducted by the World Bank's Bureaucracy Lab, are a very useful instrument for conducting such assessments. They can capture staff and manager perceptions about the degree to which individual and organizational goals are aligned, what the motivational bases of public sector employees


are, whether development opportunities exist and can be pursued, how staff and managers interact, and what role formal performance management structures and procedures play in all of these. The results of the assessment determine if the performance management system is a cause of staff underperformance and whether reforming it alone or as part of broader HRM reforms is the right response. Designing and implementing these reforms — to address any specific issues and, in turn, target improved staff performance — would be the ultimate objective. Table 3 (page 24) provides key diagnostic questions for assessing whether and how a given performance management system reflects the seven success factors identified in this note. It also suggests tools and actionable recommendations for improving performance management systems along the seven success factors.



TABLE 3 - Checklist and Toolkit for Applying the Seven Success Factors

Success Factor	Diagnostic Questions	Tools and Recommendations
 <p>1. Performance management must start from the top</p>	<ul style="list-style-type: none"> • Is there a separate performance management regime for high-level civil servants? Is it implemented well? • Do leaders and top managers visibly and continuously demonstrate commitment to performance management? • Does leadership ensure adequate resources to implement and sustain the performance management system (for example, to train managers and HR departments)? • Does leadership enforce accountability of the performance management system, even for high-level stakeholders? 	<ul style="list-style-type: none"> • Revise performance management regime for high-level civil servants to align incentives and demonstrate the value of performance management • Communicate regularly (by leadership to staff) the goals and importance of performance management • Train managers at all levels in competencies necessary for performance management • Include effective performance management as managers' performance objective
 <p>2. Ensure a clear line of sight (goal alignment)</p>	<ul style="list-style-type: none"> • Is there a well-functioning organizational performance management system in place? • Is the relationship between the objectives of the organization and each unit's objectives clear? 	<ul style="list-style-type: none"> • Reform and strengthen organizational strategic planning and performance management system • Cascade down organizational objective to units and potentially to individuals as possible • Strengthen and clarify the link between the goals of high-level managers and organizational goals • Incorporate frequent communication and discussion of organizational goals with employees
 <p>3. Differentiate performance assessments across institutions, job types, and levels of performance</p>	<ul style="list-style-type: none"> • Are performance indicators adapted to the nature and responsibilities of the job? • Do performance ratings reflect the variance in employee performance? 	<ul style="list-style-type: none"> • Use competencies and qualitative indicators for jobs with no measurable outputs (for example, policy roles) • Evaluate performance at the team level, if evaluating individual contributions is not feasible • Use (ex-ante) frame-of-reference training and (ex-post) calibration of grades to differentiate performance scores • Provide frame-of-reference training for managers to differentiate performance scores • Ensure variance in performance ratings through calibration process • Use quotas on top grades for which managers face weak incentives or disincentives to adequately differentiate performance among staff

Success Factor	Diagnostic Questions	Tools and Recommendations
 <p>4. Diversify the source of evaluation, for objectivity and fairness</p>	<ul style="list-style-type: none"> • Are performance ratings perceived by employees to be fair? • Beyond measuring standard quantitative performance indicators, do managers integrate in their appraisal factors such as task complexity, exogeneous challenges, and the broader implications of individual performance on the work environment? • Do managers rely on multiple sources of information to appraise their employees' performance? 	<ul style="list-style-type: none"> • Improve managers' judgment in performance evaluation through tailored training • Diversify the sources of information for the evaluation by using administrative data, citizen feedback, multi-source feedback (from peers, beneficiaries, citizens), and so on • Acknowledge and address unconscious bias in performance appraisals by training managers in performance appraisal techniques (frame-of-reference training, behavioral-observation training)
 <p>5. Motivate performance through both intrinsic and extrinsic incentives</p>	<ul style="list-style-type: none"> • What monetary and non-monetary rewards are used to motivate staff? • Are opportunities for career progression and development transparent, fair, and accessible? Are they effective incentives? • Does management consult employees on what in particular would motivate them to perform better? 	<ul style="list-style-type: none"> • Use performance-related pay primarily in production jobs, for which outputs and outcomes are more readily observable • Use "spot" bonuses instead of yearly bonuses to award specific achievements, so that employees do not take bonuses for granted • Use incentives that leverage intrinsic and pro-social motivation, such as public sector awards, building team spirit, and so on • Provide opportunities of personal and professional development and fulfillment in a job to motivate, in particular, younger employees • Use structured horizontal mobility programs for jobs with limited vertical career progression
 <p>6. Enable staff performance through adequate opportunities for growth and development</p>	<ul style="list-style-type: none"> • Are regular performance conversations mandated? • Do these take place in practice? • Do managers provide regular feedback to staff, beyond the yearly mandatory performance conversations? 	<ul style="list-style-type: none"> • Provide regular feedback using a constructive language and beyond task completion discuss competencies and professional growth • Separate conversations focused on employee development from formal performance conversations that have primarily accountability and control functions • Train managers in "competency-based management" so they can identify in performance conversations which competencies should be further developed to enable staff to better perform

