

# PIVOTAL



## PERFORMANCE MANAGEMENT

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## **WHAT IS PERFORMANCE MANAGEMENT?**

Performance Management is often understood as a meeting or one-time conversation between a boss and his/her employee(s), in which the performance for a set period (typically one year) is considered. Employees have come to expect some kind of pay increase to result from this meeting, and often it is unfortunately the only time that compensation is discussed. We find this definition which really refers to the *appraisal* component of performance management narrow and limiting.

We define performance management much more broadly to describe a work system that spans the employee experience from employee entry to exit. Performance management, then, is a *process* of setting expectations and communicating feedback (positive *and* negative) that takes place within a culture of *continuous improvement*. Effective leaders are managing the performance of employees on an ongoing basis, coaching performance up to standard when it is needed and finding ways to provide learning opportunities to 'stretch' employees who are consistently up to standard.

A broad performance management system includes:

- **accurate job descriptions**
- **effective hiring**
- **orientation & socialization**
- **managing expectations**
- **goal setting**
- **ongoing performance discussions (including a formal appraisal)**
- **coaching & discipline**
- **recognition & reward programs**
- **training & development**
- **exit interviews**

As evident by the list above, the appraisal is only one component of a much larger program by which employers strive to hire and retain top performers through effective performance management. Underlying the entire performance management program is an effective communication strategy.

While performance management is sometimes necessarily reactive, within a culture of continuous improvement managers are proactive to the extent possible. For example, goal setting with employees is a proactive performance management activity.

And reward is certainly *part* of the performance management process. However a standard 'cost of living' adjustment (come to be considered a 'given' by employees who get this) is not considered part of strategic performance management. However, aligning reward and recognition with the achievement of performance goals is certainly a critical component of the overall performance process.

Work environments in which leaders have effectively performance managed the employees are described as high-energy and positive. Employees are clear with respect to what is expected of them and they are coached appropriately to achieve work goals. The achievement of goals, in and of itself, is intrinsically motivating for high performers. In addition, when extrinsic reward programs (monetary *and* non-monetary) are tied to the achievement of goals, high performers are effectively retained over time.

### Types of Performance Appraisal Systems

The terms performance management and performance appraisal have often been used interchangeably. We view performance appraisal, the act of formally evaluating an individual against a pre-determined set of criteria, as only a part of performance management which is considerably more holistic.

As we are more focused on performance management, different types of appraisal systems will only be given brief mention. Often these methods are customized and combined to provide relevant input that aligns with organizational strategic objectives. While we will not go into detail about each method, it is critical to note that evaluators at any level require clear direction, training and communication regarding what is expected of them. To assume that an individual inherently knows how to provide feedback often leads to breakdown in internal communication and work teams.

- ⇒ **Self Appraisal:** The employee evaluates his/her own work.
- ⇒ **Peer Appraisal:** A peer in the same department provides evaluation of a colleague's work.
- ⇒ **Team Appraisal:** Each member of a work team evaluates every other member.
- ⇒ **360 Degree Feedback:** The employee's work is reviewed by at least one peer, one supervisor and one direct report (a "full circle" representation).

**Performance Management is not Performance Appraisal!**

## Performance Management as Discipline

A large component of performance management is coaching employees up to job standards and takes place through initiatives designed to communicate negative feedback and assist employees in improving performance. Often this process is referred to as *progressive discipline*.

**Note:** Discipline should always appropriately reflect the situation. Managers should not feel limited to always start with a verbal warning and move consecutively to termination. In some circumstances, immediate dismissal is appropriate.

### Example Disciplinary Process:

1. Verbal Warning
2. First Written Warning
3. Second Written Warning
4. Suspension (optional)
5. Dismissal

## **WHY MANAGE PERFORMANCE?**

Performance Management strives towards a number of distinct, but integrated, organizational objectives.

Managing Performance contributes to **organizational growth**. Individuals who are working towards, and measured against, individual goals that are linked explicitly to organizational goals are able to contribute to the growth of the organization. Through effective performance management, individuals are coached towards successful attainment of individual goals and thus secure the achievement of organizational effectiveness and growth.

### **The Cost of Not Measuring Performance**

- ⇒ wasted time
- ⇒ inefficiency
- ⇒ loss of customers
- ⇒ increased employee turnover
- ⇒ harassment cases
- ⇒ toxic work environments
- ⇒ low morale, declining commitment
- ⇒ decreased job satisfaction
- ⇒ greater levels of frustration
- ⇒ decreased productivity

To the extent that you are improving performance, you are also clearly communicating regarding expectations. **Clear expectations** are critical to employee development and optimal organizational functioning. Providing constructive, consistent feedback also **establishes and maintains trust** within the organization.

Performance Management, as it contributes to growth goals, is then **leadership responsibility**. Leaders should be *accountable* for the achievement of organizational growth and all of their activities should link back to this broad objective.

