THINGS THAT MAKE YOU GO HMMM ...
MANAGING PERFORMANCE

Professional Development Unit workshop – 2015

Readings and resources

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Handout 1: Purposes of performance management


The purposes of performance management systems are of three kinds: strategic, developmental and administrative.

**Strategic purpose**

First and foremost, a performance management system should link employee activities with the organisation’s goals. One of the primary ways in which a strategy is implemented is through defining results and behaviours and, to some extent, employee characteristics that are necessary for carrying out that strategy. The next step is to develop measurement and feedback systems that will maximise the extent to which employees exhibit the characteristics, engage in the behaviours and produce the results. To achieve this strategic purpose, the system must be flexible, because when goals and strategies change, the results, behaviours and employee characteristics usually need to change correspondingly.

It has been found that in order to achieve their strategic purpose, effective performance management systems display five characteristics. These are:

1. The alignment of employee performance with organisational objectives.
2. A clear articulation of the desired work culture.
3. A clear specification of the results and competencies—that is, the 'how the results are to be achieved'.
4. The management behaviour and style that encourages discretionary effort.
5. The simple processes and documentation that enable line managers and employees to see performance management as part of their daily workplace behaviour.

[...]

However, performance management systems do not commonly achieve their strategic purpose. Surveys in Europe, Australia and the United States reveal organisations typically use the information from the performance appraisal component of a performance management system for administrative purposes, rather than strategic purposes. In Australia, the primary purpose of information from performance appraisals has been found to be for making decisions about improving employee performance in their current job, rather than for making decisions about organisational training needs or future career and organisational training needs. In the United States, only 13 per cent of the companies questioned were using their performance appraisal system to communicate company objectives. Research involving HR practitioners regarding the purposes of performance appraisal suggest that most systems focus on developmental and administrative purposes.

**Developmental purpose**

A second purpose of performance management is to develop employees who are effective at their jobs. When employees are not performing as well as they should, performance management seeks to improve their performance. The feedback given during a performance evaluation process often pinpoints the employee’s weaknesses. Ideally, however, the performance management system
identifies not only any deficient aspects of the employee's performance, but also the causes of these deficiencies—for example, a skill deficiency, a motivational problem or some obstacle holding the employee back.

[...]

Managers are often uncomfortable confronting employees with their performance weaknesses. Such confrontations, although necessary to the effectiveness of the workgroup, often strain everyday working relationships. Giving high ratings to all employees enables a manager to minimise such conflicts, but then the developmental purpose of the performance management system is not fully achieved.

[...]

**Administrative purpose**

Performance management information (performance appraisals, in particular) is used to make many administrative decisions: salary administration (pay rises or bonuses), promotions, retention and termination, retrenchment, and recognition of an individual's performance. In Australia, approximately two-thirds of large organisations use information from performance appraisals to assess promotion potential, career development needs and organisational training needs. Few companies, however, are linking performance appraisal systems to performance-related pay decisions.

Despite the importance of these decisions, however, many managers, who are the source of the information, see the performance appraisal process only as a necessary evil they must go through to fulfil their job requirements. They feel uncomfortable evaluating others and feeding those evaluations back to the employees. Thus, they tend to rate everyone highly, or at least rate them the same, making the performance appraisal information relatively useless. For example, one manager stated:

*There is really no getting around the fact that whenever I evaluate one of my people, I stop and think about the impact—the ramifications of my decisions on my relationship with the guy and his future here ... Call it being politically minded, or using managerial discretion, or fine-tuning the guy's ratings, but in the end, I've got to live with him, and I'm not going to rate a guy without thinking about the fallout.*

In cultures, such as Chinese cultures, that value harmony, 'face' and teamwork, it is less likely that organisations will use performance appraisals for administrative purposes such as the determination of pay and promotion. In these collectivist cultures, the maintenance of cohesion in the workplace is important and the use of performance appraisals for these purposes can be regarded as in conflict with the creation of cohesion. However, as organisations in Asian countries become exposed to Western practices, it is possible this could change. For instance, in China some organisations are starting to introduce performance-based compensation, performance-based rewards.

