Prospect Survey Briefing

PERFORMANCE MANAGEMENT IN BT – 2011 SURVEY

Introduction

Nearly 3,360 people responded either to our main questionnaire on performance management, which we circulated across our members in BT, or to the separately-conducted BT Retail contact centre survey, which also included the same questions on performance management. The two surveys have been amalgamated as regards this analysis.

Thanks to all members who took the time once again to give us not only the details of their DPRs during the 2010-2011 appraisal year thus far (i.e. the first three quarters) but also their views on how performance management is conducted in the company, not least given the changes made to the system at the start of the 2010/11 appraisal year.

This report focuses on an in-depth analysis of the full findings of the survey, together with a short commentary on some of the implications of these. We have separately reported to members – see the August edition of *Connected*, for example – as regards how we have used the survey findings with BT to influence our continuing agenda on performance management.

Findings

This section summarises the findings of the survey as a series of bullet points.

- 94% of respondents had a DPR rating for each of the three quarters of the 2010/11 performance year so far

- as far as the ratings are concerned, similar percentages of respondents had a Very Good rating as had a Development Needed rating

- the distribution of ratings is of a very different shape to that we have found previously, with many fewer respondents having a high performance mark

- people from a black and minority ethnic group and those who have an impairment were much less likely to receive Very Good ratings, and were also much more likely to be rated as Development Needed, than their peer group counterparts

- DPR ratings also deteriorate with age

- 55% of respondents had received the same DPR rating in each of the three quarters of 2010/11 so far, but this fell to just 26% of those with a Development Needed rating, suggesting a strong degree of turnover into, and out of, this rating

- the percentage of respondents challenging their DPR rating rose in each quarter of 2010/2011, but – where the outcome to a challenge was known – the success rate of challenges rose no higher than 9% (a figure that was consistent for each quarter)

- a greater number of respondents believe that their performance is reviewed mostly or completely in line with the performance of their peers than believe that it is reviewed mostly or completely in line with the standards they have agreed with their line manager

- 31% of respondents agree that they have been provided with clear reasons for their performance assessment during 2010/11 so far; 42% disagree.

- 65% of respondents spend at least half a day per quarter in preparing for meetings with their line manager on their performance, including 42% who spend one day or more

- 68% of managers agreed that they had come under pressure during the current year to deliver an expected distribution of markings across their team, including 43% who 'strongly agreed'; just 20% disagreed

- 35% of respondents agreed that their rating was a fair reflection of their performance; 49% disagreed

- over four in five respondents agree that there is an expected distribution of ratings which leads to people being marked down for no good reason, 49% of whom strongly agree

- just under four out of five respondents agree that too much time was spent on the whole performance management process from evidence gathering to levelling, of whom 53% strongly agree

- fewer than one in five respondents agree that the time spent on performance management will ultimately benefit customer service whereas 59% disagree

- just one in seven agree that the performance management process makes a positive contribution to the overall performance of the company, while 64% disagree.

1. About you

Our sample of respondents had the following biographical characteristics:

- 19% were women

- just under 6% were from a black and minority ethnic group

- nearly 5% had an impairment which affected their ability to carry out their day-to-day activities

- the average age of respondents was 48, with 50% of all respondents being between 44 and 54[1]

- 3% of respondents were in the BTTC currently, while just under twice that proportion said that they were pre-deployed, i.e. within their own LoB. Between 3% and 4% said that they had been in the BTTC at some other point during the year since April 2010. All told, coming up for one in eight Prospect members who responded to the survey has had some involvement with re-deployment during the last twelve months

- more than 2% of the sample had TUPE-transferred into BT, although all will still be covered by the company's performance management processes.

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[1] This is the 'interquartile range'; a statistical term for the middle-ranking 50% of all respondents when all respondents have been ranged in numerical order of age. 25% of all respondents were younger than 44 (this is the lower quartile); 25% of respondents were older than 54 (this is the upper quartile).

Fifteen per cent of respondents had been on the move during the year, i.e. had worked for at least one other LoB. Most had worked for just one other LoB during the year, with the most frequent responses being Global Services and Innovate & Design, accounting for up to 5% and 3% of 'other LoBs' respectively, but a small handful had worked for two other LoBs or more.

58% of respondents did not have line management responsibilities but the rest had responsibilities either for Team Member grades or other managers (or, occasionally, both) – very slightly higher, in numbers terms, for the former.

The mean number of direct reports for whose assessment of performance our respondents had line management responsibility was 10, with a small number of very high responses dragging the mean higher than the median, which stood at 7 (IQR: 3-16). This needs to be borne in mind not least for the questions on the time spent on the process. Inevitably, managers with responsibility for the management of Team Members (i.e. first-line managers) had a higher number of direct reports for whose performance assessment they were responsible than did those who were managers of other managers/professionals (i.e. second-line managers): the mean number of Team Member direct reports was 14 (median = 15); while the mean number of managerial direct reports was 6 (median = 4).

All but 2% of our sample were mapped to roles in the Reward Framework and all but just less than this same percentage could at least state their job family. However, there was much greater confusion over benefits band than there was over job family membership: up to 8% of those mapped to Reward Framework roles and who stated their job family nevertheless said that they did not know the benefits band of their role.

## 2. Your appraisal

2009/2010 DPR

The vast majority (94%) of our sample had a formal DPR for the 2009/2010 year (i.e. the last under the former agreement). Most of the LoBs were on the average (Innovate & Design and Operate both slightly higher, at 95%) but the LoB with a much poorer record in this respect was Retail, where 15% of respondents did not have a DPR.

Consequently, we find that the percentage of women without a formal DPR for 2009/10 was, at less than 89%, lower than the percentage of men without one. Possession of a formal DPR last year was also around the 89% mark for people from a black and minority ethnic group and amongst those with an impairment. People younger than 45 also seemed to be less likely to be in possession of a formal DPR – again, around the 89-90% mark – compared to people over 45. Interestingly, the group for which possession of a formal DPR was most likely was the over-55s.

Women tended to get better marks than men – a finding we have made before – but the percentage of people with high performance marks (Very Good/Outstanding) was much lower amongst people from a black and minority ethnic group and with an impairment (15% and 17%, respectively) while the percentage with a low performance mark (Generally Satisfactory/Needs Improvement) was substantially higher, particularly amongst people with an impairment. Those over 50 were less likely to receive a high performance mark (particularly the over 55s) and the percentages in these groups receiving low marks were also a little higher, but less substantially so than we find for people from a black and minority ethnic group or with an impairment.

Consequently, last year's out-turn shows a continuation of the long-term trends: a slipping in the overall percentages receiving Very Good or better marks (just 22% got a Very Good in 2009/10); as well as much poorer marks on the basis of ethnic origin and impairment. The marks on the grounds of age are also cause for concern.

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2009/2010 DPR, by equality marker
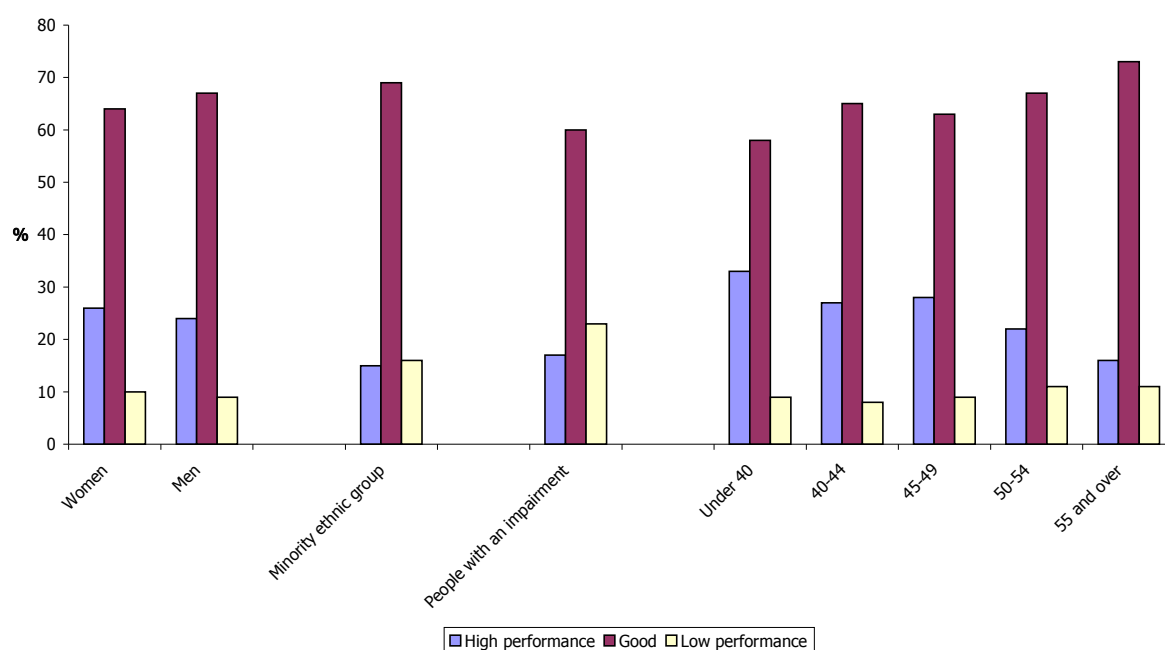
All LoBs bar one had percentages of high performers which were twice (or nearly twice) that of their low performers; in Retail, in contrast, the percentages were almost the same. In Innovate & Design – which did not, however, have the highest percentage of high performers – the difference was nearly four times. A good half of LoBs have high performance marks of around one-quarter of the population with, at the same time, low performers standing at around one in ten.

2009/2010 final DPRs, by LoB
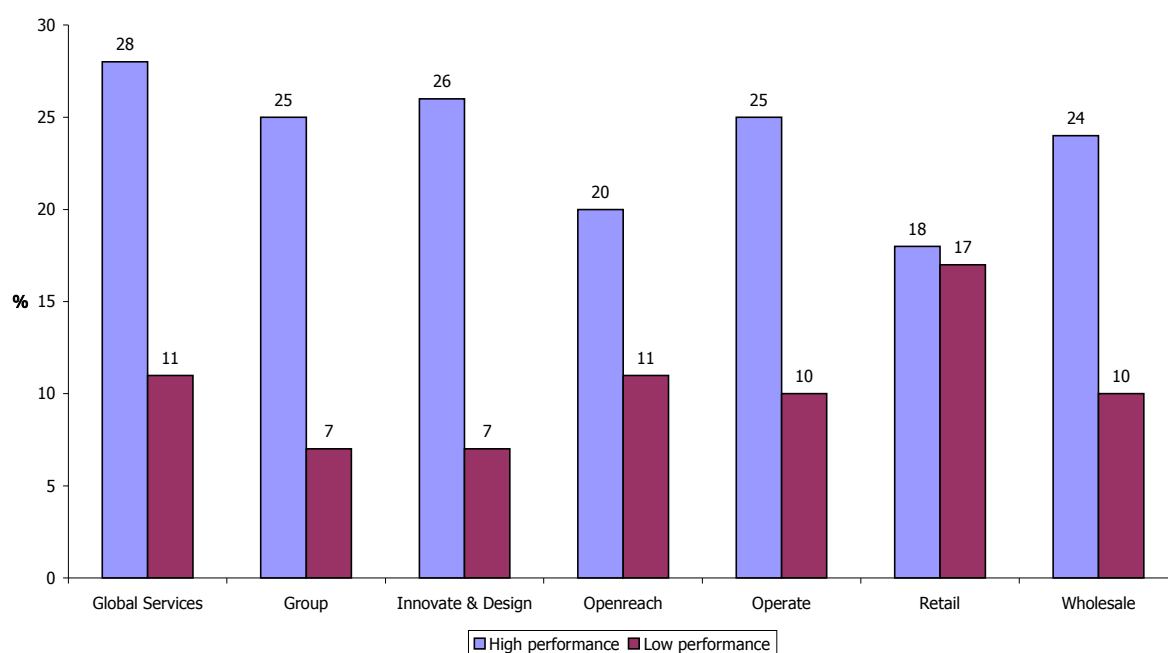
NB Chart shows 2009/10 final DPR by the LoB which people worked for on 1 January 2011.

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By benefits band, those mapped to roles which respondents said were in band 1 were less likely to have high performance marks than those which said they had band 3 benefits: the percentage of band 1s with a high performance mark was 22%; amongst band 2s, the figure was 28%; and amongst band 3s it was 35%. Conversely, band 1s were more likely to get low performance marks (11%), although the difference is not as clear cut and is masked by a relatively high proportion of band 3s getting no more than a Generally Satisfactory.[2]

Procedure issues

The new performance management agreement specified a number of procedural safeguards concerning which our survey was keen to check the operation in practice.

Firstly, did people agree expected standards with their line manager in time for the start of the 2010/2011 performance year? The result was that they overwhelmingly had not – just 13% of respondents said they had agreed standards in time for the start of the year. An additional 33% of respondents said they had agreed standards shortly after the start of the performance year – but this still leaves a majority of respondents who had not agreed standards until the new performance year was at least well underway (if at all – some one in five respondents said that standards had never been agreed).

Perhaps unsurprisingly, Retail was the poorest performer in this area, with nearly two out of three respondents having not agreed standards in time for the start of the performance year (or shortly thereafter); and, even in the best performer (Innovate & Design), the number of respondents with agreed standards in place was still only barely a majority. In Retail, the percentage of respondents who had not agreed standards at all was 30%, and it was not much less than that (27%) in Global Services.

Did you agree expected standards with your line manager in time for the start of the 2010/2011 performance year?
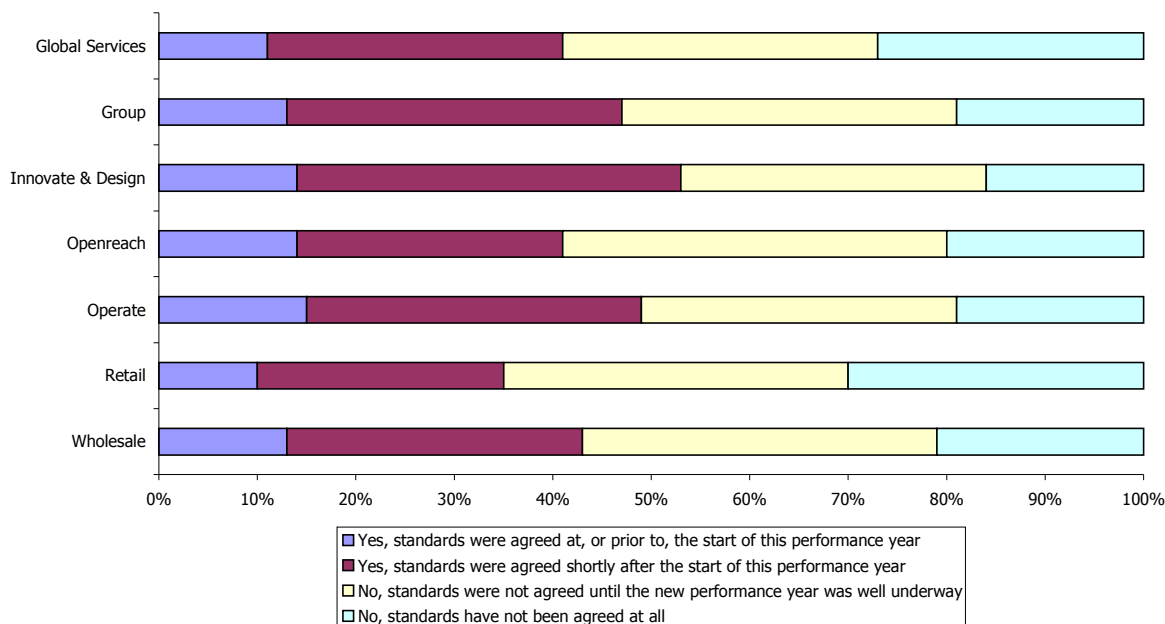
One-third of those who had agreed standards in place, no matter how tardy the process, said that they had not been reviewed during the course of the year but around one-third in each case said that they had been reviewed at least once with retrospective or with forward-looking effect (and, on a few occasions, both). Perhaps inevitably, revisions were most commonly reported amongst those

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[2] Figures all based on the benefits band that people said they were in as at the date of the survey.
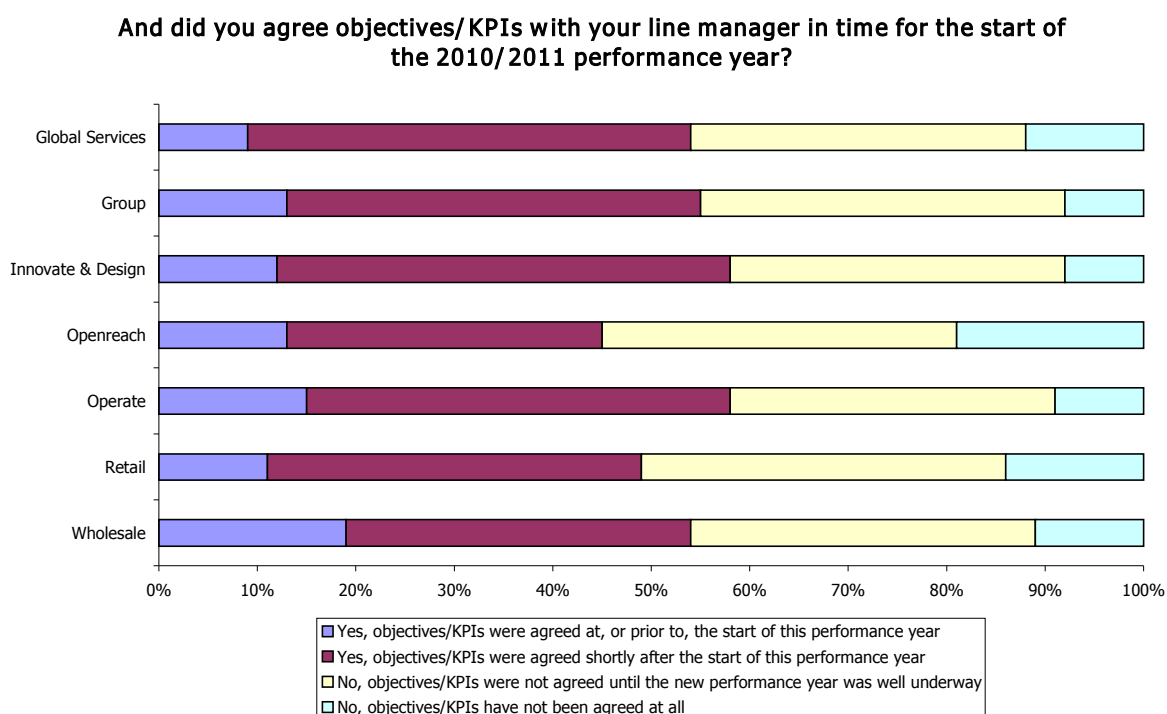
respondents who said they had agreed standards prior to the start of the year, amongst whom just 21% said they had not subsequently been reviewed.