Performance Management allows for improving weak areas and also **identifying strengths**. This is especially important for high performers who tend to seek new challenges on an ongoing basis. Overall, identifying weaknesses and strengths provides critical information that can be used to design relevant **training and development** initiatives and programs.

More and more, performance management initiatives have become an **employee expectation**. Employees, especially Generation X and beyond, *anticipate* receiving feedback, recognition, and coaching with respect to their work performance. Motivated employees (the ones you want) want to work towards goals and be recognized for achieving objectives. In addition, employees want to know how they fit in to the 'big picture' of the organization.

Certainly not the least of the reasons you want to ensure you are effectively performance managing is to **minimize risk** of litigation from employees who claim to have been treated unfairly as a result of 'who' they are as opposed to 'what' they are contributing to the workplace. A fair performance management program, then, is also protective.

### **3 PHASES OF PERFORMANCE MANAGEMENT**

#### ⇒ **Phase 1: Setting Performance Goals**

Employers, ideally with their employees, need to set objective targets for the employees to strive for and be evaluated against. Clearly defining the “what” and “how” of work goals are one of the most important, and most difficult, tasks for managers. Often employers are too vague in establishing objective goals which makes it very difficult for employees to know what is expected and also creates challenges when it comes to determining if goals have been achieved.

For example, managers may determine that a relevant objective is to ‘provide good customer service’. However, how is ‘good’ defined? If an employee defines ‘good’ as dealing with a certain quantity of customers then the quality of the service may not be focused on in the intended ways.

In order to be necessarily clear, work goals need to be **S.M.A.R.T.**

**Specific.** The objectives should *detail* what needs to be done including quality expectations. Often a broad objective, such as ‘providing good customer service’ needs to be broken down into several quality objectives such as “less than 5% outstanding client complaints per quarter”.

**Measurable.** If you cannot measure the objective, then neither you nor your employees will know if the goal has been accomplished or what performance management related activities are warranted. Objectives that cannot be measured often lead to inconsistent management practices as well. For example, if one shift manager defines good customer service one way and another defines it another way, employees are not being held to the same standards within an organization. This can certainly negatively impact morale, lead to increased turnover, and even become a Human Rights issue if discrimination is suspected.

**Attainable.** Goals should be challenging but realizable. You don’t want to set goals that are too easy, which often happens when managers turn job description responsibilities into goals. For example, a goal such as “answer all incoming customer calls” is a job function and not a good performance objective. An attainable goal motivates an employee to *strive*, which is motivating to high performers. A better goal, then, would be ‘achieve a minimum rating of 3.5 on quarterly customer feedback surveys’.

**Realistic.** Related with being attainable, performance objectives must be realistic. If one person in the history of the company has accomplished something (e.g., 'no customer complaints over the course of one year') that person should be recognized for their achievement but not responsible for setting a standard for all others. If the goals are not realistic, then the achievement of them is not realistic either. The striving for unrealistic goals is demotivating for employees, in direct contrast to what performance objectives are designed to do.

**Time-bound.** It is important to specify the timeframe in which performance objectives will be evaluated. For example, "5% or less in customer complaints *per month*" is more specific and a better objective than the objective without any timeframe. When setting timeframes, do not forget to consider what is realistic and attainable within a given timeframe. Perhaps given what is known about volume of calls, one month is not the best timeframe to use in order to ensure that employees can achieve that target.

Overall, performance objectives should represent the full range of job responsibilities. If all of the objectives are aligned with only one aspect of the job, you may want to consider re-defining the job and job description. This is not to say that for every 'duty' listed, you are required to have a performance measure. Rather, it is central to performance management that all important functions of a job, there is a means by which you and the employee can evaluate performance.

It is also important to provide the S.M.A.R.T. objectives to employees in writing to facilitate shared performance expectations.

### ⇒ **Phase 2: Monitoring Performance**

Monitoring takes place over time. The practice of 'checking boxes once a year' is considered dated and of little value to employees and organizations. The trend is towards providing feedback on an ongoing basis, which is not to be confused with micro-management. Managers who take the time to meet with employees regularly (which will be defined by the manager and reflect what makes sense to the work environment) are able to re-visit goals, expectations and provide assistance/recognition consistently. In doing so, they are continuously relationship building which a key positive result of effective performance management.

Performance should not be understood by employees as a 'test' in which the teacher (i.e., their manager) passes them or fails them. Pass and they keep the

job or get the raise and fail and they are terminated (or they better start looking because it's just a matter of time!). Performance is a shared goal between a boss and his/her employee and continuous performance discussions reflect the cooperative nature of performance management.

In addition to dealing with any specific performance issues that require reactive attention, managers should meet with their employees two to three times per year (more or less if that is what makes most sense in a given environment) and review performance against plans and the S.M.A.R.T. objectives. This is an opportunity to identify the need for modifications or extra support in achieving the goals.