There are difficulties associated with using data from performance appraisals, for both evaluation decisions such as salary increases and promotion, and for development decisions such as career planning and training. There are conflicts for individuals who are seeking valid performance feedback so that they know how well they are performing, they can identify the areas in which they could improve their performance and they can make decisions about training and coaching. However, they
are also seeking rewards and to maintain their self-image. This can require individuals to be protective, compared to the open and honest behaviour required to make development decisions.

The purposes of an effective performance management system are to link employee activities with the organisation’s strategic goals, to furnish valid and useful information for making administrative decisions about employees and to provide employees with useful developmental feedback. Fulfilling these three purposes is central to gaining competitive advantage through human resources. The tension between serving the purposes of development and evaluation can be managed in a number of different ways.

In circumstances where the purpose of the performance appraisal process is to provide information for development and evaluation, the conflict can be managed by having two appraisal interviews. One can focus on evaluation, while the other one can focus on development. They should be held at different times of the year. These interviews could be done by different people, for instance, the line manager and the HR Manager. A vital step in performance management is to develop the measures by which performances are evaluated. Thus, we next discuss the issues involved in developing and using different measures of performance.
Handout 2: Performance feedback


Performance feedback

The performance feedback process— that is, a process whereby the defined expected performance information and the measured performance information is fed back to the employee, so that he or she can correct any deficiencies. The performance feedback process is complex and provokes anxiety for both the manager and the employee. Table 10.11, below, provides examples of feedback that managers have given employees. You be the judge as to these statements' effectiveness in improving employees' performance!

Table 10.11 Examples of performance feedback

- Since my last report, this employee has reached rock bottom and has started to dig.
- His men would follow him anywhere, but only out of morbid curiosity.
- I would not allow this employee to breed.
- This associate is really not so much of a 'has-been', but more of a 'definitely won't-be'.
- Works well when under constant supervision and cornered like a rat in a trap.
- When she opens her mouth, it seems that this is only to change whichever foot was previously in there.
- He would be out of his depth in a parking-lot puddle.
- This young lady has delusions of adequacy.
- He sets low personal standards, then consistently fails to achieve them.
- This employee should go far—and the sooner he starts, the better
- This employee is depriving a village somewhere of an idiot.


Few of us feel comfortable sitting in judgment of others. The thought of confronting others with what we perceive to be their deficiencies causes most of us to shake in our shoes. If giving negative feedback is painful, receiving it can be excruciating—thus, the importance of the performance feedback process.

Characteristics of an effective performance feedback process

If employees are not made aware of how their performance is not meeting expectations, their performance will almost certainly not improve. In fact, it may get worse. Effective managers provide specific performance feedback to employees in a way that elicits positive behavioural responses. The following process increases the potential for a successful performance feedback session.

Feedback should be given frequently, not once a year

There are two reasons for this. First, managers have a responsibility to correct performance deficiencies immediately on becoming aware of them. If performance is sub-par in January, waiting until December to appraise the performance could mean an 11-month productivity loss. Second, a major determinant of how effectively a feedback session goes is the extent to which the subordinate is not surprised by the evaluation. An easy rule to follow is that employees should receive such frequent performance feedback that they already know almost exactly what their formal evaluation will include.
Create the right context for the discussion
Managers should choose a neutral location for the feedback session. The manager’s office may not be the best place for a constructive feedback session because the employee may associate the office with unpleasant conversations. Managers should describe the meeting as an opportunity to discuss the role of the employee, the role of the manager and the relationship between them. Managers should also acknowledge that they would like the meeting to be an open dialogue.

Ask the employee to rate his or her performance before the session
Having employees complete a self-assessment before the feedback session can be considerably productive. It requires employees to think about their performance over the past rating period and it encourages them to think about their weaknesses. Although self-ratings used for administrative decisions are often inflated, there is evidence that they may actually be lower than supervisors’ ratings, when they are provided for developmental purposes. Another reason a self-assessment can be productive is that it can make the session go more smoothly by focusing discussion on areas where disagreement exists, resulting in a more efficient session. Finally, employees who have thought about past performance are more able to participate fully in the feedback session.