Success Factor	Diagnostic Questions	Tools and Recommendations
 <p>7. Embed performance management in organizational culture and practice</p>	<ul style="list-style-type: none"> • Is the performance management system linked to other HRM functions and decisions? • Are there accountability mechanisms in place for performance management? • Is there a performance and results-oriented organizational culture? 	<ul style="list-style-type: none"> • Use institutional safeguards, such as appeal procedures, to ensure that managers use performance management tools adequately • Embed the institutionalized performance management system in the organizational culture through intensive and continued communication efforts • Involve staff in the design, implementation, and adjustment of the performance management system, for instance, through staff engagement surveys and focus groups • Train and empower HR departments to support managers in performance management



Conclusions

38. **Performance management is an important tool in increasing public sector productivity, which is key for effective regulation, infrastructure and service delivery, and overall expenditure efficiency.** The general government wage bill accounts for around 10 percent of gross domestic product globally and the public sector workforce accounts for around one third of formal employment. With this magnitude, increasing outputs from public sector workers and organizations can have a significant impact on government saving, creating room for new investments and building citizens' trust in government.
39. **Managing individual performance in the public sector is challenging, but it also has some advantages.** The public sector's sheer size and heterogeneity means that there is no "one size fits all" performance management system that works for all types of jobs and organizations in the public sector. In the core public administration, there are few "production-type jobs," so it is difficult to objectively measure and score performance. Most public administrations are characterized by rigid career management and compensation systems, which further limits the possibility of offering performance-based pay and promotion incentives for many. However, the public sector has its own advantages. For instance, its size provides for development opportunities through mobility across organizations. Also, public servants are more likely to find meaning in their work by making a positive difference in the lives of the citizens they serve. This sense of mission offers tools for keeping them motivated.
40. **To effectively use performance management to boost public sector productivity, public institutions should focus both on assessing performance and on motivating staff and helping them grow.** This requires not only aligning individual and organizational goals (principle 2) and starting at the highest levels of the civil service (principle 1), but also improving the quality and context-adequacy of how performance is evaluated for different kinds of jobs (principles 3 and 4). It also requires deploying a careful mix of monetary and non-monetary incentives to motivate different kinds of employees (principle 5), as well as providing opportunities for staff to perform better by emphasizing forward-looking development and growth (principle 6).
41. **Whichever performance management model is chosen, the successful achievement of its goals will largely depend not only on individual staff performance, but also on manager engagement and leadership quality.** The seven success factors outlined in this note provide useful lessons drawn from scientific and empirical evidence. These lessons need to be adapted to the particular context and challenges of a given public administration. This can be accomplished by ensuring employee participation in the design and regular updating of the performance management system. However, one overarching theme emerging from these lessons is that public institutions need to invest in training and guiding managers in all aspects of performance management — assessing performance fairly and holistically, linking individual and organizational goals, having constructive conversations with staff, and coaching them to achieve their full potential. Institutionalizing such effective performance management practices requires continuous leadership commitment to supporting and improving the system and ensuring that performance management is not a rote procedure, but rather, a core element of organizational culture and practice (principle 7).



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