Amongst those with agreed standards in place either prior to or shortly after the start of the performance year, revisions were most likely in Openreach (just one in five said they had not been reviewed) and least likely in Group (32% said they had not been reviewed).

Thus, it is clear that the revision of agreed standards is a common feature. The percentage of respondents with at least one set of retrospective changes to agreed standards (where these had been in place either prior to the start of the year or shortly afterwards) varied between 30% in Group and 45% in Openreach. The revision of standards ahead of the next period affected similar percentages of respondents in all LoBs with the exception of Global Services, where it rose much higher, to 47%.

Secondly, had respondents agreed objectives, or KPIs, with their line manager in time for the start of the performance year? Again, overwhelmingly the answer is 'no', with just 13% having agreed objectives before the performance year got underway. However, the percentage with objectives in place shortly thereafter left only a minority without objectives in place until well into the new year. Eleven per cent did not have objectives at all.

Here, the poorest performer was Openreach, while Retail joined it in having only a minority of respondents with objectives in place in a reasonably timely fashion. Innovate & Design and Operate had the best records, but still more than two in five in each case had not agreed objectives until the performance year was at least well underway.

And did you agree objectives/KPIs with your line manager in time for the start of the 2010/2011 performance year?

Legend:
- Yes, objectives/KPIs were agreed at, or prior to, the start of this performance year
- Yes, objectives/KPIs were agreed shortly after the start of this performance year
- No, objectives/KPIs were not agreed until the new performance year was well underway
- No, objectives/KPIs have not been agreed at all

Concerning objectives, the overwhelming picture was of subsequent revision. Just 20% said that their objectives had not been revised during the year thus far, with – again – equal numbers (c. 40% in each case) saying they had been revised with retrospective effect as with forward-looking effect (and a small number saying both). Here, just 10% of those whose objectives had been agreed prior to the start of the year said that they had not subsequently been reviewed (rising, again somewhat inevitably, to 27% of those who did not have objectives in place until well into the new year). [1]

Amongst those with objectives agreed either prior to or shortly after the start of the performance

year, revisions were most common in Innovate & Design (where just 10% said they had not been reviewed) and – again – were least common in Group (25%).

So, the revision of agreed objectives is also a common experience of our respondents. Concerning respondents who had agreed objectives in place either prior to the start of the year or shortly thereafter, a majority in Openreach (51%) said they had been reviewed at least once with retrospective effect, falling to 34% of Group respondents; while – of the same group – the revision of standards with forward-looking effect rose to 47% of respondents in Operate and 49% in Innovate & Design, and falling to 38% of those in Retail.

Quarterly performance ratings, 2010-2011

At the time when the survey was conducted, the overwhelming majority of respondents had DPRs for three separate quarters: some 94% of our sample were able to supply the rating they had been given each quarter (even though 'don't know' and 'N/A' options were also supplied). Individually, non-responses ranged from 3.7% of the sample in Q1 to 3.0% in Q2 and 5.0% in Q3.[3]

Of those who supplied a rating in each quarter, the distribution of DPRs is as follows:

Distribution of DPR ratings, first three quarters of 2010/2011
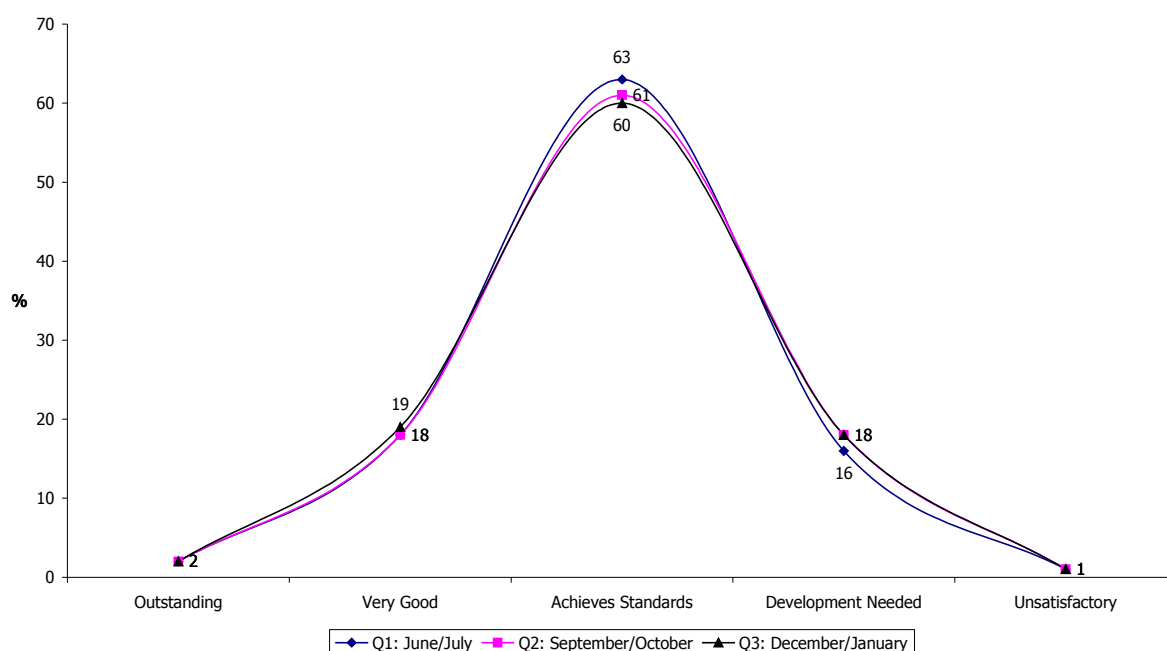
The most evident comment to make here is that the data appears normally distributed – for long claimed to be a goal by stealth of the company and which underpins many comments that we have heard about forced distributions. That the data appears normally distributed does not, of course, by itself mean that the distribution has been forced – but it does look very different to previous distributions.

Secondly, there has been evidently very little change between the three quarters of the year. In Q3, there has been a slight shift, with the distribution being very slightly squashed as a result of there being a small rise in the percentage of respondents with Very Good and Development Needed ratings. However, there is a remarkable degree of consistency across the year, and – at the overall level – no

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[3] There was a higher proportion of 'don't knows' in Q3, indicating a group of people who had not yet been told their mark, with a particular focus on Retail and Openreach, which accounted for 30% and 24% of the total respectively.

apparent volatility. That does not mean, of course, that people have not seen their ratings rise or fall between successive quarters.

Thirdly, the long-term trend of a fall in the percentage of people with high performance marks has continued. The percentage of respondents with the top-most mark remains at the level around which it has been for some time, but the percentage of people with a Very Good is continuing to fall such that, in 2010/2011 thus far, only around one in five managers and professionals are rated as high performers.[4] In 2005, to take an example for comparison, our survey reported that one-third of members had Very Good DPRs, while BT's reported data for the 2005/06 performance year, reported in its *Reward Bulletin*, indicated a figure of 38%. Our surveys earlier in the decade reported even higher percentages of respondents with VGs – in 2002, for instance, we found that 40% of MPGs *alone* had Very Good marks.

It is not evident to us that the performance of BT's managers and professionals has, in the meantime, slipped so far from these levels, not least against a backdrop of continuing job loss amongst our grades. This is as much of a concern as the numbers of people with Development Needed marks, since it is strongly suggestive of pay budgets driving the assessment of performance.

Analysing the marks by gender, we see that, at the start of the year – and in reversal of what we usually find – men had slightly better ratings than women. By Q3, however, the normal picture had re-asserted itself, with women more likely to get high performance marks and less likely to be rated as Development Needed. However, there was, in reality, very little difference between the figures on the basis of gender: (21% of women had high performance ratings, while 16% were Development Needed; the figures for men were 20% and 18% respectively).

However, there were dramatic differences on the basis of black and minority ethnic group and impairment, as the following charts, focusing on Q3, show.

The charts show clearly that, in the most recent quarter, people from a black and minority ethnic group and those who have an impairment were much less likely to receive Very Good ratings and were also much more likely to be rated as Development Needed. Some 29% of respondents from a black and minority ethnic group had a Development Needed rating, while just 12% were rated as Very Good. People with an impairment were about half as likely to be rated Very Good while being nearly twice as likely to receive a Development Needed as those of their colleagues who were non-impaired: one-third of people with an impairment being rated as Development Needed is a sizable group of people. Furthermore, the chart also shows that people with an impairment were also substantially more likely to be rated Unsatisfactory in Q3.

During the course of the year, the percentage of people from a black and minority ethnic group who receive a rating of Very Good has been marginally increasing, whereas the percentage with a Development Needed has increased hugely; conversely, the percentage of people with an impairment who receive a Development Needed rating has remained fairly static around the Q3 level while the percentage receiving a Very Good has fallen to just above half its Q1 level.

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[4] As a reminder, 24% – nearly one in four – of this same sample were high performers in 2009/2010.

Q3 DPR ratings, by ethnic origin
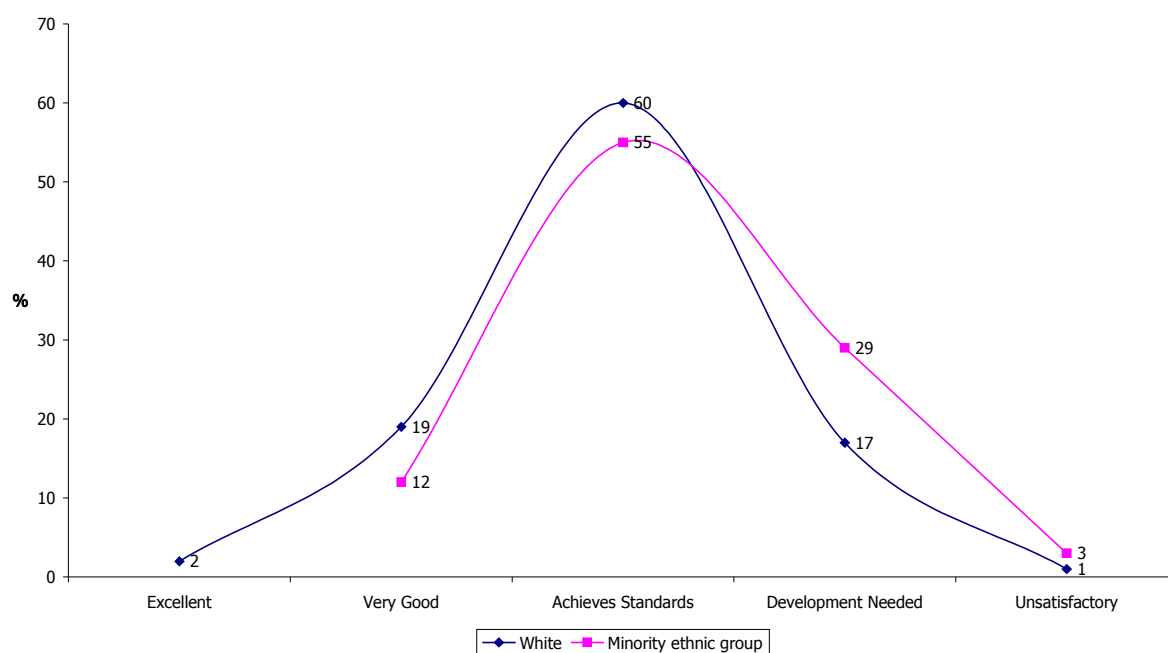
## Q3 DPR ratings, by impairment
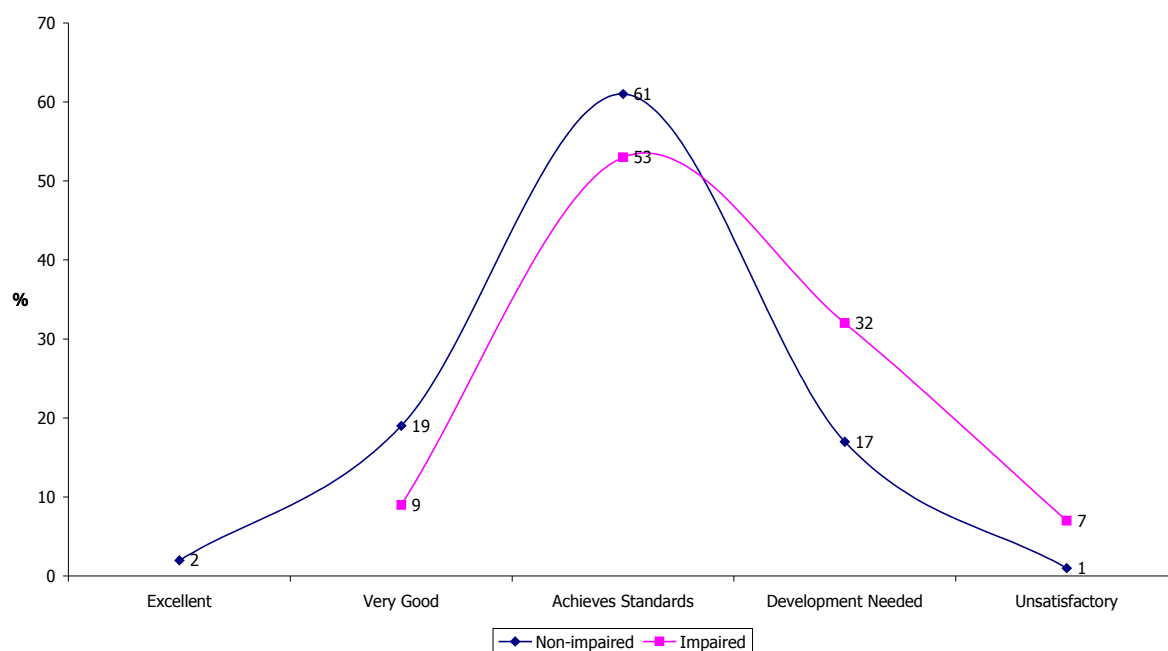
Looking at the figures by age, it is clear that ratings deteriorate with age: amongst the 50-54 age group and the 55s and over, the percentages of respondents receiving a Development Needed rating outweighed the number with a Very Good rating; in contrast, amongst the under-40s, the percentage with a Very Good rating was twice that with a Development Needed:

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Q3 DPR ratings, by age
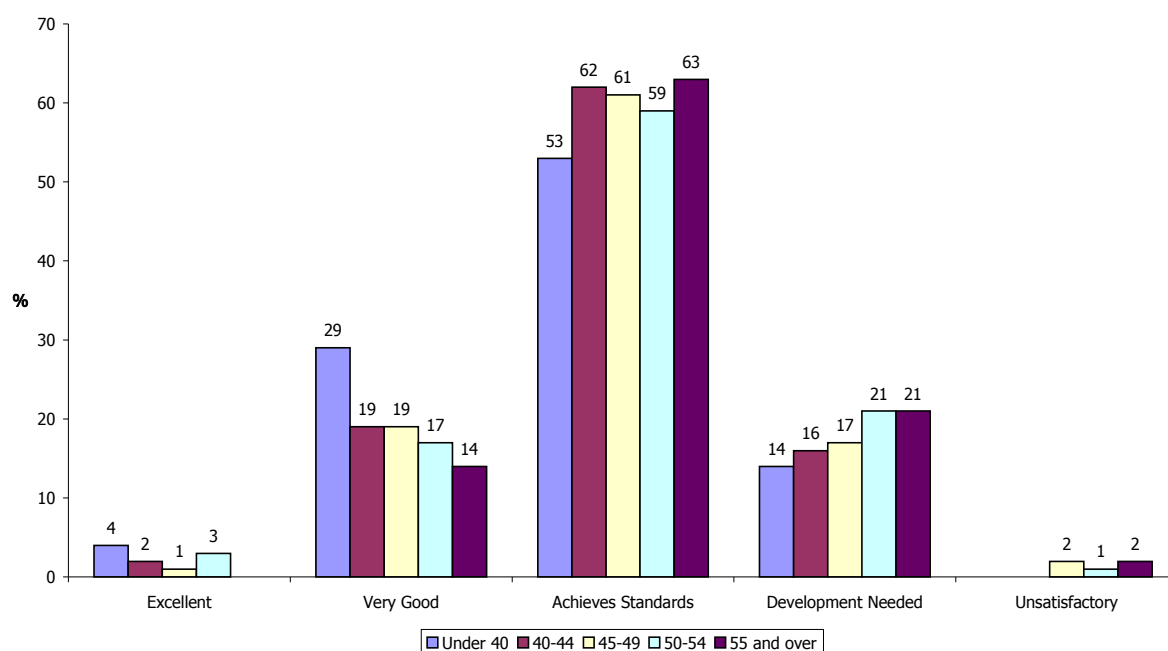
We should be careful to state here that it is not because people are from a black and minority ethnic group, or because they have an impairment, or because they are older, that they are receiving much lower ratings on average. Nevertheless, the reasons why ratings are lower amongst such groups of people do, in our opinion, need to be examined in detail by BT. We believe that the sample sizes involved are sufficient to generate a strong degree of confidence in our finding that there are major differences between the distributions of the ratings between each group.