Encourage the subordinate to participate in the session
Managers can take one of three approaches in performance feedback sessions. In the ‘tell-and-sell’ approach, managers tell the employees how they have rated them and then justify these ratings. In the ‘tell-and-listen’ approach, managers tell employees how they have rated them and then let the employees explain their side of the story. In the ‘problem-solving’ approach, managers and employees work together to solve performance problems in an atmosphere of respect and encouragement. In spite of the research demonstrating the superiority of the problem-solving approach, most managers still rely on the tell-and-sell approach. When employees participate in the feedback session, they are consistently satisfied with the process. (Recall our discussion of fairness earlier in this chapter.) Participation includes allowing employees to voice their opinions of the evaluation and also to discuss performance goals. One study found that, other than satisfaction with ones supervisor, participation was the single most important predictor of satisfaction with the feedback session.

Recognise effective performance through praise
One usually thinks of performance feedback sessions as focusing on the employee’s performance problems. This should never be the case. The purpose of the session is to give accurate performance feedback, which entails recognising effective performance as well as poor performance. Praising effective performance provides reinforcement for that behaviour. It also adds credibility to the feedback by making it clear that the manager is not just identifying performance problems.

Focus on solving problems
A common mistake that managers make in providing performance feedback is to try to use the session as a chance to punish poor-performing employees by telling them how utterly lousy their performance is. This only reduces the employees’ self-esteem and increases their defensiveness, neither of which will improve performance. To improve poor performance, a manager must attempt to solve the problems that are causing poor performance. This’ entails working with the employee to determine the actual cause of the problems and then agreeing on how to solve the problems. For example, a salesperson’s failure to meet a sales goal may be the result of his or her lack of a proper sales pitch, lack of product knowledge or stolen sales by another salesperson. Each of these problems requires a different solution. Without a problem-solving approach, however, the correct solution might never be identified.
**Focus feedback on behaviour or results, not on the person**

One of the most important things to do when giving negative feedback is to avoid questioning the employee’s worth as a person. This is best accomplished by focusing the discussion on the employee's behaviours or results, not on the employee. To say, 'You're screwing up! You're just not motivated!' will bring about more defensiveness and ill feelings than stating, 'You did not meet the deadline that you agreed to because you spent too much time on another project'.

**Minimise criticism**

Obviously, if an individual's performance is below standard, some criticism must take place. However, an effective manager should resist the temptation to reel off a litany of offences. Having been confronted with the performance problem, an employee often agrees that a change is in order. However, if the manager continues to come up with more and more examples of low performance, the employee may get defensive. In some countries, for instance in those countries in which Confucian values operate, the giving of feedback, particularly negative feedback, needs to be managed in a sensitive manner. It has been suggested that the Western-style appraisal approach of giving top-down feedback to an individual is inappropriate in this context.

**Agree to specific goals and set a date to review progress**

The importance of goal-setting cannot be overemphasised. It is one of the most effective motivators of performance. Research has demonstrated that it results in increased satisfaction, motivation to improve and performance improvement. Besides setting goals, the manager must also set a specific follow-up date to review the employee's performance towards the goal. This provides an added incentive for the employee to take the goal seriously and work towards achieving it.
Handout 3: Managing the performance of marginal performers

Marginal employees are those employees who are performing at a bare minimum level due to a lack of ability and/or motivation to perform well.

Figure 10.9 below shows actions for the manager to take with four different types of employees. As the table highlights, managers need to take into account whether employees lack ability and/or motivation, when considering ways in which to improve employees' performance. To determine an employee's level of ability, a manager should consider if the employee has the knowledge, skills and abilities needed to perform effectively. Lack of ability may be an issue if an employee is 'new' in a job or the job has recently changed. To determine employees' levels of motivation, managers need to consider if employees are doing the jobs they want to do and if they feel they are being appropriately paid or rewarded. A sudden negative change in an employee’s performance may indicate that he or she is experiencing personal problems.

