

What: Manage employee performance
How: Agree on and review goals and expectations
Why: Improve the output, behaviour and retention of employees
Author: David McDonald

Introduction

Performance Management involves using a set of tools and approaches to measure, improve, monitor and sustain the performance of a business, team or individual.

Performance management helps organisations to achieve their strategic goals. Employee performance management links individual objectives and organisational objectives, developing the skills of people to improve business growth and profitability.

The purpose of any Employee Performance Management process is to optimise the output, behaviour and retention of employees. This is generally best achieved through regular focus on the key elements of the performance management cycle:



The Performance Management of individuals in small to medium sized organisations is often inexistent, inconsistent or unpopular. Many employees do not have position descriptions. Supervisors and employees alike are forced to make assumptions about roles and responsibilities, invariably leading to breakdowns in quality. Annual appraisals conducted all at once and linked to salary reviews can be unfair and indeed stories are told of employees becoming disillusioned around that time. Processes can be complicated, and supervisors struggle to find the time to complete the task well. This environment does not build trust, loyalty or commitment for either party – yet these are essential to productive, long term working relationships.

Effective Performance Management deals with each part of the cycle in a way that is appropriate for the circumstances (ie: of the organisation and the employee).

The following pages provide a framework for the performance management of individuals.

It is worth noting that the term “performance management” is often misused in referring to the handling of disciplinary issues resulting from the behaviour of an employee. For our purposes, we will assume that this type of employee counselling and monitoring is covered by an organisation’s Issues Management Policy.

It is also important to acknowledge the need for a well defined and communicated organisational chart that allows an employee to understand how their position fits into the overall business structure.

Employee Performance Management Program

Part 1 – Position Descriptions

A detailed Position Description should be available for each employee. This should include the following categories:

- ▲ Job Title
- ▲ Overview of Role
- ▲ Objectives (ie: Purpose)
- ▲ Duties
- ▲ Responsibilities
- ▲ Supervision
- ▲ Authority
- ▲ Performance Measures
- ▲ Skills, Qualifications & Prerequisites
- ▲ Working Conditions & Physical Demands

The Position Description is reviewed annually and can be referred to in any performance plans, reviews or discussions. The document should be sufficiently detailed for recruitment purposes, but simple enough for the employee and supervisor to understand.

The organisational chart should refer to each person, group or position by the title used in the position description.

Part 2 - Performance Plan

This involves establishing periodic goals to be reviewed regularly – at least every six months. A balanced approach should be adopted, with both the employee and supervisor agreeing specific objectives in any or all of the following categories:

- ▲ **P**erformance – quantifiable outcomes; value adding
- ▲ **P**rocess – contribution; compliance; quality
- ▲ **P**eople – relationships; behaviours
- ▲ **P**rogress – initiative; growth; development

The Performance Plan is maintained by supervisors using a pre-determined format. Goal setting should utilise the SMART approach. Goals must be:

- ▲ **S**pecific
- ▲ **M**easurable
- ▲ **A**chievable
- ▲ **R**ealistic
- ▲ **T**ime-Based

The Performance Plan should seek to establish how the employee will contribute to the organisation's strategic plan. It should also outline the nature and level of support to be provided by the supervisor for the employee.

Part 3 – Performance Log

At every opportunity, feedback on both positive and negative performance should be recorded by supervisors. At a minimum this should occur at each Performance Plan session and again where exceptional behaviour or performance (both positive and negative) is observed. The performance log offers a quick and permanent record for future reference. This also serves to record recognition & reward initiatives. Performance Log information is used at review time to ensure the performance review is an accurate reflection of the entire review period.

The Performance Log is generally not used in cases where counselling or disciplinary procedures are warranted. The Issues Management Policy should outline this process.

Part 4 – Key Performance Indicators Focus

The types of Key Performance Indicators (KPI's) to be used for each employee are usually identified in the Performance Plan.

Based on specific performance goals and, if practical, including team/divisional data, the KPI reports provide a performance feedback mechanism. Review of this data is critical in the performance planning sessions and data such as monthly results can be included in the performance log. KPI's measure actual performance against a set of goals and benchmarks.

KPI's are recorded in a database or can be accessed on demand using BIS tools for composite and trend analysis purposes.

Part 5 – Employee Performance Review

The Employee Performance Review (EPR) involves an employee/supervisor questionnaire which, on completion by both parties, forms the basis of a constructive one-on-one dialogue between the employee and his/her supervisor. This should be conducted at least annually. A mid-cycle review of actual performance against the Performance Plan is also essential to avoid unexpected goal-alignment problems at the annual review.

The EPR format consists of:

1. A review of the Position Description. Recommended amendments are noted.
2. A general assessment area in which a non-numeric rating is applied to areas such as:
 - ▲ Quantity of Work
 - ▲ Quality of Work
 - ▲ Job Knowledge
 - ▲ Ability
 - ▲ Dependability
 - ▲ Initiative
 - ▲ Attitude
 - ▲ Teamwork
 - ▲ Attendance
3. A review of performance as per the KPI's and performance plan expectations.