The following tables document the figures in each quarter.

Q1 June/July:

	Gender		Impairment		Ethnic origin	
	Male	Female	Non-impaired	Impaired	White	BME
Excellent	2	1	2	0	2	-
Very Good	19	18	19	16	19	10
Achieves Standards	63	63	63	51	63	66
Development Needed	16	17	16	30	16	20
Unsatisfactory	1	1	1	-	1	3

Minimum five respondents to a cell: '-' shows a number above zero but fewer than five.

	Age				
	Under 40	40-44	45-49	50-54	55 and over
Excellent	4	2	1	1	1
Very Good	21	22	21	16	16
Achieves Standards	58	58	62	65	64
Development Needed	17	17	16	17	19
Unsatisfactory	-	2	-	1	-

Minimum five respondents to a cell: '-' shows a number above zero but fewer than five.

Q2 September/October:

	Gender		Impairment		Ethnic origin	
	Male	Female	Non-impaired	Impaired	White	BME
Excellent	2	1	2	-	2	-
Very Good	19	18	19	12	19	11
Achieves Standards	61	63	62	50	62	60
Development Needed	18	17	17	33	17	26
Unsatisfactory	1	1	1	4	1	-

Minimum five respondents to a cell: '-' shows a number above zero but fewer than five.

	Age				
	Under 40	40-44	45-49	50-54	55 and over
Excellent	4	2	1	2	-
Very Good	28	18	20	16	16
Achieves Standards	54	64	62	62	60
Development Needed	13	15	16	19	23
Unsatisfactory	-	-	1	1	1

Minimum five respondents to a cell: '-' shows a number above zero but fewer than five.

Q3 December/January:

	Gender		Impairment		Ethnic origin	
	Male	Female	Non-impaired	Impaired	White	BME
Excellent	2	2	2	-	2	-
Very Good	18	20	19	9	19	12
Achieves Standards	60	61	61	53	60	55
Development Needed	18	16	17	32	17	29
Unsatisfactory	1	2	1	7	1	3

Minimum five respondents to a cell: '-' shows a number above zero but fewer than five.

|	Age				
	Under 40	40-44	45-49	50-54	55 and over
Excellent	4	2	1	3	-
Very Good	29	19	19	17	14
Achieves Standards	53	62	61	59	63
Development Needed	14	16	17	21	21
Unsatisfactory	-	-	2	1	2

Minimum five respondents to a cell: '-' shows a number above zero but fewer than five.

By LoB, the distribution of the Q3 ratings is shown in the accompanying chart. The chart is too detailed to view the exact distributions clearly for each LoB, but what does come out clearly from it is that the LoBs do not tend to depart too significantly from the core. What differentiation there is between them occurs not at high performance ratings – there is just four percentage points between the highest (Operate) and lowest (Openreach) percentages of respondents with a Very Good rating – but lower down the ratings chart: the difference from highest (Global Services) to lowest (Wholesale) at Achieves Standards is eleven percentage points; while (and involving the same LoBs, but reversed)

it is twelve at Development Needed (although here, Wholesale, with notably the highest percentage of respondents with a Development Needed, does appear to be a clear outlier).

At 4% of its own individual distribution, we should note that the percentage of Operate respondents with an Unsatisfactory rating actually accounted for over one-half of the BT total – i.e. Operate had more respondents rated as Unsatisfactory in the third quarter than all the other LoBs put together. Evidently, this is substantially in excess of Operate's contribution to the overall sample.

Q3 DPR ratings, by LoB
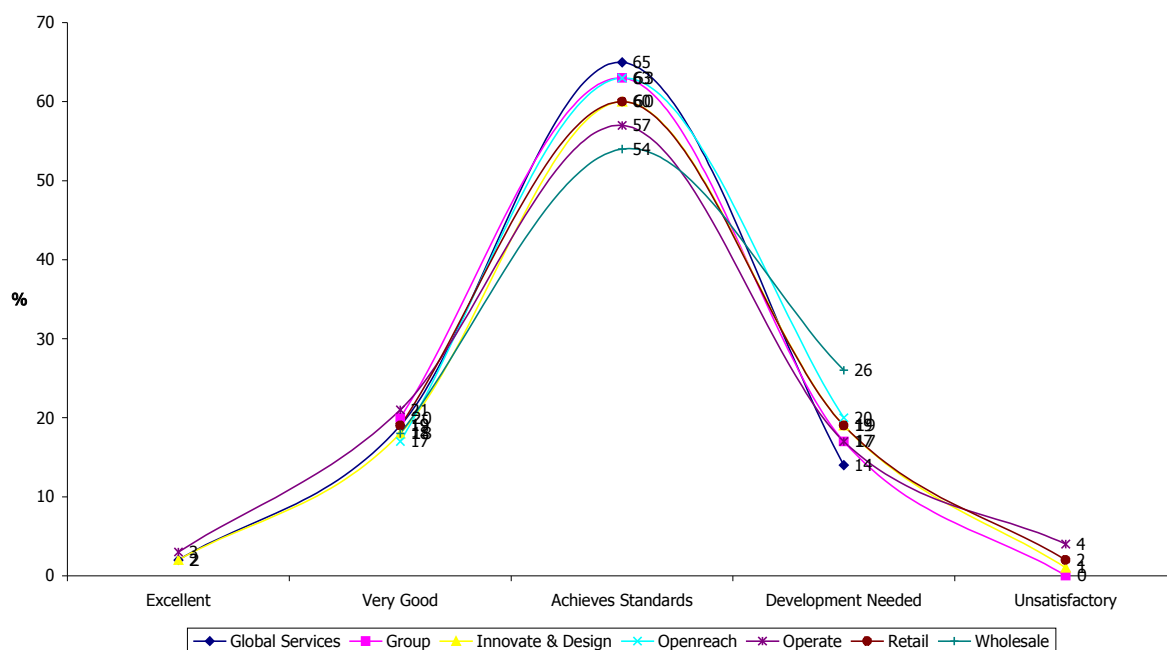
NB not all points shown – cells containing fewer than five respondents have been omitted.

Looking at the distribution by benefits band, Q1 saw a split in keeping with what we've found before – including in this survey for the 2009/10 final DPR mark – i.e. that band 3s tend to do better than band 1s. In Q1, 25% of respondents who said they were mapped to band 3 roles received a Very Good rating, compared to 20% of those mapped to band 2 roles and 18% of those mapped to band 1 roles. Likewise, there was a lower percentage of band 3s rated at Development Needed than there was amongst band 2s or band 1s, although these figures were close together (13%, 16% and 17%, respectively).

During the year, however, the figures had changed on the basis of a steady reversal of the profile such that, in Q3, the percentage of band 3s with a Very Good rating was *lower*, and the percentage with a Development Needed *higher*, than amongst band 1s.

The accompanying chart shows a steady increase during the year in the percentage of band 1s with a Very Good DPR, while the percentage rated as Development Needed remained static. Amongst band 2s, the percentage with a Development Needed also remained static, while there was a similarly steady incremental drop in the percentage rated Very Good. Amongst band 3s, the percentage rated as Development Needed rose quite sharply while the percentage with a Very Good was sustained in Q2 but dropped sharply in Q3 such that the number with a Very Good rating was outweighed by the number with a Development Needed – the only group for which this was the case in any of the quarters.

This reversal of the expected picture is hard to explain – not least since it is counter-intuitive to our[1] long-term findings. We do have concerns about the extent to which people are able accurately to

state the benefits band that they are in – but that does not account for the reversal of the expected position during the year especially when our long-term findings were repeated in the context of this survey for 2009/10 final marks and in Q1 of 2010/2011.

% of respondents rated as Very Good and Development Needed, by benefits band per quarter
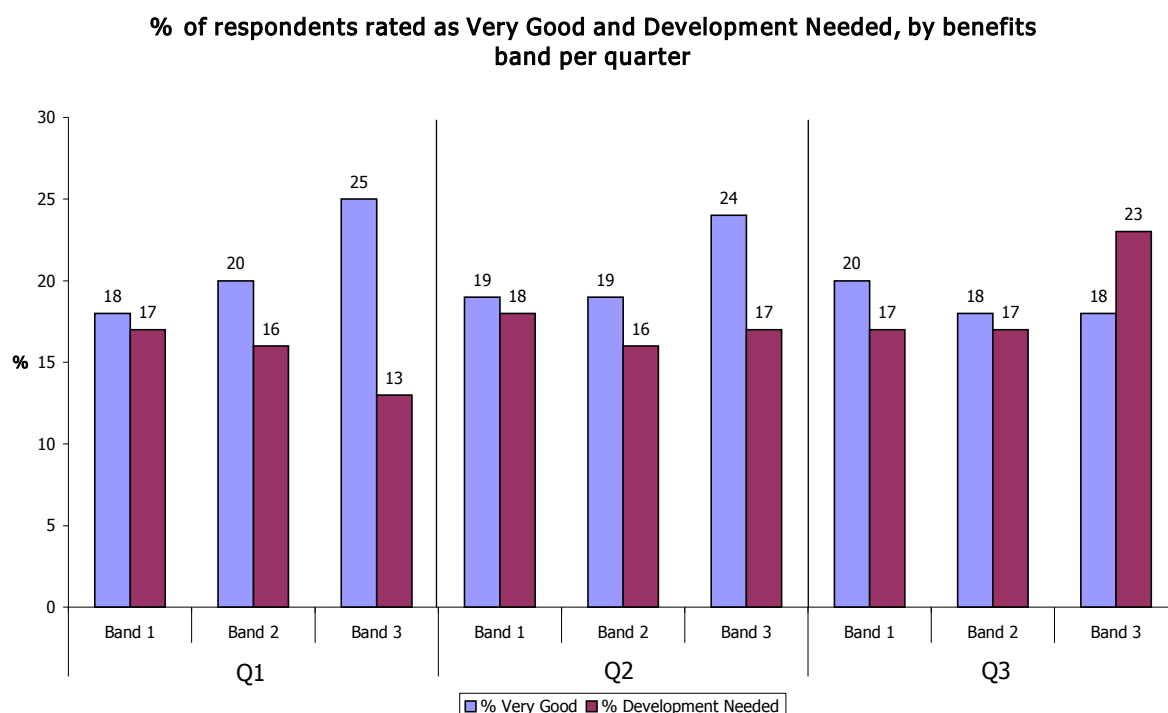
Changes to ratings

The experience of a majority of members is that ratings tend not to change from one quarter to the next. From the first quarter to the second quarter, the rating did not change for 74% of respondents; from the second quarter to the third quarter, the figure fell back slightly, such that 71% saw no change from the Q2 mark. However, 55% of respondents had the same mark in each of Qs 1,2 and 3 (i.e. 45% had seen at least one change, either upwards or downwards, in their rating), which seems to suggest that where change occurs, it is likely to be associated with further change.

Among those who did see a change in their rating from one quarter to the next, pretty much equal proportions saw their marks rise as saw them fall (a slightly higher number saw them fall in each of Q1 to Q2, and from Q2 to Q3).

Where there was a change, the overwhelming majority of people saw a change from one rating to an adjacent one (e.g. Achieves Standards to Very Good or Development Needed), but jumps of two ratings (e.g. Achieves Standards to Excellent, or *vice versa*) did occur. Again, a slightly higher percentage of people with a changed mark saw a fall of two ratings than the one which saw a rise of two ratings.

Interestingly, the level of 'stickiness' amongst DPR ratings – i.e. the maintenance of the same rating in each quarter – was more likely to be associated with ratings of Very Good and Achieves Standards than it was for people rated as Development Needed. Within the overall, survey-wide figure of 55% having the same rating in each of the three quarters in 2010/2011 thus far, this fell slightly to 49% of those with a Q3 rating of Very Good, but rose to 64% of those rated as Achieves Standards in Q3. However, it fell sharply to just 26% of those rated in Q3 as Development Needed.[5] This evidently indicates a level of turnover into and out of the DN rating which is not matched within the other most

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[5] Amongst those currently rated Excellent, 32% had been so in each quarter; while the figure for those currently rated as Unsatisfactory as 22%. These are also well away from the average but are evidently subject to small sample sizes.

frequently used ratings. Why this is so is open to conjecture, but it is certainly possible that it holds, or is perceived as holding, a punitive character associated with particular performance failings that need to be addressed. It is also supportive of the suggestions commonly voiced by respondents that a Development Needed rating is shared on a 'your turn' principle as a means of achieving a pre-determined distribution of marks. Consequently, Development Needed may well be more likely to be associated with ratings turnover in the short-term.

**Level of volatility in DPR ratings, 2010-2011**
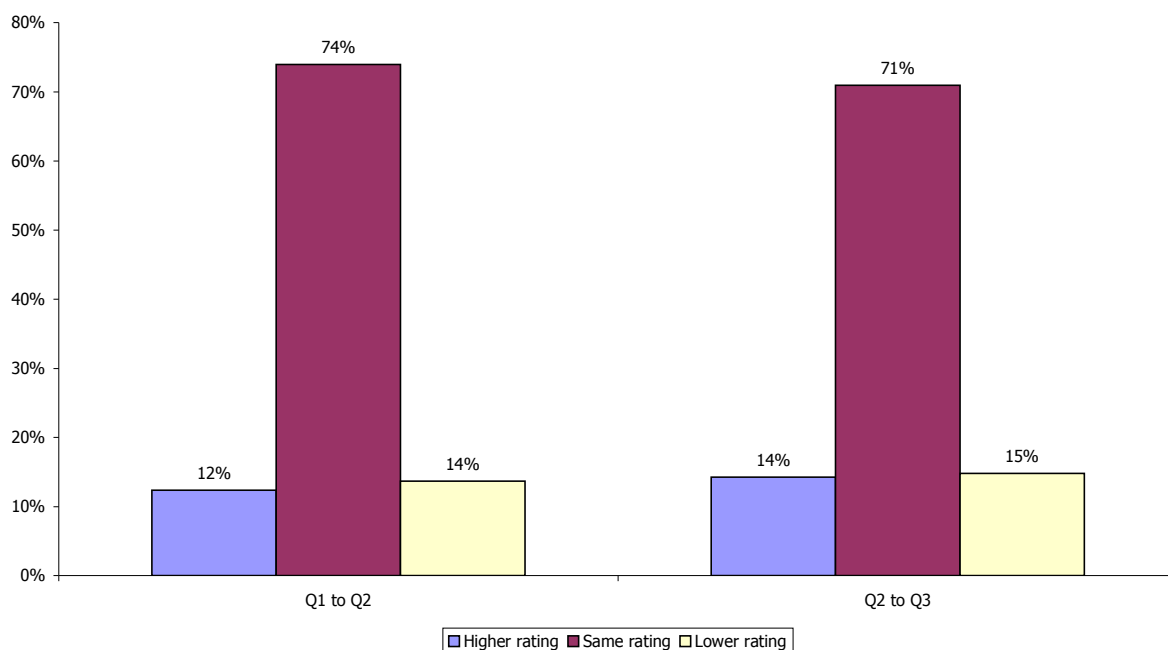
In the extent to which they departed from the central, BT-wide percentage of respondents who saw no change to their mark, the LoBs were not substantially different individually, varying in Q2 from 68% seeing no change in Wholesale (i.e. the most volatile LoB) to the 82% in Group, and in Q3 from 65% seeing no change (again in Wholesale) to 77% (in Openreach).

Nevertheless, the LoBs did vary in the balance of people seeing ratings rise and fall: in Openreach, there was a sizable[6] net fall in ratings from both Q1 to Q2 and Q2 to Q3; while in Retail there was a net rise on both occasions, with the rise from Q1 to Q2 being sizable. Other LoBs saw fluctuations in the percentages of respondents with rising or falling ratings, with Global Services (Q1 to Q2) and Innovate & Design (Q2 to Q3) seeing sizable net falls; while Operate (Q2 to Q3) saw a sizable net rise:

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[6] 'Sizable' defined as a the percentage of respondents seeing their marks rise or fall being at least five percentage points greater than the percentage seeing their marks fall or rise.

Percentages of respondents with changes in marks, by LoB
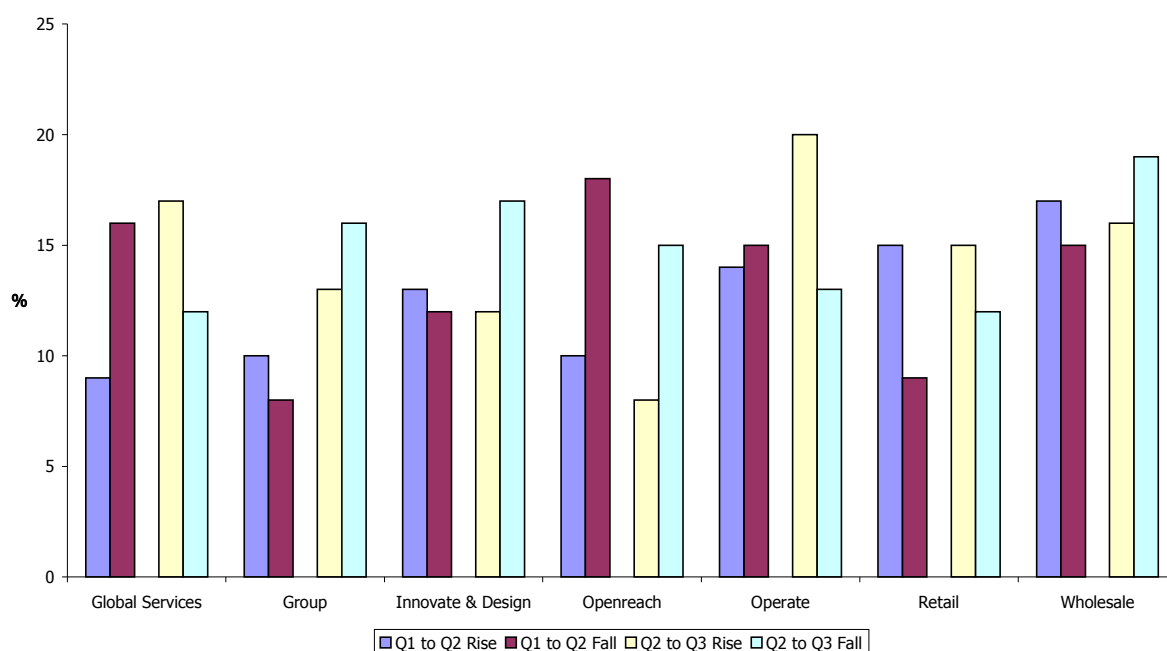
Challenges to ratings

We asked whether or not respondents had challenged any of their DPR ratings for 2010/2011, post-levelling. Few people had challenged their rating – but, where they had, the outcome (where known) was substantially one of no change.