Employees with high abilities and motivation are likely to be good performers (solid performers). Figure 10.9 emphasises that managers should not ignore such employees. Managers should provide development opportunities to keep them satisfied and effective. Poor performance resulting from lack of ability but not motivation (i.e. misdirected effort) may be improved by skill-development activities, such as training or temporary assignments. Managers with employees who have the ability but lack motivation (under-utilisers) need to consider actions that focus on interpersonal problems or incentives. These actions include making sure that incentives or rewards that the employee values are linked to performance and making counselling available to help employees deal with personal problems or career or job dissatisfaction. Chronic poor performance by employees with low ability and motivation (deadwood) indicates that outplacement or firing may be the best solution.

**Figure 10.9 Ways to manage employees performance**

<table>
<thead>
<tr>
<th>Motivation High</th>
<th>Ability High</th>
<th>Solid performers</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>• Reward good performance</td>
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<tr>
<td></td>
<td></td>
<td>• Identify development opportunities</td>
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<td></td>
<td></td>
<td>• Provide honest and direct feedback</td>
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<tr>
<td>Motivation Low</td>
<td>Ability Low</td>
<td>Misdirected effort</td>
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<tr>
<td></td>
<td></td>
<td>• Coaching</td>
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<td></td>
<td></td>
<td>• Frequent performance feedback</td>
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<td></td>
<td></td>
<td>• Goal setting</td>
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<td></td>
<td></td>
<td>• Training/temporary assignment for skill development</td>
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<tr>
<td></td>
<td></td>
<td>• Restructured job assignment</td>
</tr>
<tr>
<td>Motivation Low</td>
<td>Ability Low</td>
<td>Under-utilisers</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Give honest and direct feedback</td>
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<tr>
<td></td>
<td></td>
<td>• Provide counselling</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Use team building and conflict resolution</td>
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<tr>
<td></td>
<td></td>
<td>• Link rewards to performance outcomes</td>
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<tr>
<td></td>
<td></td>
<td>• Offer training for needed knowledge and skills</td>
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<tr>
<td></td>
<td></td>
<td>• Stress management</td>
</tr>
<tr>
<td>Motivation Low</td>
<td>Ability Low</td>
<td>Deadwood</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Withholding pay increases</td>
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<td></td>
<td></td>
<td>• Demotion</td>
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<td></td>
<td></td>
<td>• Outplacement</td>
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<td></td>
<td></td>
<td>• Firing</td>
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<td></td>
<td></td>
<td>• Specific, direct feedback on performance problems</td>
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Handout 4: Legal guidelines

North Ryde, N.S.W. : McGraw-Hill Australia Pty Ltd.

In Australia there are six legal issues associated with the conduct and use of performance appraisal
information. They involve:
1. documentation for legal protection
2. possibility of condoning poor performance by inaction
3. employer’s duty to the poor performer
4. adequate warning before dismissal
5. effects of equal employment opportunity (EEO)
6. termination.

Performance appraisal records can be used by dismissed employees to challenge the decision to
terminate their employment. It is important to include all material relating to performance in a
formal record, particularly information relating to poor performance and counselling. A series of
good performance assessments could mean an employee is entitled to a substantial amount of time
to rectify their performance inadequacies.

Employers also run the risk of unfair dismissal actions in circumstances where they put up with poor
performance for a long period of time without starting formal review procedures. An employee can
argue that the employer could be seen to have condoned the poor performance as adequate. This
situation is likely to occur where the performance assessment procedure is poorly designed and
implemented and when it shows an adequate level of performance.

According to unfair dismissal laws, employers have a duty to poor performers. These laws prohibit
employers from forcing an employee to resign or making work conditions unpleasant enough to
resign—these actions would be interpreted as dismissal. For poor performers, employers are
required to take the following actions: introduce a review process separate from the usual
performance appraisal; ensure the review process is formal and documented; give the employee
notice that their performance is inadequate; and focus on improving performance in a specified area,
in a fixed time frame that is balanced and reasonable (at least three months).

Although there is no standard warning that applies in all circumstances, it is suggested that
employers provide clear, written and recorded notice of the deficiencies of performance and give an
explicit warning that failure to remove these deficiencies in a reasonable period of time will carry the
risk of termination. [...] 