4. Feedback from the employee on matters such as:

- ▲ How well does the organisation achieve its mission?
- ▲ How satisfied is the employee with regard to the working environment?
- ▲ How does the employee rank his or her alignment to agreed values against others (peers etc.)?
- ▲ What would the employee like to see improve?
- ▲ What does the employee believe has improved since the last review?

5. A discussion relating to training, development, succession and advancement. Parties should agree on a proposed (not necessarily approved) training and development plan for the next year. This should include a review of training undertaken in the last year.

6. A new Performance Plan agreed upon for the year or quarter. This should address all areas identified as needing improvement and set some specific, time-bound objectives. The supervisor must also commit to specific initiatives that may be required to assist the employee to reach his or her full potential.

7. Employee comments regarding the planning and review process or any other job related comments.

8. Supervisor comments regarding the meeting and the employees' general performance and behaviour.

The Performance Appraisal format varies across organisations. While some attempt to create an objective, measurable assessment, others value the subjective input of the supervisor or peers. It is important to value constructive dialogue over strict performance metrics; however a well designed system should deliver both HR management information and improved relationships. The following simple rules and objectives apply:

- ▲ No big surprises - if there are negative performance issues to be discussed, the EPR should not be the first time the employee hears about it
- ▲ 50/50 Talk/Listen – the review is as much about hearing from the employee about his or her issues and feelings as it is about providing feedback.
- ▲ 80/20 Positive – the EPR is designed to re-invigorate and motivate the employee. If practical, no more than 20% of the time should be spent discussing negatives.
- ▲ Open & Honest Input – both parties must prepare and be positive. The approach must be unthreatening and welcoming. It is critical that the employee be able to communicate his or her thoughts.
- ▲ Take the time to do it well – the timeframe between completion of the questionnaire and the review meeting must be as short as possible. A minimum of one hour should be set aside for the meeting at the commencement of the process. The meeting must be uninterrupted and in a comfortable and private setting.
- ▲ Be Prepared – both parties should be prepared by reviewing performance plans and KPI's before completing the questionnaire. Supervisors should read the completed questionnaire (with a coach or manager) and prepare notes prior to the meeting.

The EPR cycle ends with the creation of a new Performance Plan.

Part 6 – Salary Review

Salary reviews are an important part of the performance management cycle. These may include performance-based schemes (commissions, incentives and bonuses) and annual salary level increases.

It is widely accepted that employees are motivated to perform by factors other than remuneration. It is therefore important to consider if salary discussions should take place during performance reviews. This is possibly best covered in the Performance Planning process (Part 2 above) or at a mid-cycle review.

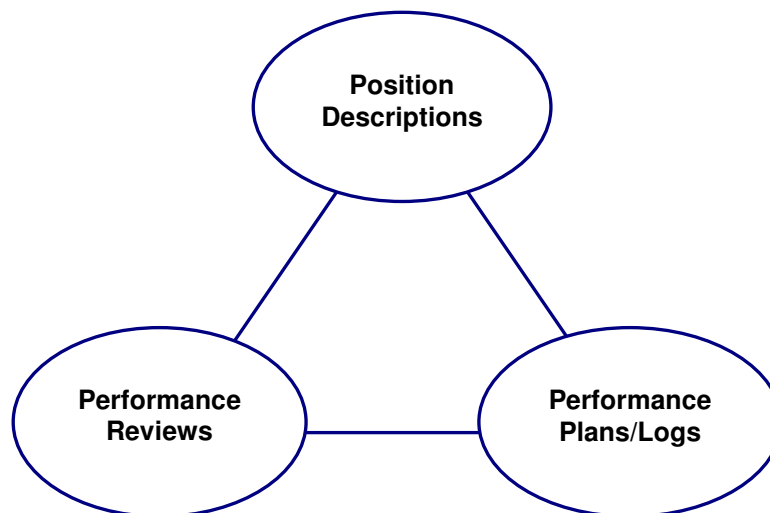
Depending upon the financial planning/budgeting considerations, an organisation may choose to conduct annual reviews and set new plans after the completion of a calendar year and run mid-cycle and salary reviews prior to the financial year end.

The primary consideration is to avoid linking the salary review with past performance as this is unlikely to motivate the employee as effectively as a remuneration proposal linked to future goals.

Program Delivery

Each part of the program can be delivered independently, however the greatest benefit will be obtained through an integrated approach, utilising each part of the program.

Performance Reviews are linked to Performance Plans (and Logs) which utilise Position Descriptions. The relationship between the key elements of a performance management system will determine its effectiveness.



Integration is best achieved through computerised database applications; however a well designed and documented paper-based system will work. The critical success factors for an employee performance management system are:

- ▲ Structure
- ▲ Documentation and Training
- ▲ Timing
- ▲ Consistency
- ▲ Compliance

Conclusion

The output and behaviour of employees determines the success (eg: profitability and growth) of an organisation. Motivated, skilled and rewarded employees will produce the best results and will need to be replaced less often.

An effective performance management system is the best way to deliver the benefits of:

- ▲ Improved Profitability
- ▲ Lower Recruitment Costs
- ▲ Knowledge Retention
- ▲ Strategic Alignment
- ▲ Cultural Change