Excluding the 'don't knows', the proportion of challenged DPR ratings went from 17% in Q1 to 20% in Q2 and 22% in Q3 – an interesting progression towards a challenging of DPR outcomes which outstrips the rise in Development Needed ratings during the year. Evidently, the outcome to challenges made in Q3 was less likely to be known, given the timing of the survey, and here some 20% of challenges were still unresolved. However, even in Q1 and Q2, some challenges remained on the books, with 7% and 9% respectively being unresolved.

Of the challenges made to ratings which had a known outcome, the picture of success is bleak, with a consistent level of just one in eleven challenges resulting in a change to the rating.

By benefits band, there was very little difference in the extent to which people were likely to challenge their ratings, although – certainly in the first two quarters of the year, the data suggests that band 3s were somewhat more likely to challenge their ratings than people in roles mapped to band or band 2.

Members in Innovate & Design were consistently less likely to challenge their ratings than members in any other LoB but otherwise there were few differences between the other LoBs except that members in Openreach were substantially more likely to have challenged their rating in Q3 – here, two in five members had challenged their rating. Members in Innovate & Design and Operate were consistently more likely to see challenges sustained and – given that these were the two largest LoBs in the survey – examples of successful challenges outside these two were numerically rare, with members in Global Services, Group and Retail all less likely to see challenges sustained.

1

Have you challenged, post levelling, any of your ratings during 2010/2011 and, if so, what was the result?
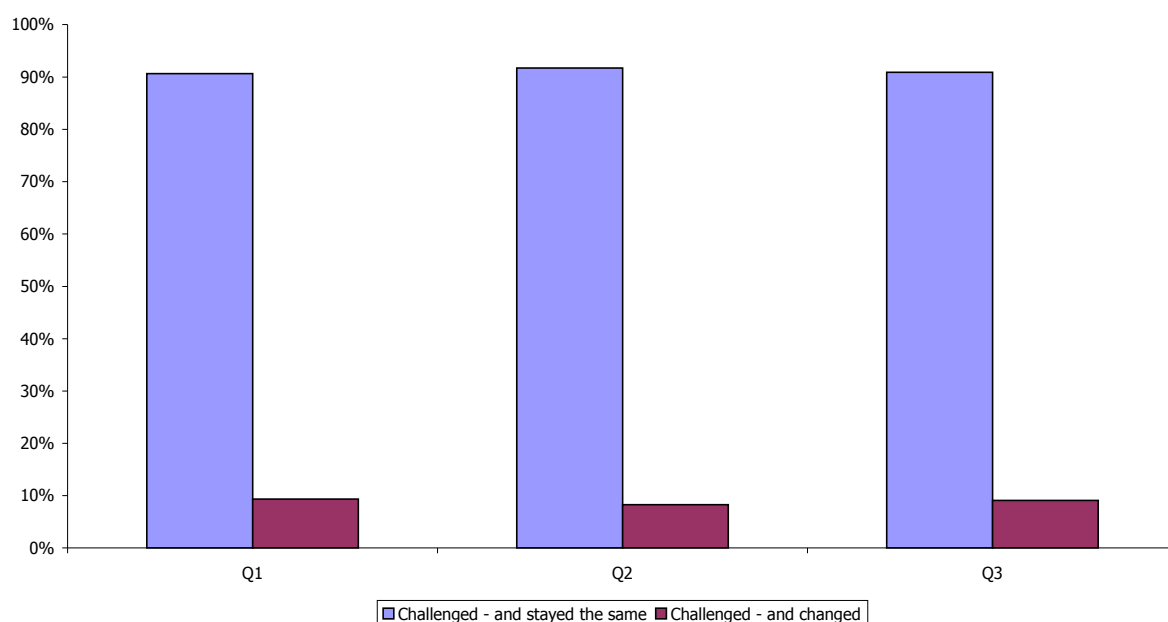

3. Process and systems issues

There are a large number of issues under this category, but sharing a common theme of respondents' views on the quality of the process implemented.

Coaching plans

Firstly, we asked people whether or not they had been on a coaching plan at any point during the year and, if so, in which quarter(s). Use of coaching plans seems to have been rising during the year: 9% had been on a coaching plan during Q1; 10% in Q2; and 12% in Q3. During the year to date, some 21% had been on a coaching plan at some point: evidently, these tend to be short-term and people move quickly out of them – for nearly three-quarters of those with a coaching plan during the year, this had been in only one-quarter, although for 12% the plan had been in operation for two of the three quarters and for 14% it had lasted all three. Openreach and Wholesale were somewhat over-represented amongst LoBs where individual coaching plans had been in operation all year.

Use of coaching plans was most frequent in Openreach, where 27% had been on one at some point in the year to date, and least frequent in Global Services (11%). The BT-wide trend of a rising number of people on coaching plans as the year went on was the case in Innovate & Design, Openreach and Operate, but the story in other LoBs was more varied with one – Global Services – seeing no change in any of the three quarters in the year so far:

1

Respondents on a coaching plan in each quarter, by LoB
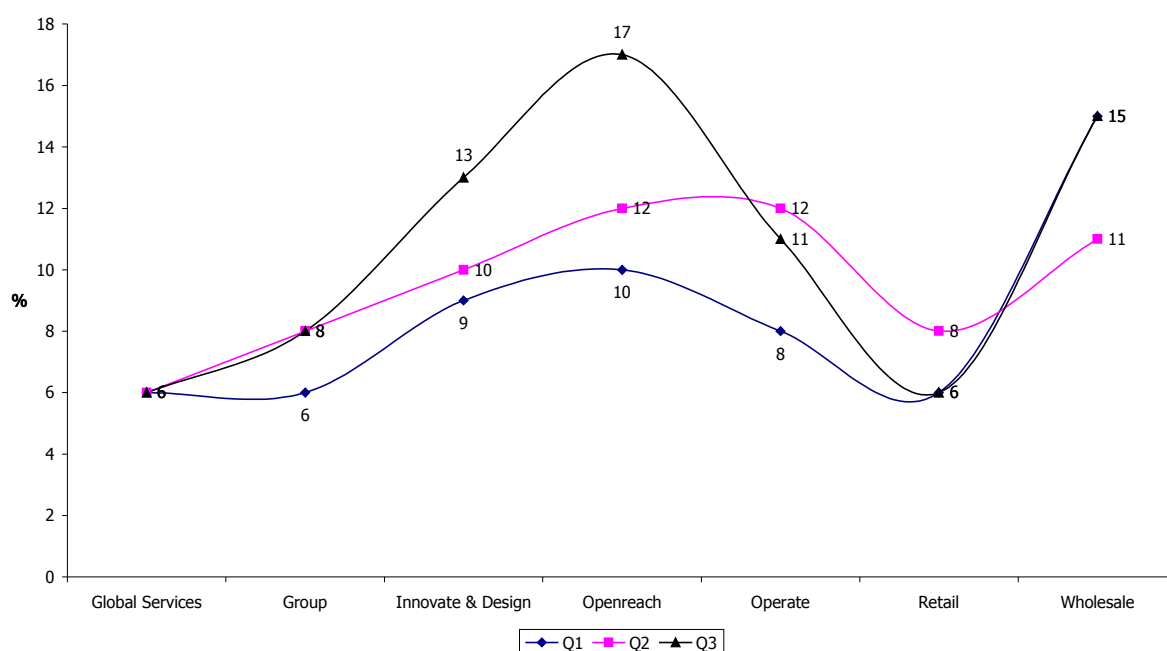
The existence of a coaching plan was, in 2010/2011, much more likely against a backdrop of a prior quarter Development Needed DPR than where a Generally Satisfactory mark had been the case for 2009/10, but even high quality performance was no barrier to individuals being on a coaching plan. The following chart looks at the percentage of people on a coaching plan in each quarter by the DPR mark they received for the prior quarter (or 2009/10 full-year mark, in Q1), where known:

Distribution of those on a coaching plan in each quarter, by prevailing DPR mark/rating

1
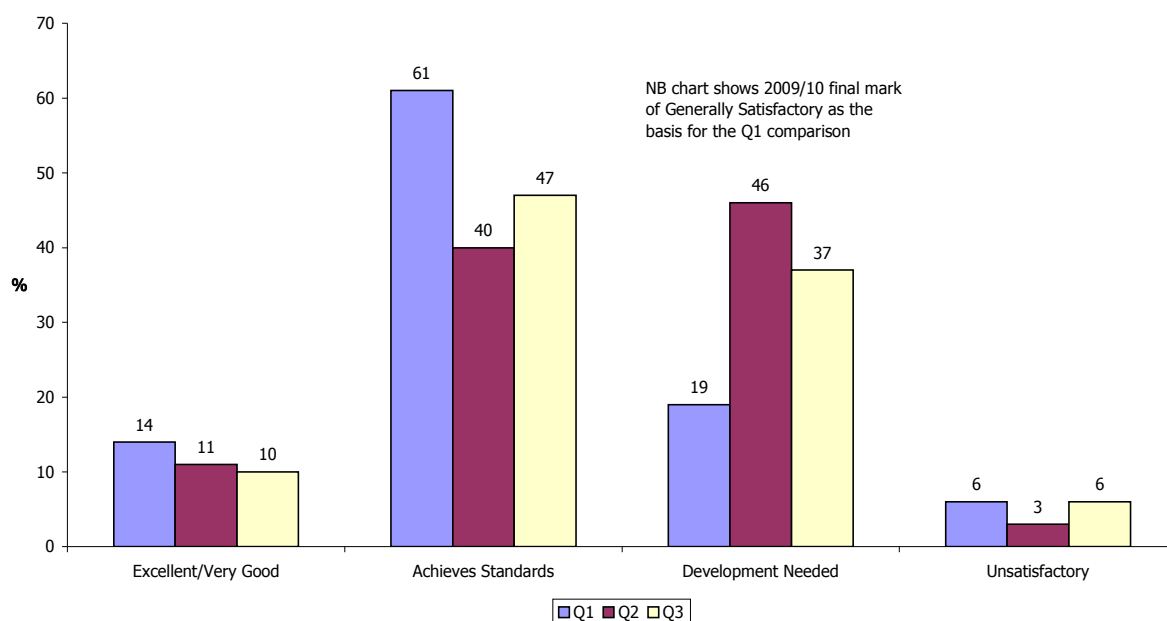
Evidently, there is a degree of inconsistency in that, in both Q2 and Q3, a coaching plan was the case for only around one-quarter of those with a Development Needed rating: just 28% of those with this rating in Q1 were on a coaching plan in Q2, and 24% of those who were rated as Development Needed in Q2 were on a coaching plan in Q3. Similarly, a majority of those with an Unsatisfactory rating in Q2 had a coaching plan in Q3, but this had not been the case in Q2 against the backdrop of the Q1 rating.
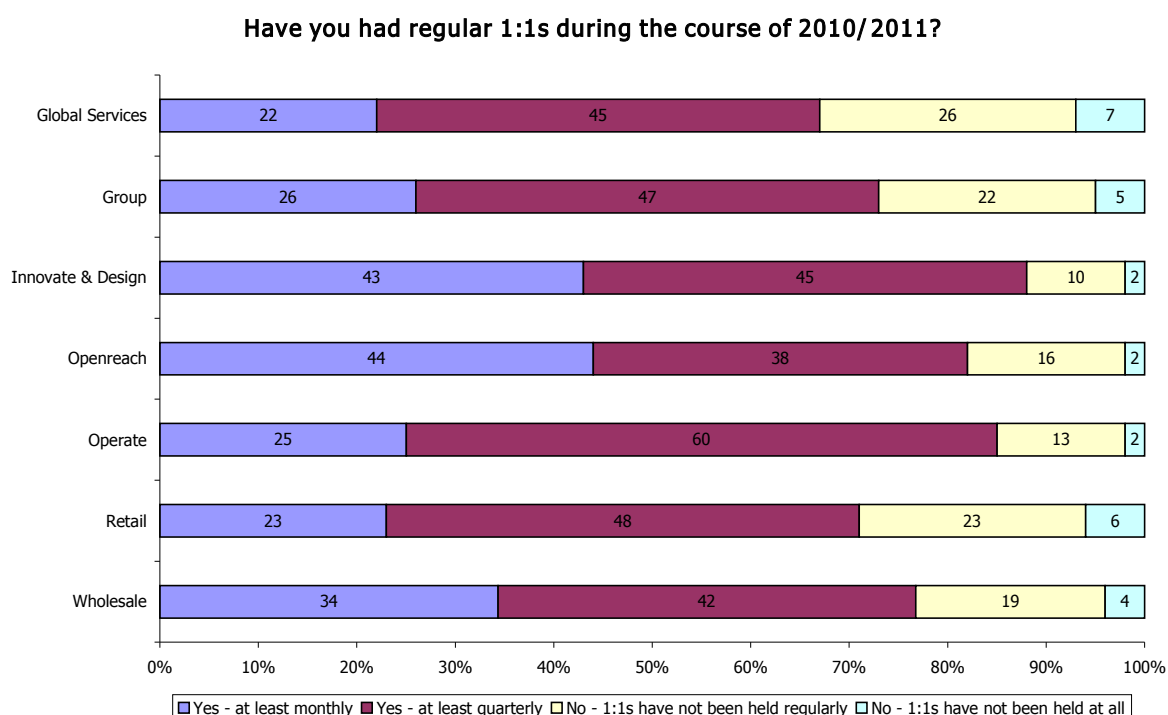
Band 1s were a little more likely than were respondents in bands 2 or 3 to have been on a coaching plan at some point during the course of the year, although the difference was not large and the increase during the course of the year was the same for all three benefits bands. It did appear that Band 3s were likely to be on coaching plans for a shorter length of time, however.

Men were more likely than women to have been on a coaching plan at some point during the year (22% compared to 18%), as were people with an impairment (36%) and people from a black and minority ethnic group (31%) compared to the respective peer groups. Experience of a coaching plan also rose with age, with all age groups lower than 50 being less likely than the average to report experience of one; with the contrary being the case amongst the 50-54 and the 55 and over groups, where 24% and 29% respectively had been on a coaching plan during the year.

Regular 1:1s

For just under one in five of the sample, 1:1s had not been held regularly during the course of the new performance year, although for only a very few had they not been held at all. The large majority of respondents had, on the other hand, seen DPRs at least quarterly and, for sizable numbers of people in Innovate & Design and in Openreach, they had been held at least monthly. These two LoBs, along with Operate, had the best records in this area.

Global Services and Retail were the LoBs with the highest proportions of respondents stating that 1:1s were not being held regularly but, even here, two out of three respondents stated that they were having regular 1:1s.

Have you had regular 1:1s during the course of 2010/2011?

|	Yes – at least monthly	Yes – at least quarterly	No – 1:1s have not been held regularly	No – 1:1s have not been held at all
Global Services	22	45	26	7
Group	26	47	22	5
Innovate & Design	43	45	10	2
Openreach	44	38	16	2
Operate	25	60	13	2
Retail	23	48	23	6
Wholesale	34	42	19	4

1

Own standards or peer comparisons?

We asked on the basis of a five point-scale whether people felt their performance had been reviewed in the new performance year entirely against their own standards or entirely against the performance of their peers, or somewhere in between.

Some 17% said that they did not know while – as we have seen above – some 3% of the sample said their performance has not been reviewed at all during 2010/11 so far. Excluding these to focus on the four in five respondents who gave an opinion leaves us with relatively few at the extremes but a definite balance towards a belief among respondents that peer comparison plays a stronger role than the individuals' own standards: 30% (of those who expressed an opinion) believe that their performance has been reviewed in 2010/11 thus far mostly or completely in line with the standards agreed with their line manager, while 44% believe that their review has been made mostly or completely in line with the performance of their peers.

