

Performance Management

Practice Guide



There is no doubt that managing employees is a critical and necessary role for managers. Performance management is a process that helps improve people's performance, and the performance of the organisation. There are many good reasons why you should effectively manage your employees including increasing employee engagement, motivation, commitment and job satisfaction, productivity and outcomes. Sound performance management will also decrease underperformance, and people feeling undervalued or leaving your organisation.

Performance management is important because you can't just employ people and assume they will be motivated to do their job to a high standard. All employees (including managers) need guidance, oversight and reviews to make sure they know what is expected of them, are given feedback and become effective contributors to their team and organisation.

Performance management is the process for assessing the performance and contribution of an employee, in the context of the individual's job description and any relevant criteria, and making plans for the individual's future development in the context of the organisation's workforce plan and desired outcomes.

Your organisation should have a systematic process that improves employee engagement and organisational performance by developing the performance of individuals and teams.

Performance management should include the regular collection and reporting of data to track work produced and results achieved.

The Performance Appraisal

Australian studies indicate that the predominant method of managing employees in Australia is the traditional performance appraisal. This is typically a meeting between a manager and an employee held once or twice a year to assess how well

each person thinks the employee is performing. Despite the widespread use of performance appraisals in all sectors and industries, there is increasing evidence to suggest that the appraisal is often a bureaucratic, time-consuming, awkward and confronting process for all involved (if it happens at all).

Unfortunately many organisations don't assess to see whether their performance appraisal process is working to motivate and develop employees, and carry on with this approach regardless. However, the latest research conducted by experts in employee engagement, identifies much easier and better ways of managing performance and increasing the strategic value of managing people.

For example, Dr Tim Baker, author of *"The End of the Performance Review"*, has identified that appraisals are often a stressful annual experience that adds very little value to the employee's growth, while at other times in the year their true needs and challenges remain ignored. For this reason, he suggests that managers need to be having more regular conversations with employees that focus on development, growth, strengths and continuous improvement.

While performance appraisals are often simply an evaluation of an employee's past behaviours and results, performance management reflects the continuous nature of performance improvement and an employee's development and contribution to the team and organisation.

Effective Performance Management

Your performance management approach should aim to engage and develop employees, and establish a shared understanding about what you expect from each other and how you can support and improve the outcomes of the individual, team and organisation. Ideally this should be a regular conversation about the future, not just an annual assessment or critique of an employee's past performance.

Performance management can take place informally, but this often leads to an ad hoc approach that is not prioritised or consistent between managers and departments. It can also lead to confusion, unfairness and managers avoiding their responsibility of managing people and difficult conversations. A better approach is to have a formalised process which all managers must follow, with the flexibility for managers to adapt if required.

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Your system or approach needs to include:

- A way of measuring performance standards and a system that makes those standards clear to all employees.
- A system that enables employees to measure their own performance against the standards.
- A process that helps the employee and supervisor to discuss the employee's strengths, performance and areas for improvement.
- Transparent incentives to enable employees to benefit from meeting and outperforming performance standards.
- A way to provide employees with opportunities to suggest and implement improvements to their performance.

Importantly, performance management only works if employees perceive that there is a level of trust and fairness in the process.

Managing underperformance

Underperformance is not the same as misconduct. Misconduct is serious behaviour which may warrant disciplinary action or instant dismissal. Misconduct should be dealt with through your Disciplinary Policy, a formalised process to help you manage unacceptable behaviour.

Underperformance is much more common than misconduct. It means the failure of an employee to meet agreed performance expectations. If performance problems arise, it is crucial that you address and resolve them early. The longer that poor performance is allowed to continue, the more difficult a satisfactory resolution becomes, and the more your credibility as a manager may suffer.

Underperformance or poor performance can be exhibited in many different ways which may include:

- Not completing work duties or responsibilities to an acceptable level;
- Not following policies or procedures; and/or
- Displaying poor communication or behaviour that is considered unacceptable.

Underperformance is usually poor performance over time, rather than a one-off bad day, or when a person makes a mistake or error. Underperformance can be caused by a myriad of reasons including the workplace culture, being unmotivated, workplace bullying, conflict, poor role clarity and disengagement. Whatever the cause or influencing factor/s, take action about poor performance swiftly, and do not put off a difficult conversation.

Your performance management process should be able to monitor employee performance over time and provide you with the timely and regular opportunities to discuss with the employee why they might be demonstrating underperformance, and what needs to be done to rectify the situation.

Only after following all other available strategies, should you consider using a disciplinary approach if you feel that the employee's poor performance is not improving. Remember, you always need to have clear grounds for dismissal.

Key steps

- 1 Ask your employees what they think of your current performance management approach.
- 2 Develop a system that supports managers to engage, develop and motivate employees.
- 3 Clearly communicate to employees what you expect good performance to look like.
- 4 Clearly communicate what underperformance looks like and the action that will be taken for unsatisfactory performance.
- 5 Measure the results of your process and strategies.

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