The legal context for human resource management, discrimination and EEO legislation prohibits
discrimination on a number of grounds. Therefore, any decisions based on a performance
assessment that was judged to be discriminatory would be unlawful. This discrimination does not
have to be conscious or intentional and it may result from a manager’s attitudes or beliefs. However,
an organisation can be held accountable for decisions such as promotion based on performance
assessments. For instance, in the D. Harrison versus Department of TAFE case, it was found that a
female TAFE teacher had been discriminated against because of her gender when performance
assessments were made. This discrimination prevented her from being placed on promotion lists.
The Anti-Discrimination Board found Ms Harrison was ‘somewhat forceful and aggressive but not
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unduly so and certainly no more than was acceptable in male applicants'. The board found the discrimination was the result of 'subconscious assumptions, which translated into behaviour, which became unlawful'. Organisations can avoid this type of action by ensuring: appraisal criteria are job-related, appraisal criteria have been checked, appraising managers and supervisors are trained in appraisal, and there is no direct or indirect use of outlawed grounds of choice.

[...]

Employees are entitled to procedural and substantive fairness whenever any action is taken in response to a negative assessment of performance. These actions could include a warning, direction, suspension, transfer, demotion or removal of benefits. Legal obligations regarding fairness can be met by ensuring the:

- development of a transparent performance appraisal system that can be consistently applied
- review of performance is made against clearly specified criteria (e.g. a position description and performance goals)
- results of previous performance assessments are taken into account
- systems to deal with counselling and warnings are in place
- nature and duration of the actions are clear and the reasons as to why the actions have been taken are clear
- duration of the actions and the reasons as to why the actions have been taken are clearly explained to the employee
- employee understands how their performance could be improved and how this improvement would be assessed
- employee is informed of the consequences of not improving performance and the procedures to be followed if this occurs
Handout 5: Sources of ineffective performance


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<thead>
<tr>
<th>ORGANISATION POLICIES AND PRACTICES</th>
<th>PERSONAL PROBLEMS</th>
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<tbody>
<tr>
<td>• Ineffective job placement</td>
<td>• Stress</td>
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<td>• Insufficient job training</td>
<td>• Relationship problems</td>
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<tr>
<td>• Ineffectual employment practices</td>
<td>• Financial worries</td>
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<tr>
<td>• Permissiveness with enforcing policies or job standards</td>
<td>• Emotional disorders (including depression, guilt, anxiety, fear)</td>
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<tr>
<td>• Heavy-handed management</td>
<td>• Conflict between work demands and family demands</td>
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<tr>
<td>• Lack of attention to employee needs or concerns</td>
<td>• Physical limitations including impairment</td>
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<tr>
<td>• Inadequate communication within organisation</td>
<td>• Low work ethic</td>
</tr>
<tr>
<td>• Unclear reporting relationships</td>
<td>• Other family problems</td>
</tr>
<tr>
<td>• Lack of clear job descriptions</td>
<td>• Lack of effort</td>
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<table>
<thead>
<tr>
<th>JOB CONCERNS</th>
<th>EXTERNAL FACTORS</th>
</tr>
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<tr>
<td>• Unclear or constantly changing work requirements</td>
<td>• Industry decline or extreme competition</td>
</tr>
<tr>
<td>• Boredom with job</td>
<td>• Legal constraints</td>
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<tr>
<td>• Lack of job growth or advancement opportunities</td>
<td>• Conflict between ethical standards and job demands</td>
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<tr>
<td>• Role ambiguity</td>
<td>• Union-management conflict</td>
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<td>• Management-employee conflict</td>
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<td>• Problems with fellow employees</td>
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<tr>
<td>• Unsafe working conditions</td>
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<tr>
<td>• Unavailable or inadequate equipment or materials</td>
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<tr>
<td>• Inability to perform the job</td>
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<tr>
<td>• Excessive workload</td>
<td>•</td>
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<tr>
<td>• Insufficient workload</td>
<td>•</td>
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<tr>
<td>• Lack of job skills</td>
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Handout 6: Performance analysis flow diagram