This is inevitably a reflection of incomplete processes of agreement between individuals and line managers as regards job standards, as well as perceptions of the impact of levelling on individuals' own ratings. Where individual standards were agreed with the line manager prior to the start of the year, or shortly thereafter, the percentage of respondents believing that these standards mostly or completely account for how their own performance has been reviewed during 2010/11 so far rises to 35%, while the percentage believing that their performance has been reviewed mostly or completely in comparison with peers falls to 33% – a balance in favour of own standards, albeit a very marginal one:

When your own performance has been reviewed by your line manager during 2010/11 so far, how important relative to each other do you think are the standards that you have agreed with your line manager and the performance of your peers?
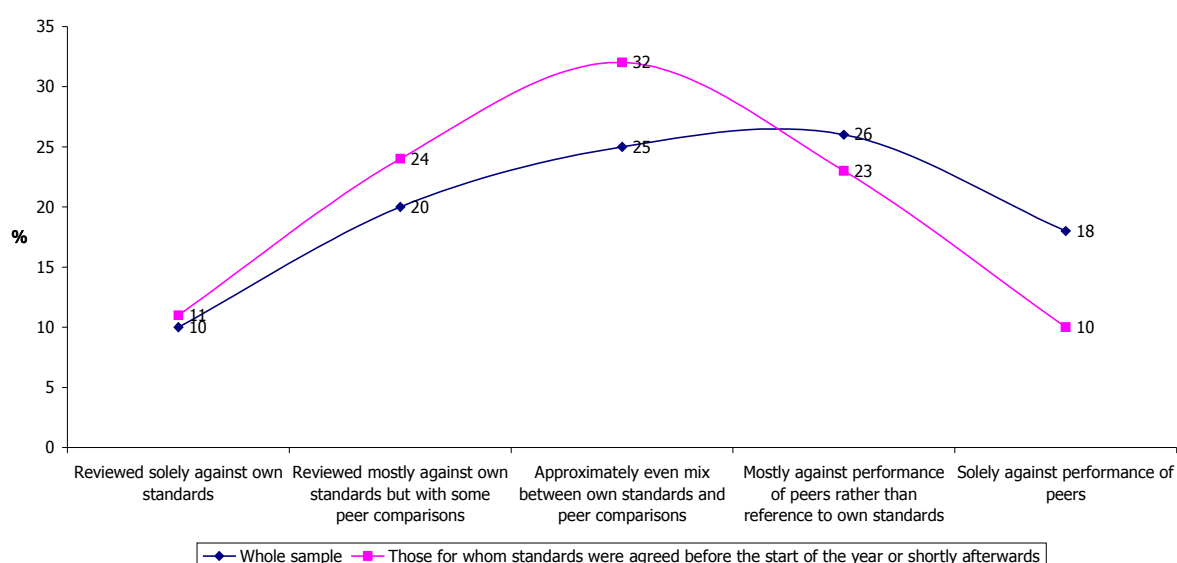
In practice, whether or not standards were agreed in good time does not make a great deal of difference to the percentages of people who say that their performance has been reviewed solely against their own standards, but the impact on attitudes elsewhere is sizable.

Just over two out of five respondents disagree that they have been provided with clear reasons for their performance assessment during 2010/11 so far, with just less than one-third in agreement. There was a strong degree of consistency between the different benefits bands, indicating that an overall tendency towards dissatisfaction (i.e. rather than satisfaction) with how assessments have been explained to people was widely the case.

We did, however, find a higher proportion of band 3s in strong disagreement, as well as a slightly higher proportion in overall agreement. The former of these was a little unexpected, but may well reflect the Q3 ratings, which showed a rising, and high, but otherwise rather unexplained percentage of band 3s with Development Needed DPRs.

I have been provided with clear reasons for my performance assessment in 2010/11 so far. Do you:
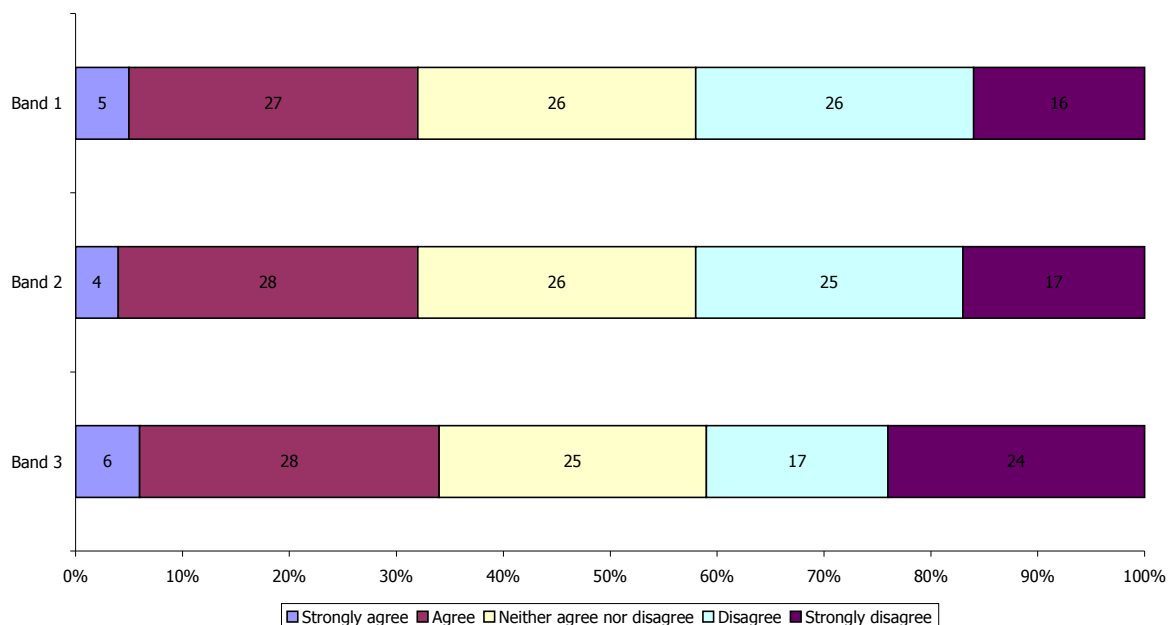
Just as telling a chart is the one that looks at responses to the same question, but broken down by LoB:

I have been provided with clear reasons for my performance assessment in 2010/11 so far. Do you:
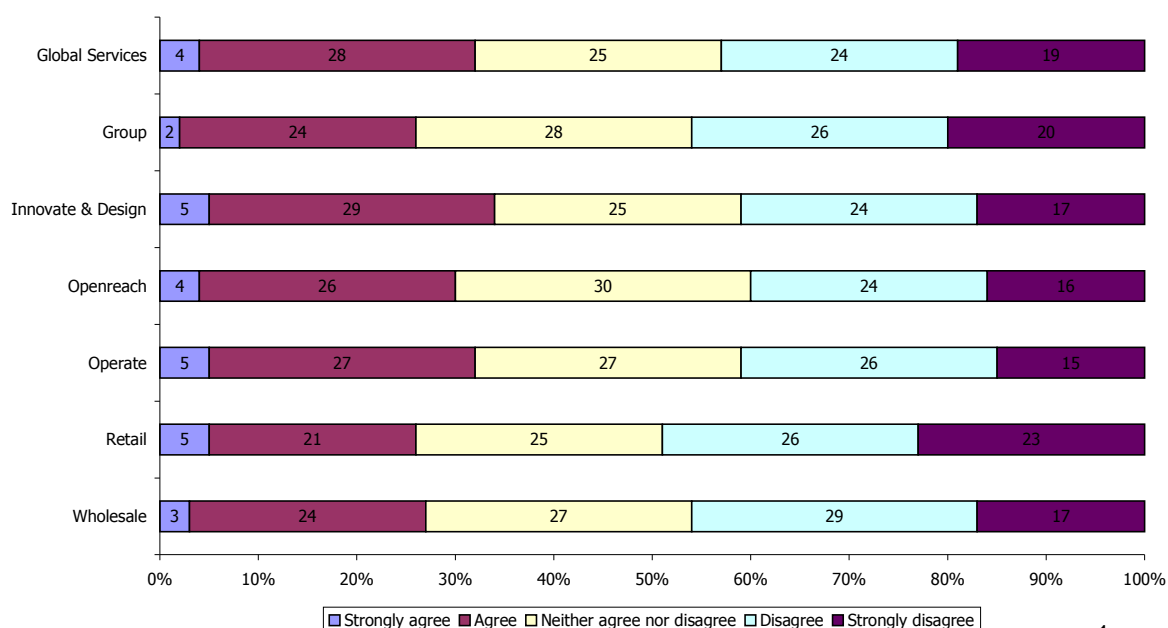
We can note from this chart that there are few substantial differences between any of the LoBs on this issue. This indicates, again, a level of dissatisfaction with how individual performance assessments have been explained to individuals that is more or less uniform throughout the business. Dissatisfaction rose highest in Retail, where it accounted for nearly one-half of respondents, but fell to no fewer than two in five respondents in Openreach (only marginally less than the survey average).

At the other end of the scale, broad agreement rose to 34% of people in Innovate & Design, not much higher than the survey average, but fell only as far as 26% in Retail and Group.

Time commitment

We asked all our respondents how much of their working time was taken up in preparing for meetings with their line manager on their own performance; while we also asked managers in detail how much time was taken up by each individual component of the performance management process in implementing the system as regards their direct reports.
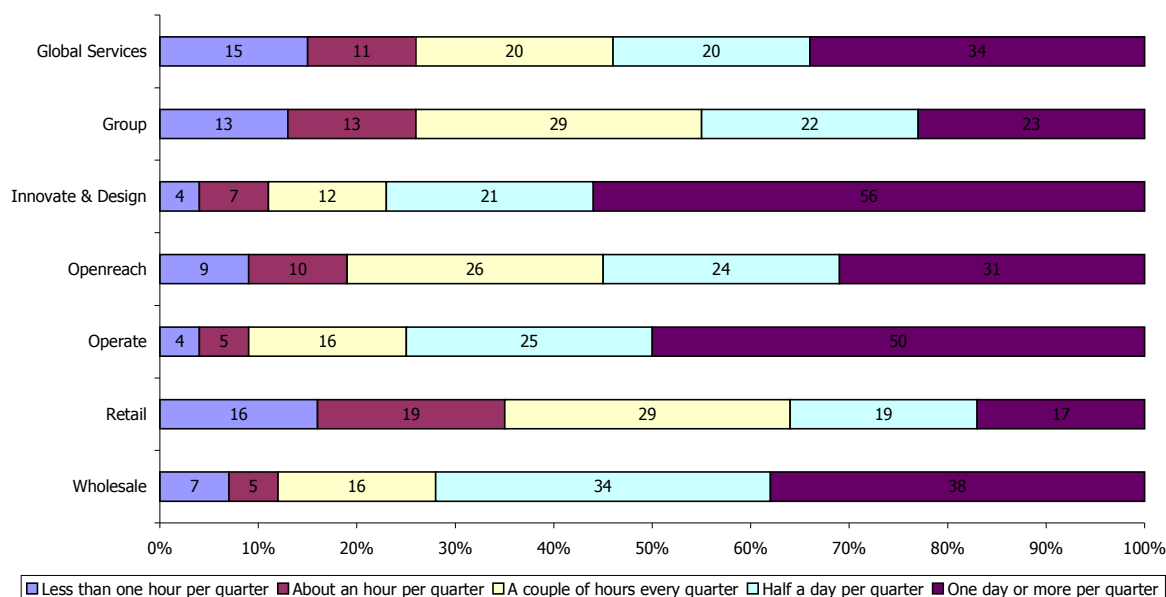
In terms of respondents as individual employees subject to the performance management process, it is clear that the survey insufficiently captures the amount of time which respondents spend on being managed: the most common response – mentioned by 42% of respondents – was to spend one day or more per quarter on preparing for and then holding meetings with their manager on their performance, and this was right at the top of the list of options provided to respondents in the question. Nearly two-thirds of respondents (65%) spend at least half a day per quarter on the performance management process and to judge by some of the comments which people made about the time consumed by performance management, they may well spend considerably more than this.

Unsurprisingly, given the percentage of people with monthly 1:1s in this LoB, respondents in Innovate & Design spent most time on the process, with 56% spending at least one day per quarter on the process. Operate also saw half its respondents spend at least one day per quarter on performance management. Respondents in Openreach, however, where there are also large numbers of people with monthly 1:1s, spend less time on the process. Inevitably, there is a clear link to the quality of the process in that those LoBs where respondents were more likely to say that 2009/10 final DPRs had not been conducted, or where regular 1:1s were not being regularly held – i.e. Retail, chiefly, but also Global Services – saw respondents spend least time on being managed.

It is evident from the chart below that there is very little consistency between the LoBs in terms of the time consumed by performance management. At the most extreme, 64% of Retail respondents spend only up to a couple of hours per quarter on the process, but this was true for just 23% of respondents in Innovate & Design (the BT-wide average is 36%). We have remarked already that this is likely to be linked to the varying quality of the process, but it is worth making the point again that the level of investment of time in the process varies substantially between LoBs, while customer-facing LoBs are among the lowest such investors. The reasons for why this is so do need to be established in detail.

It is also worth remarking that, whereas there was little difference in the time that band 1s and 2s said they spent on the process, band 3s clearly spent much less: 43% of band 1s, and the same percentage of band 2s, spend at least one day per quarter on the process but this fell to 29% of band 3s; conversely, 19% of band 3s spent about an hour per quarter on the process compared to 9% of band 2s and 8% of band 1s. This might indicate a number of things – it might be, for instance, that band 3s are less likely to be involved with a monthly performance review process; it might be that the time commitment for band 3s represents to a greater degree just the meeting with the line manager than the associated need to gather evidence; and it might be that band 3s are less likely to be subject to performance levelling. Those in band 3 are not excluded from any of these things, but the data does suggest that they may be less likely to be subject to them, or are subjected to them to a lesser degree, than are people in bands 1 and 2.

1

Thinking about the time that you spend in preparing for meetings with your line manager about your own performance during the year, how much of your working time would you estimate this process takes up?

Division	Less than one hour per quarter	About an hour per quarter	A couple of hours every quarter	Half a day per quarter	One day or more per quarter
Global Services	15	11	20	20	34
Group	13	13	29	22	23
Innovate & Design	4	7	12	21	56
Openreach	9	10	26	24	31
Operate	4	5	16	25	50
Retail	16	19	29	19	17
Wholesale	7	5	16	34	38

Legend: Less than one hour per quarter · About an hour per quarter · A couple of hours every quarter · Half a day per quarter · One day or more per quarter

Turning next to managers in our sample, we should recall here our earlier finding that the mean number of direct reports that managers in our sample had was ten, and that managers of Team Members had a higher mean number of direct reports (fourteen) than those who were managers of other managers or professionals (six).

Starting with those respondents who were managers of other managers or professionals, it is not evident that the demands placed on managers' time by any aspect of the performance management process is particularly onerous, at least at the average level: a majority of managers spend one day per quarter or less on each of the five different aspects of the process referred to in our question. For those who were managers of Team Members, the time commitment was greater – it would surely be so, given the increase in the number of direct reports – but again it would be hard to make out a case that the commitment was a heavy burden, not least given that performance management is a key part of the managerial role.

Even meetings on DPRs with direct reports – the most time-consuming aspect of the process – takes up more than one week per quarter for just 23% of respondents who managed Team Members, meaning that (on the basis of around 11 weeks per quarter, given the regular accrual of leave) fewer than one in four such managers spend more than 9% of their time on DPR meetings with their direct reports. This is, inevitably, only one aspect of the performance management process but, with an equal proportion spending half a day or less on this same aspect – i.e. at the other end of the continuum – it would be hard to sustain a case from this data that the process is overly-burdensome in general, although it clearly may be so for some people, including, evidently, those with larger than average teams.

We should also make the point in this context that tough workload issues generally tend to lead to managers spending large amounts of their own time on BT work – our most recent annual pay survey (i.e. for 2010) reported that additional hours on top of contractual ones reach an average of nearly nine hours per week (i.e. an increase on basic hours of a fraction less than 25%). Performance management may well be one reason why people spend large amounts of their own time at work, and cutting back on certain aspects of managers' tasks may consequently lead to them spending less of their own time on work issues. 1

Interestingly, and in spite of the lesser numbers of DRs on average, managers of other managers and

professionals spend about the same amount of time in levelling as do managers of Team Members.

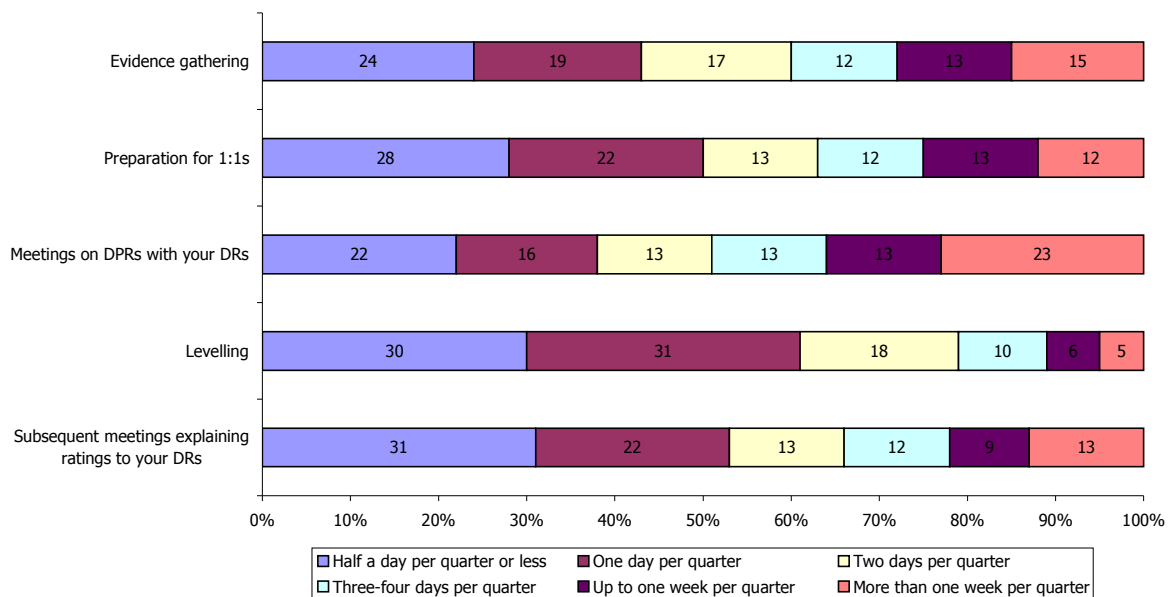We should also point out here that not every line manager is involved with levelling meetings (for the figures, see later).

As a line manager, how much time do you spend in total, within each of the following key areas, in preparing for meetings with your direct reports on their performance during the year? (Managers of other managers only)
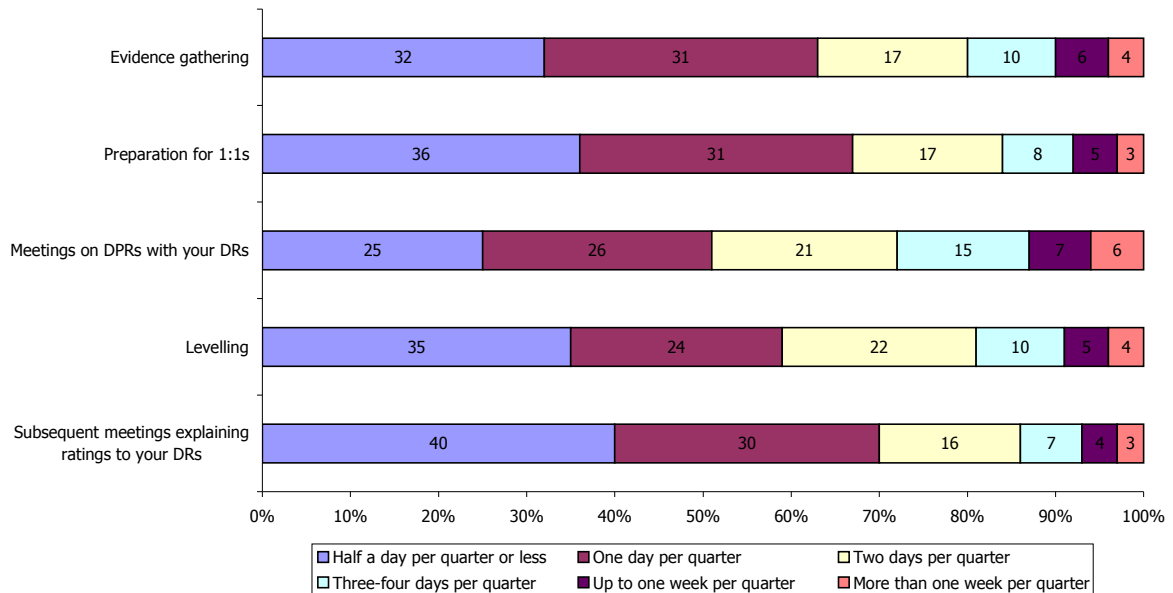
	Half a day per quarter or less	One day per quarter	Two days per quarter	Three-four days per quarter	Up to one week per quarter	More than one week per quarter
Evidence gathering	32	31	17	10	6	4
Preparation for 1:1s	36	31	17	8	5	3
Meetings on DPRs with your DRs	25	26	21	15	7	6
Levelling	35	24	22	10	5	4
Subsequent meetings explaining ratings to your DRs	40	30	16	7	4	3

As a line manager, how much time do you spend in total, within each of the following key areas, in preparing for meetings with your direct reports on their performance during the year? (Managers of Team Members only)

|	Half a day per quarter or less	One day per quarter	Two days per quarter	Three-four days per quarter	Up to one week per quarter	More than one week per quarter
Evidence gathering	24	19	17	12	13	15
Preparation for 1:1s	28	22	13	12	13	12
Meetings on DPRs with your DRs	22	16	13	13	13	23
Levelling	30	31	18	10	6	5
Subsequent meetings explaining ratings to your DRs	31	22	13	12	9	13

1

23

The views of managers on process issues

Few managers – just 8% of our sample – said they had not been provided with briefings or training on how to carry out the new performance management process; but, equally, only two in five managers said they had been provided with 'sufficient' briefings and training. Over half the sample said that more briefings or training would be 'helpful' or that they had been provided with 'not enough' in the first instance. Retail led the way in terms of where managers felt least well prepared, with the percentage provided with no briefings or training at all being twice the survey average and just 29% saying that they had been provided with 'sufficient' briefings or training (the next lowest was Global Services, with 37%). However, in no LoB did a majority of respondents view their preparation as 'sufficient': Group, Innovate & Design and Wholesale all had 46-48% of respondents remarking that they had received 'sufficient' briefings or training.

A majority of managers – 58% – were of the view that they were free to award at least an Achieves Standards rating to someone whose performance met agreed standards, but few (17%) were definitively of this view, with the bulk (41%) therefore feeling somewhat circumscribed. Of the 42% who were of the view that they were not free to award an AS rating in these circumstances, 18% said that they were 'not at all' free to do so. A majority of managers in Operate were of the view that they were not free to award an AS rating here, but this was the only LoB where this was the case, although Innovate & Design also came close.
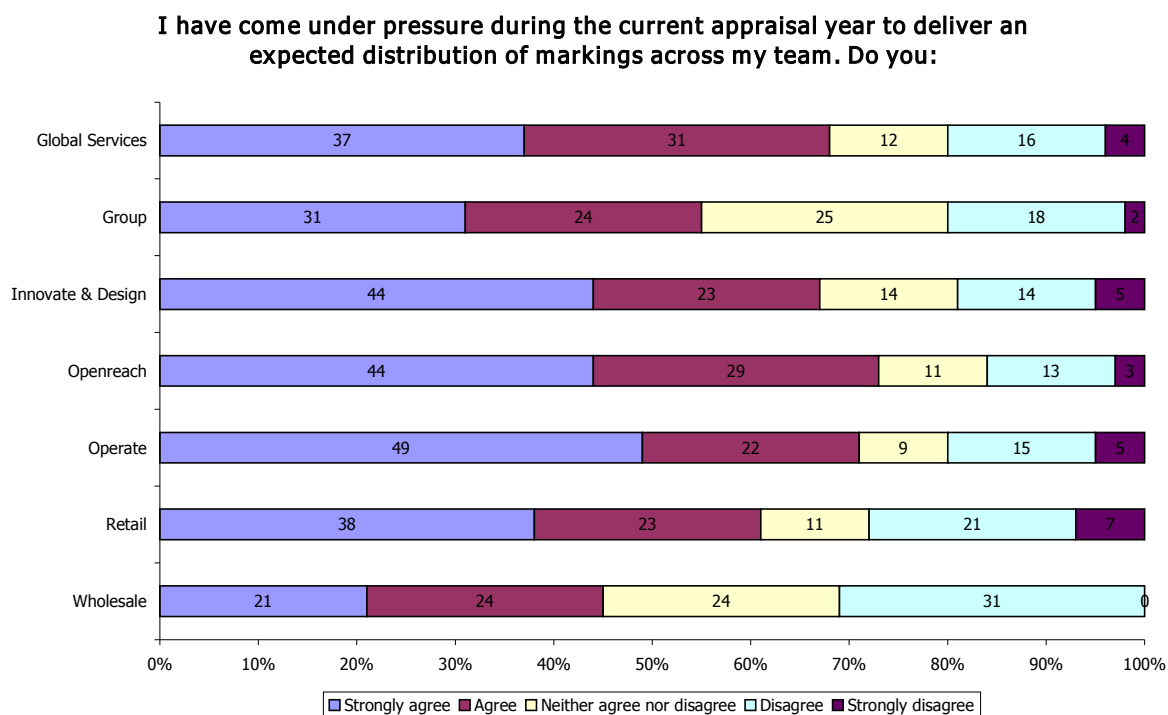
As a line manager, if someone whose performance you are reviewing meets the standards that have been agreed, do you feel that you are free to award at least an Achieves Standards rating?
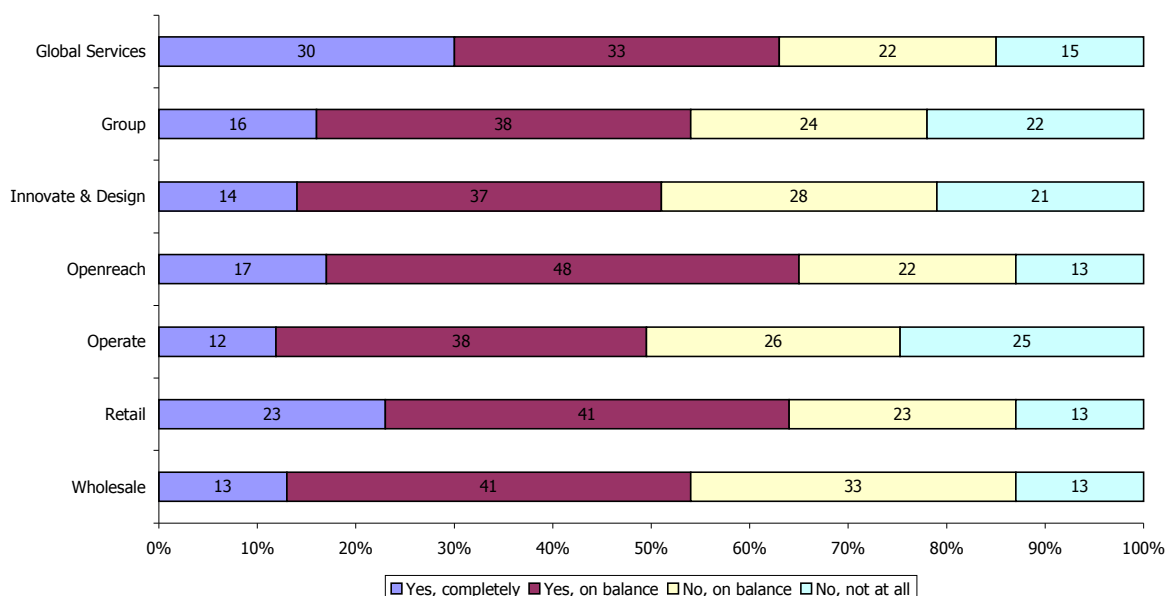
Somewhat surprisingly, Retail was one of the three LoBs where managers perceived they had most freedom while Openreach was another, indicating perhaps that freedom was perceived to be greatest for first-line managers, but there were, again, actually very few differences between the two groups of managers on this question.

We next asked managers the associated question of whether or not they agreed that they had come under pressure during the current appraisal year to deliver an expected distribution of markings across their team. Very few had an ambivalent view on the subject – and most (two-thirds) agreed that they had, including 64% of managers of other managers and professionals and 71% of managers of Team Members. Across all managers, only one in five disagreed – i.e. were of the view that they had not come under pressure to deliver such an expected distribution.[1]

Agreement with the statement was expressed most strongly in Operate, but agreement was most widespread in Openreach:

I have come under pressure during the current appraisal year to deliver an expected distribution of markings across my team. Do you:

	Strongly agree	Agree	Neither agree nor disagree	Disagree	Strongly disagree
Global Services	37	31	12	16	4
Group	31	24	25	18	2
Innovate & Design	44	23	14	14	5
Openreach	44	29	11	13	3
Operate	49	22	9	15	5
Retail	38	23	11	21	7
Wholesale	21	24	24	31	0

All those managers who indicated an option which was not 'disagree' or 'strongly disagree' were asked to indicate the source(s) of this pressure (respondents could tick any number of possibilities from a prepared list). The overwhelming majority of respondents (90%+) said that senior line management was responsible, while 35% indicated that the pressure came from their HR Business Partner and 25% HR at senior levels. Other options – including performance management specialist (13%), operational board (10%) and peers (7%) – were infrequently supported although, in the case of the performance management specialist, which is not a role in use in all LoBs, the percentages of respondents indicating this post as a source of pressure rose to 20% in Innovate & Design and 17% in Openreach.

There were some differences between the LoBs, with respondents in Operate more likely to look to HR than others, with 31% indicating that HR at senior level was responsible and 45% saying that the HR BP was the source of pressure (40% of respondents in Openreach also looked to the HR BP). Respondents in Innovate & Design were least likely to look specifically to HR, but it may be that the evolution of the performance management specialist in this LoB has led to some displacement activity. Respondents in Group were most likely to look to an operational board as responsible (26% did so).

Plenty of respondents took the opportunity offered by the questionnaire to explain the circumstances that were involved. Indeed, the comments covered by this section of the questionnaire alone – and that refers only to a sub-set of the full number of respondents, given that only managers were asked the question, and then only those who did not disagree that they had come under pressure to deliver an expected distribution of markings – covers some 41 pages. Here, respondents referred most often to the following issues, while a selection of your comments is included in the box beneath the bullets:

- levelling meetings being aimed at achieving a particular distribution, with many quoting 'expected' (and sometimes very precise) percentages in particular DPR categories

- managers being specifically placed under threat of being given a Development Needed rating themselves if they did not have a certain number of members of their team with a DN rating, very

often with the implicit criticism that the team was not being well-managed where the individual manager had not met these figures, or that the individual manager was not capable of differentiating the performance of the members of the team

- a requirement for individual unit scores to match overall LoB scores, with a knock-on impact on assessments of individual performance against standards, sometimes in conjunction with the use of rankings, performance 'league tables' of team members, or sub-divisions of DPR ratings into 'lower' or 'higher' categories

- a denial at levelling meetings of the existence of a forced distribution immediately set against a context of an expectation that the full range of markings would be used

- references to it not being possible that all people in a team could be achieving standards, sometimes in conjunction with comments that such a distribution did not 'look right'; etc.

| |
|---|
| Expectation that across a team of 7, and that taking a literal reading of what the performance ratings are, i.e. performance relative to peers, I have people who need development to achieve the standards shown by the higher performers in the team. (Innovate & Design) |
| Told that although it was stated from above that there would be no forced distribution the statement from my manager was that there would be and that if there were not some of my staff at least at Development Needed I would be marked down. (Operate) |
| Levelling is repeated until we get enough DNs. DNs based on poor evidence and other flimsy reasons. I have people who would be VG based on their actual work but were DNd as their evidence wasn't good enough, a colleague had to DN some people for not having Q3 POs. I also had to U a person who hadn't even been told he was DN in the previous quarter. Lots of pressure through Line Management to get a quota of 25% DN and below. If we don't hit it we know we will be DNd ourselves. It's a sorry state when we are pleased when someone underperforms as we know it's another DN in the bag. It's morally wrong and I know most of my LM colleagues feel the same. (Innovate & Design) |
| If you don't have marked individuals DN and you have the majority of your team marked AS, we were asked to number our AS markings top to bottom and once the bottom individual was identified you were encouraged to mark them a DN. (Openreach) |
| Was asked to rank people within same grade. When ranked one of my people was levelled down without satisfactory explanation. When challenged, they were moved up again but my VG team member was then lowered to compensate. (Retail) |
| I have been told directly by my seniors to mark some more people down. My team is a mature high performance team but I have been told that there must be more people not delivering. I have been told clearly there is a performance curve and I must distribute according to the curve. (Retail) |
| At levelling sessions there is always a summary of the number of different markings awarded – if we haven't met the expected distribution we have to revisit individual markings to force the curve. (Innovate & Design) |
| Advised that in our unit we had to have people who were DN and people had to be moved into that area. Too many VGs and people had to be moved down. On 2 occasions people who had met PDP actions were levelled down by someone other than me. Very difficult to try to explain to that individual why and what they could do to improve having just met the standards agreed. The result is low morale and loss of trust between me and my team members. (Retail) |
| We were told that the message from senior management was we could only give out VG if sales numbers were above a certain level i.e. 120% and if someone is not hitting their numbers at the end of the quarter they would automatically be a DN, even though they may still achieve by end of year against an annual target - no other factors were taken into account. (Global Services) |
| If you do not achieve a 'bell curve' distribution 'you are not doing your job properly; you are not using the full range of markings'...Suddenly a particular capability becomes a 'Key Capability' and anyone with a DN in that capability gets an overall DN despite having ASs and VGs in all the other capabilities. Not very fair, but it achieves the bell curve. (Global Services) |
| I was sent an e-mail by my boss, asking me to rank my people in order of performance. It was clear that this instruction had come down from above. (Innovate & Design) |
| It was made clear at the levelling that there was an expectation to have at least one or more people |

with DN or below. It was then about looking for a reason or flaw to see how it could be achieved. My manager seemed to be under pressure from HR senior management. (Operate)
Top down messaging that too many 'AS' and above ratings in division. Also, strong messages that payplan measure ONLY dictates ratings. (Global Services)
Post-it notes were put on the wall in accordance with each of the grades and the performance specialist calculated the % spread. We were not allowed to leave until more DNs/Us were given. All band 1 line managers were given DN ratings in Q1 for not giving an equal spread of marks. (Openreach)
Being told that the number of people at the bottom end was not acceptable. Being told to go back and look again and find people that can be found to make them DN. Being told that anything less than 18% DN or below was unacceptable. Being told that not having enough DNs was our CEO's biggest issue. Being told that anyone below the 'target' DN / U number was not managing their team properly. Being told that team performance was irrelevant - the 'target' was not negotiable. Being told to 'get with the programme'. Being told that 'Everyone needs development - so what's your problem?' (Innovate & Design)
Having marked someone as AS (lower), his mark came back from competence centre levelling as DN as everyone marked AS (lower) had been marked down to DN to meet the desired distribution. (Innovate & Design)
During levelling it is pointed out there is no bell curve but that if we have 30 people and we have 5 very goods then it stands to reason logistically that we should also have about the same number as DN. This is done peer-to-peer. i.e. 30 people positioned 1 to 30 so in the case described above if we have 5 VGs the line would be drawn around the 25th person the bottom 5 becoming DNs even if they have met the agreed standard. (Wholesale)
A meeting where we were not allowed to leave until our staff had achieved the required distribution curve. All the managers within my group are very unhappy over the pressure we are under to conform to the graph. We have weekly calls with SOM & senior HR to make sure we list our 5 lowest staff and to discuss how we are managing their underperformance plan. I also have to create a weekly report to show all eperformance notes that I have created and it is really a cause for celebration when I get a report showing a team member has made a minor mistake as I have something to put a negative report on the system. I find it extremely unpleasant and very stressful that I have to put people on plans that I don't think deserve it. However if we stick our heads above the parapet we have been clearly told that we will be on a coaching plan for not managing our team. It is almost certainly the thing I hate the most about my job. (Openreach)
It was explained in the levelling meeting that the range of marks should reflect the current state of the scorecard and as we were not achieving in all areas then therefore the spread of marks should reflect that. (Operate)
'Change some of your markings; there are not enough DNs in your team'. Going back and having to provide mountains of evidence to justify AS and VG markings. Being questioned on at least 4 occasions on why I have the markings within the team that I do. My team and others within my centre were compared to BT overall and on a graph our markings were too high in comparison so I was strongly urged to revisit my markings and change them. Thankfully my own line manager fought off the senior manager and HR pressure saying that we won't be forced into making changes but the pressure was immense, stressful and not what this new system should be about. (Retail)
Strong HRBP pressure that I must be performance managing my team poorly; out and out demand from director at the time to produce two DNs out of a team of six managers despite all metrics being met or exceeded and no evidence of 'behavioural' issues. (Retail)

Some 55% of managers in our survey had been involved in levelling meetings in every quarter so far (the same for managers of other managers and professionals as for managers of Team Members), while a further 24% (higher amongst first-line managers) had been involved in some, but not all, levelling meetings. Twenty one per cent of our sample (rising to 25% of second-line managers) had not been involved in any levelling meetings during this appraisal year so far, but there were wide variations between LoBs.

A higher percentage of respondents indicating that they had not been to any levelling meetings is not necessarily a sign that levelling meetings have been held less in particular LoBs – it may simply be an

indicator that managers of small teams are not encompassed within the levelling process. Nevertheless, there was an interesting degree of internal consistency within LoBs amongst both groups of managers. And it is also interesting that first-line managers were less likely *not* to have been involved in levelling meetings than were second-line managers.

As a line manager, have you been involved in levelling meetings during this appraisal year (% ticking 'no' - columns; LHS axis) and team size (lines; RHS axis)
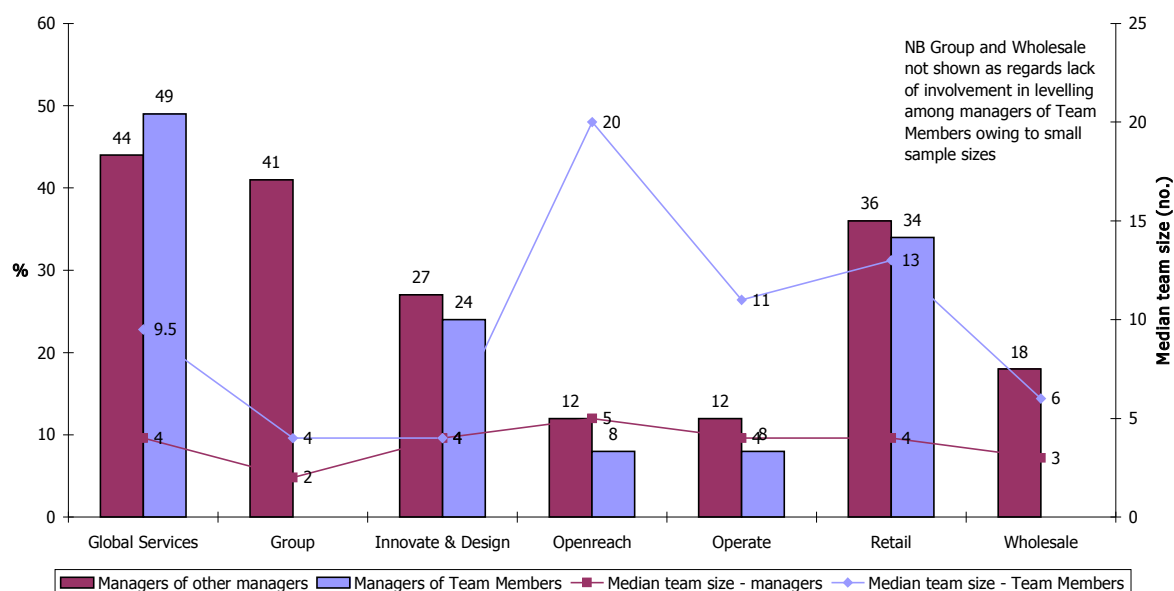
Retail looks to have a surprisingly high proportion of managers not having been to levelling meetings, given that team sizes in this LoB were in line with the overall average (four, for second-line managers; 13 for first-line managers).

We asked all those managers who said that they had been involved in at least one levelling exercise in the current appraisal year how important relative to each other during levelling exercises were individual standards, peer comparison of performance and BT's capabilities and behaviours. The question was mostly well answered, with most quoted percentages summing to 100, as intended, although some people did take a different approach. Re-interpreting responses where possible into the intended format (and the one adopted by the overwhelming majority) allows us to provide a quick approximation as to the most important factors that influence DPR marks at the levelling stage.

Averaging the scores respondents gave for each of the three factors gives us the following means for each one:

	All managers	Second-line managers	First-line managers
Individual standards	31	31	32
Peer comparison of performance	42	43	41
BT's capabilities and behaviours	27	26	27

All three measures are pretty close together (and many respondents did indeed choose a 33:33:33 split), but evidently peer comparison is slightly more important than individual agreed standards when it comes to levelling and BT's capabilities slightly less. This is likely to reflect the use of performance

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ranking or another such 'league table' approach to splitting up people given the same mark, and, as such, is evidently suggestive of the use of a forced distribution, or requiring that managers fit the marks of their team to a particular curve. But the evidence is not overwhelming – if peer comparisons had scored more highly, it would have been more suggestive of a more widespread 'requirement' for DPR ratings to fit a fixed pattern.

What we can say is that, at levelling, individual standards plays a much smaller role than it ought to, given the centrality of agreed standards between individual and line manager to the performance management process; and that BT's capabilities and behaviours – the 'hows' – does indeed play some role in the differentiation of performance at the levelling stage. This may be associated with a look for 'evidence' to justify ratings lowered at levelling. It is also worth making the point, as many people did in their comments, that levelling may well take place on the basis of so-called 'peer' comparisons of people operating at different levels, mapped to different roles, etc – in which circumstances proper objective comparisons of achievements is more or less impossible.

The table also highlights that there is almost no difference between the mean scores given by those who were second-line managers and by those who were first-line managers: the same principles underscore levelling (and more or less to the same degree) whether for managers or Team Members.

The next series of charts (following page) look at the three factors, with each chart indicating the lower quartile, median and upper-quartile score provided by respondents within each LoB for the relative values (out of 100) for each factor.

With the median scores for BT's capabilities and behaviours being the same for almost all LoBs (albeit that there were some differences at the quartile points, although these were not major ones), the most significant differences between LoBs occur in perceptions of the relative importance of individual standards and peer comparison of performance. Even so, there was a difference between the LoBs on these measures at the extremes, but most LoBs nevertheless fitted fairly close together.
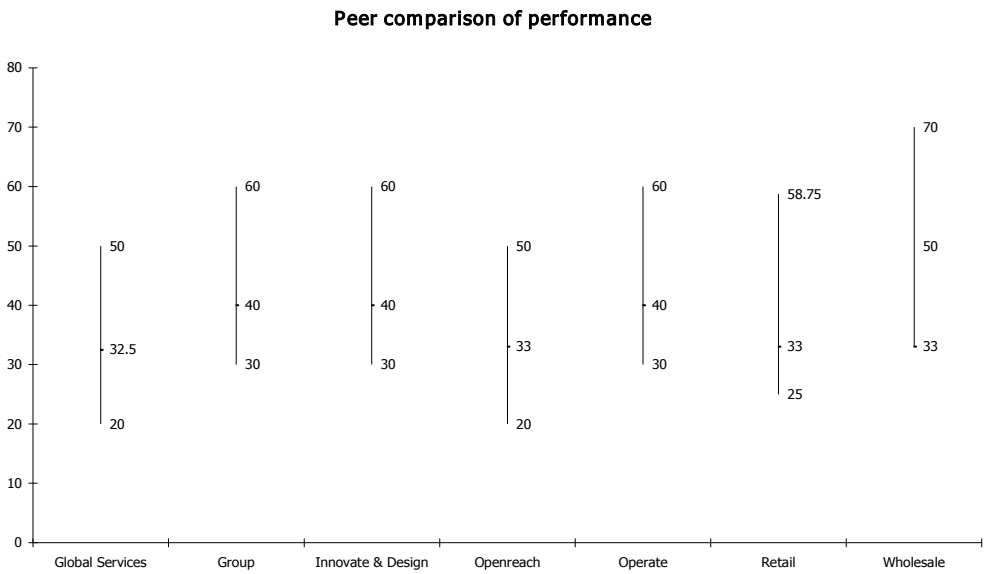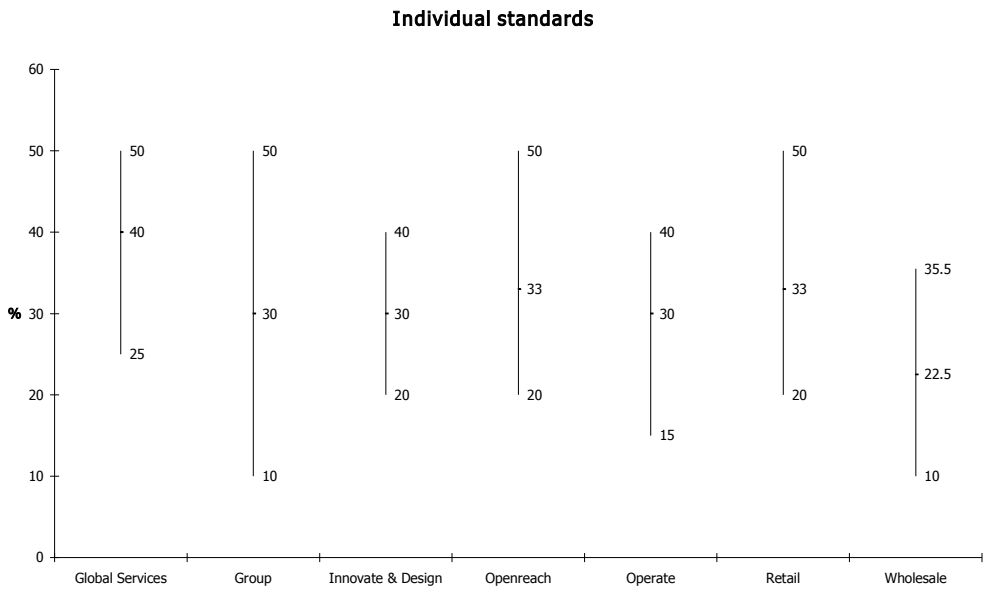
We can see that individual standards were considered by survey respondents to be least important in terms of levelling, and peer comparison of performance to be the most important, in Wholesale. Here, peer comparison was considered to be twice as important as a factor in levelling than individual standards. The reverse situation – giving the highest relative importance to individual standards and the lowest to peer comparison – was the case in Global Services. This was the only LoB in which the median score for individual standards ranked higher than the score for peer comparison: the scores were equal at the median level in both Openreach and Retail; while peer comparison attracted a score higher by ten points than individual standards in each of Group, Innovate & Design and Operate.

An interesting contrast to the extent of managerial involvement in levelling meetings – 55% had been to all such meetings in this appraisal year so far while 21% had never been to one – was provided by the question addressed to the whole sample (managers and non-managers alike) as regards whether their own manager had been involved in levelling meetings. Some 17% said they did not know but, of those who expressed an opinion, 91% said they knew 'for sure' that their line manager had been involved in levelling meetings during the current appraisal year.
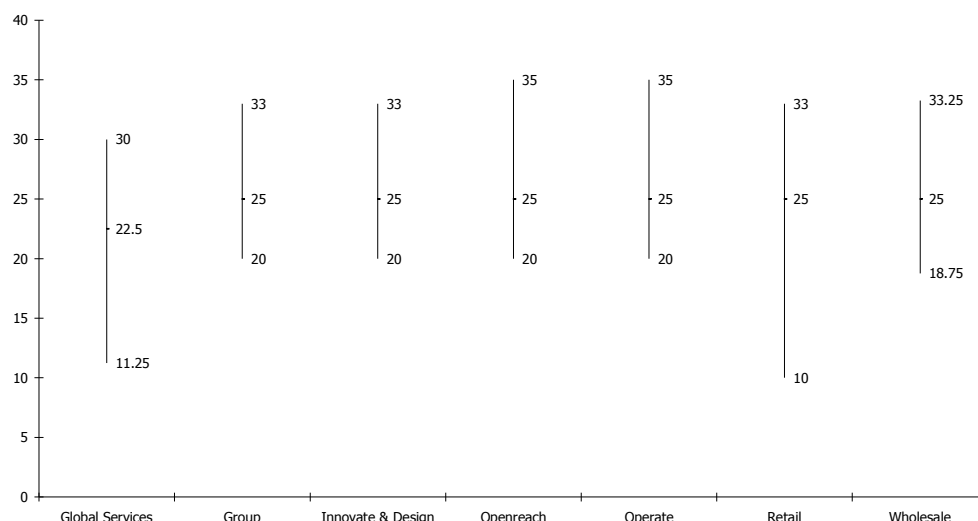
This figure rose to 95% of respondents in Openreach and Operate – in which LoBs managerial respondents were indeed least likely not to have attended levelling meetings in the past year – but dropped to 77% amongst Group respondents.

Thus, there is a certain level of disconnect between actual attendance by managers at levelling meetings and people's perceptions of this. Of course, non-attendance at a levelling meeting by an individual's own line manager does not mean that that individual's DPR rating was not discussed and, possibly, changed during a levelling meeting.

We should point out in this context that – as many respondents also commented – this absolutely undermines the authority of the first-line manager and individuals' respect for the process itself. Restoring trust in the system would seem also to involve a restoration of trust in the authority of the line manager to manage and assess the individuals in their teams.

Individual standards

	Global Services	Group	Innovate & Design	Openreach	Operate	Retail	Wholesale
	50	50		50		50	
	40		40		40		35.5
		30	30	33	30	33	
	25		20	20		20	22.5
					15		
		10					10

Peer comparison of performance

	Global Services	Group	Innovate & Design	Openreach	Operate	Retail	Wholesale
		60	60		60	58.75	70
	50			50			50
	40						
	32.5	40	40	33	40	33	33
		30	30		30	25	
	20			20			

BT's capabilities and behaviours

4. Your views

We closed the questionnaire with a series of six statements with which we asked members to state their level of agreement on a five-point scale from 'strongly agree' at one end to 'strongly disagree' at the other. The statements neatly divide into three areas – impact on individuals; system issues; and impact on the business – with the purpose being to explore individuals' views of the new system of performance management.

We also asked people what key improvements they would make to the current operation of performance management in BT.
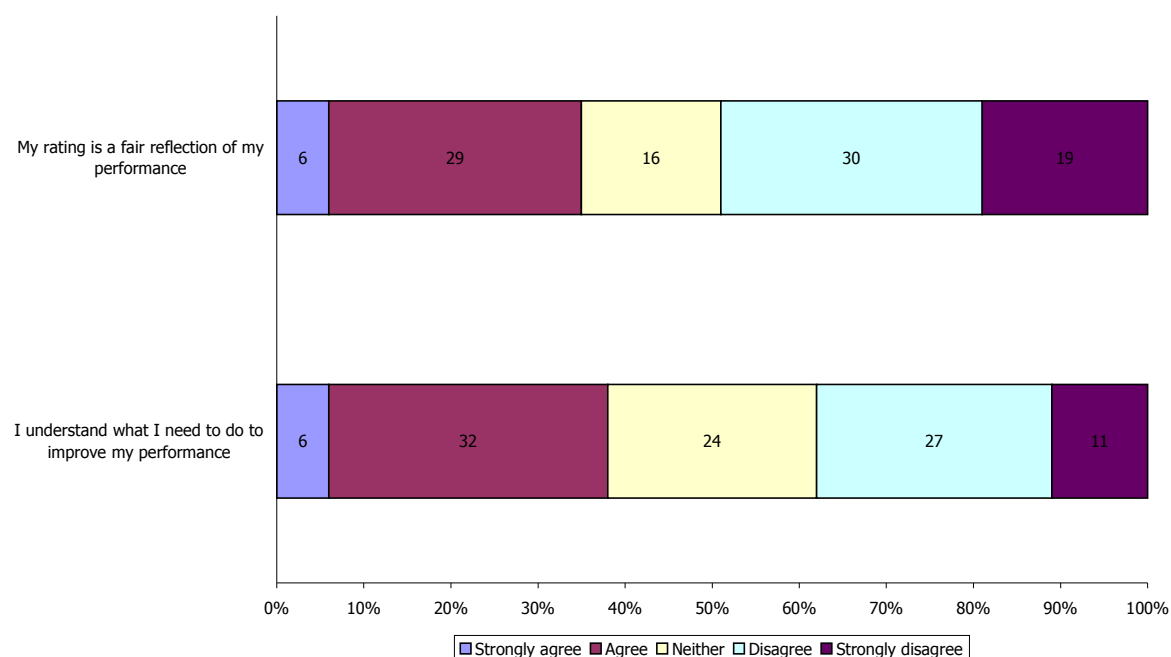
Looking firstly at the impact on individuals, just 35% of respondents 'agreed' (including 'strongly agreed') that their rating was a fair reflection of their performance, while 49% 'disagreed' (including 'strongly disagreed').

This is a substantial deterioration from the position we have found on this measure in previous surveys. In our 2010 survey, for example, some 64% of respondents 'agreed', while 22% disagreed, with the following statement: 'I believe my DPR is a fair and accurate description of my performance during the last year'. There are word changes from this statement to the one we used in this performance management survey, but these are not substantial ones. Around two-thirds of people supporting the view that their DPR is a fair and accurate reflection of their performance is the standard we are used to seeing, so this substantial deterioration is a shock.

There is almost no doubt that this reflects the proportion of people with a Development Needed rating, as well as the continued slide in the proportion with a Very Good one. However, with nearly one-half of respondents actively disagreeing that their DPR is a fair reflection of their performance, and only one-third actively agreeing, the essential credibility of the system is in substantial jeopardy.

Secondly, we found equal percentages of respondents 'agreeing' as 'disagreeing' that they understood what they needed to do to improve their performance. Perhaps unsurprisingly, those with a Development Needed rating were more likely to tilt towards disagreement: 44%, 46% and 50% of respondents rated as Development Needed in Q1, Q2 and Q3 respectively disagreed.

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Attitudes towards performance management: the individual impact

	Strongly agree	Agree	Neither	Disagree	Strongly disagree
My rating is a fair reflection of my performance	6	29	16	30	19
I understand what I need to do to improve my performance	6	32	24	27	11

If a performance management system is to inspire people to improve performance, again for the sake of credibility it must be clear about how any shortfalls in performance can be addressed. Two in five respondents who 'disagree' they understand how to improve their performance, rising to up to one-half of those with a Development Needed rating, is simply too high for the system to be able to accomplish this critical role. It is likely here that levelling – where individuals end up with different ratings to those their own line manager believe to be correct – has a key influence on people's lack of appreciation of the links between what the system says and their own improved performance. Furthermore, the continued long-term decline in markings, without any evidence that performance standards are actually falling over this period, is also likely to play a powerful role.

Focusing next on system issues, over four out of five respondents 'agree' that there is an expected distribution of ratings which leads to people being marked down for no good reason. No less than 49% 'strongly agree' and the percentage who 'disagree' is tiny.

In the context of such a high percentage of people taking this view, it is unlikely that there is no such expected distribution in operation, at least in some parts of the business. Even if this is not the case, perception counts heavily here and it is clear that, if BT is to sustain its public argument that it does not operate an expected distribution curve, it has a major job of work to do to convince its managers and professionals. Tackling that would seem to require substantial changes both in approach, in language and in behaviour – as the *vox pop* comments above clearly indicated – but it is abundantly clear that there is a long way to go if the system is not to continue to suffer from a perception that the ratings are regularly, and frequently, manipulated so as to achieve a particular result.

It is also worth commenting in this context that it may be at the levelling stage where the significant differences that we have found in the marks on the basis of ethnic origin and impairment, and indeed age, kick in. It may be that people with impairments, for example, are not having sufficient account taken at that stage of their impairment.

Secondly in this area, we found that just under four out of five respondents 'agree' that too much time was spent on the whole performance management process, of whom 53% 'strongly agree'. Again, less than 10% 'disagree'.

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## Attitudes towards performance management: system issues
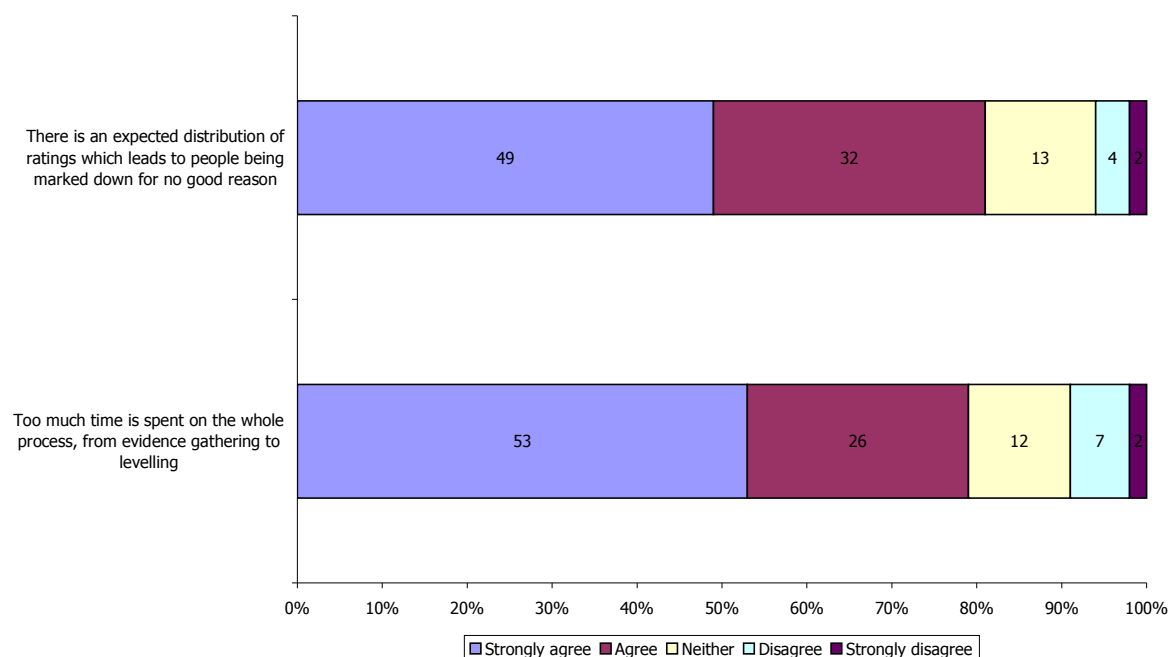
We commented above that the time commitment was, on the whole, not as substantial as all that (although it was clearly burdensome for a proportion). However, again it is perceptions that count, and here, the lengthy amount of paperwork involved in DPRs, the at least quarterly basis of the ratings system, and the time associated with levelling are all likely to be factors which play a sizable impact in the development of attitudes towards the time commitments that the system assumes. When the performance management system carries such a perceived weight to it, the whole process is likely to suffer as a result of mental exhaustion which will have a knock-on impact on its effectiveness at motivating people to do better. It would seem that something which is both more agile, more simple and 'lighter touch' is required.

On both these measures, those respondents who had managerial responsibilities scored no differently to the whole sample – i.e. managers see the system failing to no lesser degree than anyone else.

Turning finally to impact on the business, and continuing in the first place the theme of the time commitments involved with implementing the performance management system, fewer than one in five respondents 'agree' that the time spent on performance management will ultimately benefit customer service whereas, in contrast, 59% – three times as many – disagree.

Finally here, an even smaller percentage – just one in seven – 'agree' that the performance management process makes a positive contribution to the overall performance of the company, while an even higher percentage – 64% – 'disagree'.

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Attitudes towards performance management: impact on the business
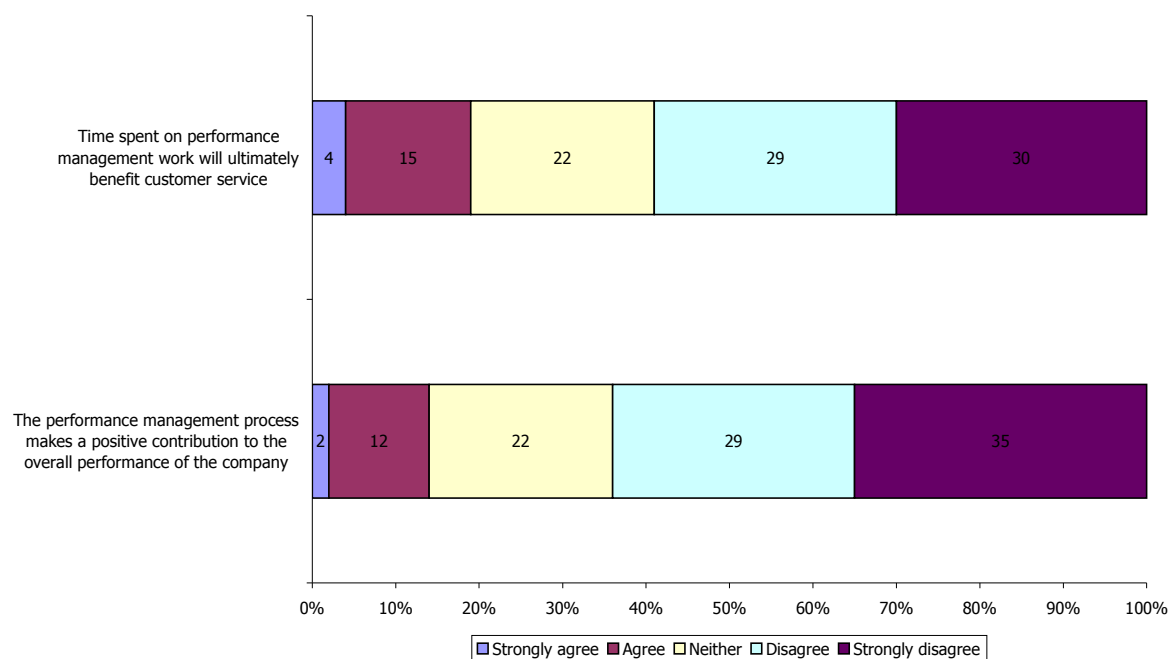
The links between time spent on an activity that is not favoured and improvements to the provision of customer service may not always be visible to people, but they may still be there. Equally, the central belief that the time commitment involved is 'too great' is clearly likely to lead people to fail to see the benefits as regards improved customer service since – inherently – it takes time away from the customer. Both are likely to be just as true as regards the impact of performance management on overall company performance. Nevertheless, it is evident that too few people see the benefits in terms of customer service and overall performance for it actually to have any effect in practice. For a business which is largely customer-facing, this is disastrous: it might not be true that what does not support customer service undermines it, but it is clear that respondents are strongly of the view that the time they spend on performance management is of little customer benefit (and that it may actually detract from it).

Again, it would seem that something that was more agile, and perhaps which had an appreciation of individual achievements as regards customers more centrally located in the system itself, would be better perceived.

Here, managers were slightly more likely to see the benefits than the whole sample: some 24% of managers (who make up 42% of the sample) 'agreed' that time spent on performance management work would ultimately benefit customer service; while 20% 'agreed' that performance management made a positive contribution to the overall performance of the company. This improvement was expected – but, in both cases, the differences to the overall sample are quite small; the majority of managers who 'disagreed' was, in both cases, a reasonably healthy one (respectively, 54% and 58%); and, at the same time, the overall strong imbalance between the percentages 'agreeing' and 'disagreeing' is absolutely too great to go any way towards restoring any level of belief in the system's credibility as regards business impact.

Finally, we have listed in the box beneath the bullet points a small selection of the comments respondents made as regards what key improvements they would like to make to the performance management system. Once again, the comments were numerous: printed in full, they would cover 119 pages and were made by some 2,200 out of our 3,360 respondents (i.e. some two-thirds of people took the opportunity to make a comment). All the comments that people made have been reviewed.

The most frequently made suggestions for improvement were either (a) to scrap the system entirely, or at least some aspects of it – usually cited here was the levelling process and/or the 'forced'/'expected' distributions of ratings making a 'numbers game' out of performance management; or (b) at least to reduce the frequency of formal meetings either to six monthly or to annually, supplemented by informal meetings in the interim, to reduce the bureaucracy and to give people more time to be more effective for the business in terms of customer support.

Other frequent comments centred on the following issues:

- removing the potential for the system to be 'worked' not by the best performers in terms of concrete achievements but by those who know what sells well, together with a lesser requirement to spend time in collecting and writing 'evidence' every quarter for achievements against each of the capabilities

- less micro-management and the placing of more trust in line managers to manage and rate their team as they see them rather than having their decisions and views countermanded at a more senior level, leading to demoralisation among first-line managers

- individuals to be appraised against their own standards, not against those of others within the group who may be mapped to different roles with different standards, requirements and challenges (especially where levelling is carried out on the basis of benefits band)

- improved timeliness of the process as regards having complete time periods on the basis of which people are assessed, rather than have marks submitted part-way through the process (a ludicrous situation not least for those involved in sales), together with having outcomes published straight away at the close of the period (NB this protracted time frame is likely to add to people's perceptions of the amount of time consumed by the process, and also has something to add to the comments made by respondents that a quarterly requirement for the process is undeliverable in practice, as well as making 1:1 conversations, when they eventually happen, focused on the past not on the future and leaving people with little time to improve. It is also likely, as people commented, to make a mockery of the cumulative approach to DPRs)

- a removal of the link to pay since performance management in the views of many respondents has become too closely associated with the company's pay policy to be objectively any longer about actual performance

- a lack of delivery by the company on its promise that performance management was a 'two-way street'

- a clear requirement for greater honesty and transparency within the process

- greater consistency in application of the process between different parts of the business, both within and between LoBs

- no movement of goalposts after review periods are underway (or completed) or giving individuals cascaded objectives that make no sense for them personally but which fit with the objectives of the unit or with senior management scorecards

- a better focus on strengths as opposed to weaknesses as an underpinning approach so as to remove the demotivating and demoralising aspects of how the system works in practice for those who are not high flyers but are performing to target

- including a code for performance management on system time booking software so that BT was aware how much time the process was taking.

> We need to focus on delivery: how much time and cost is taken up to carry out performance management on a quarterly basis? There is still pressure on people to find DN and U ratings. The new system is not working; if BT people are completely honest I doubt if anyone feels that performance

management is fair and working. The process should be carried out every 6 months or a new system introduced which takes less time and effort. (Innovate & Design)
Reduce evidence, scoring and levelling to 6 months or 12 months instead of every 3. Too much time is spent on performance management and I feel it is affecting the working relationship between teams. There seems to be less people / teams willing to help each other since PM has been introduced. (Operate)
Remove the levelling process. Your manager should be in a position to judge your performance without having to prove every section of it. The current system just rewards those who are good at seeking/presenting evidence who aren't necessarily the people doing the best work. (Innovate & Design)
The process is broken, it is undermining managers and creating an atmosphere which in my opinion is destructive and damaging. In all of my time in BT this is the worst and most damaging process that I have come across. As a manager I am having to explain grades to people which I don't agree with and actually haven't awarded myself as they have been levelled down. This is a shocking and disgraceful process – it needs scrapping. (Retail)
Scrap it. Pointless waste of time. I'm highly skilled, work hard, get a VG every quarter but have been told by my manager no-one on our group will get an E. For the team members, it's created a whole new skill called 'creative evidence gathering'. I do wish senior leaders would look at the operation of PM at the sharp end. (Operate)
In my work area we have to provide detailed evidence against each capability every quarter. The process is time consuming at least half a day a week and also very stressful. (Global Services)
Yes, scrap peer to peer comparisons. This achieves nothing and doesn't allow a manager to rate a person on their individual strengths. Peer to peer marking achieves nothing and is building a clone culture. I need a mixed bag of people and skills, some to turn handles and deliver widgets and some to be leaders and high flyers. If I have all high flyers no one will want to do the widgets and this leads to failure and unrest within a team. I should be able to mark on individuals' talents and strengths, not mark someone a DN because Joe Bloggs is better at one or two aspects of his role. Some people will never be as good as others no matter how much training they have but do a damn good job for the 'team'. Why should I have to condemn them to a rolling DN mark when they meet my standards? I don't come to work to develop a team that contains any DNs. (Operate)
Stop pressurising managers to mark people as DN in order to fulfil the requirements of a distribution curve. Stop using the system as a means of minimising pay awards. Change the system to one which coaches and supports instead of scaring people about whether they are secure in their role. (Retail)
Stop completely forced application of distribution curves. Remove levelling for NewGrid grades – why is it there? Allow line managers to assess the performance of our people – we are best to judge this appropriately. (Retail)
Performance management takes most of my time as an OM. Other aspects need almost as much time but they are being neglected or brushed away. The balance isn't right. (Openreach)
Stop making performance related to pay – that's why everyone gets so upset about it – we all work ourselves into the ground, working longer and longer hours, just to be marked down and then we get little or no reward at the end of the year. The morale is appalling which affects customer satisfaction, and everyone is very unhappy about the way they are being marked down based on very little evidence. (Global Services)
Unfortunately I cannot see anything that can improve such a morally corrupt system. At both management and Team Member level the system is a numbers game. I know if I could get an EIN for Santa Claus and put him forward as a DN it would be accepted provided I met my numbers. (Global Services)
PM has become an industry in itself. It is hugely time consuming and I can see absolutely no benefit in doing it this way. I realise managing performance is a good thing to do, but NOT the way we do it. Reduce to once in six months. It is hugely demotivational which is having the absolute reverse impact that it should have. I know of people who spend 3 full days per quarter just writing their evidence. The constant fighting between AS and VG is ridiculous – the difference in pay rise I believe was around 0.8% (let's say £320 per year on a salary of £40K – yet we spend say 10 days per year on this each at a cost of £5K. Doesn't make sense at all. (Innovate & Design)
Clear setting of objectives – mine were changing on a weekly basis and then many things I had done were dismissed as not relevant to the objectives as they had changed. The current job standards we are being measured against do not reflect the work we are being asked to do. (Wholesale) 1
It's part of our jobs but at times seems to dominate - and it shouldn't. I am particularly concerned

about people who are doing a good if unspectacular job, working well over the hours they are paid, having their performance picked over to justify why they shouldn't be marked down. People like that are the backbone of the company and deserve a bit more respect. Fair enough there are those the business needs to either improve or ship out and that's where the focus should be. (Wholesale)
I believe the current PM does not adequately support people who have become disabled. I am in this position and cannot realistically see how I can ever achieve better than a 'AS' rating in the current PM framework. I simply cannot do all the 'extras' that are needed to achieve VG or above. I face many challenges just to keep working; this is my reality and I endeavour to meet these challenges for my own satisfaction – PM offers to me little or no incentive. Innovate & Design)
I really would like the performance of my team to sit with me. If my team is not performing well then my manager should correctly mark me down. If my team is performing well, why does my manager pressurise me into building underperformance plans for my staff? This current method is creating a very unpleasant attitude within my team which I do not like and I think, if anything, it reduces my team's goodwill to the company. This causes an overall failing where staff will not volunteer for extra duties if it has the slightest negative impact on their productivity. (Openreach)
Focus on the better performers to instil pride in success. Manage genuine low performers but stop cottage industry that has grown to force false ratings. (Openreach)
Scrap it! Performance mgmt schemes do not improve people's performance – that comes from being loyal to and proud of the company you work for – the company having earned that loyalty. Certainly doesn't come from unrealistic expectations and enormous workloads. (Innovate & Design)
Ensure the policy and process is followed. What is the point in training and briefing us, if it isn't actually implemented that way and you can't understand why you get the mark you do, when you have met what you were asked to? (Innovate & Design)

Calvin Allen
Researcher

Revision No: 1

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