⇒ **Phase3: Formal Review**

At least once a year, the employee and his/her boss should meet to discuss and review the work accomplished since the last formal review. Achievement against goals is measured and it is an opportunity to further discuss the individual's strengths, challenges, development aims which will aid in setting future goals. In an environment in which performance feedback has been successfully woven into the culture, the formal review meeting can be a positively anticipated one. There are not surprises in which an employee is waiting to get their 'test results' and find out how they did.

Often organizations will integrate their performance and compensation strategies such that pay increase decisions are timed to coincide with the formal review.

## **THE PERFORMANCE IMPROVEMENT PLAN**

When an employee requires performance improvement, it is important that managers provide effective coaching, discipline and feedback to ensure that employees know (a) what area(s) of the job require improvement; (b) how improvement is defined and measured; (c) the timeframe in which the employee must make satisfactory improvement and (d) the consequences of not improving.

It is important to keep focused on the goal of these types of discussions and measures, which is to *facilitate constructive discussion* and to *clarify expectations*.

Managers need to define the problem as they view it and offer solutions regarding how to improve. For some issues, it is a matter of simply communicating the expectation. For example, letting an employee know that punctuality is important and required. For this type of issue, there is little beyond communication that a manager can provide and it is reasonable to expect the employee to self-correct their own behaviour.

For other issues, the manager may need to be more involved in the solution. For example, if an employee has not been as productive as expected the manager may need to provide time management coaching or computer skills enhancement to assist the employee. It is always best to include the employee in the discussion about how to solve the problem, to the extent possible. Regardless of the level of involvement that an employee has in the performance improvement discussion, it is critical that they acknowledge (not necessary that they agree) that they are clear on what needs to improve, how that improvement will be evaluated and the consequences involved.

**Follow-through is critical!**

A sample of an improvement letter and plan has been included. These documents should always be provided after a discussion has been had, and never in replacement of a performance discussion. In the absence of the right type of discussion, documentation will likely be viewed as only negative and punitive. Employees who are handed these types of documents are likely to continue poor performance, or being seeking alternative employment as opposed to engaging in positive work behaviours and improving.

To ensure that you have the 'right' type of discussion with your employee before going over the letter and the plan, focus on the following communication goals:

- Clearly state what needs to be improved. Be specific and provide examples, but only enough to be clear. Providing a “laundry list” of issues is overwhelming and overly negative for an employee that you hope to motivate to improve. If there is a laundry list of issues to discuss, take responsibility for the fact that there have not been prior efforts to improve performance and prioritize the main issues you will focus on.
- Clearly state the performance expectation.
- Identify any resources or support that will be provided to assist the employee in improving. This may not apply in all cases, but if it does, it will be very useful and motivating for the employee to realize there will be help and support provided.
- Communicate how improvement will be measured and how often feedback will be provided. Be as specific as possible regarding meeting times, the individuals involved in evaluating performance and the expected timeframe in which improvement is expected to occur.
- Clearly indicate next steps should performance *not* improve to expected standard within the expected timeframe. Do not be threatening. Be honest and forthright so the employee knows what to expect.

*Sample Performance Letter*

**STRICTLY CONFIDENTIAL**

Date

Name

**HAND DELIVERED**

Dear Name:

This letter documents our discussion today concerning your professional conduct and the level of your performance.

(Summarize the points discussed in the meeting.)

- Point
- Point
- Point
- Point

Improvement is required as outlined in the Performance Improvement Plan, or further action up to and including termination may be necessary. We will meet weekly over the next month to review your progress.

Please be reminded that any and all matters pertaining to the conditions of your employment, including this performance management plan, are private and confidential and that you are expected to maintain this confidentiality.

I want to see you be successful and am available if you have any questions, or if there is anything that I can do to assist you.

Sincerely,

*Signature*  
**Name/Title**

-----  
I acknowledge the performance discussion of (date), receipt of this letter and the attached Performance Improvement Plan.

Name and Signature \_\_\_\_\_ Date \_\_\_\_\_

*SAMPLE PERFORMANCE IMPROVEMENT PLAN*

Employee Name: \_\_\_\_\_

Manager: \_\_\_\_\_

Date: \_\_\_\_\_

**Summary statement of the areas that require improvement:**

Area for Improvement	How to Improve	Weekly Summary

## **PERFORMANCE MANAGEMENT CHALLENGES**

### **Be Prepared for Resentment**

Especially when the work environment is not one in which performance management is part of the culture, negative feedback can be perceived as personal and attacking. Individuals may feel 'singled out' by their manager and begrudge the efforts towards their improvement.

### **Objectivity and Work Friendships**

Some say we spend more time with the people at work than with any other group, including our families. Effective leaders maintain objectivity but it is not easy. Remaining objective is an inherent leadership challenge, and even more so when you are friends with the individuals that report to you. The advice is not to avoid friendships, although there can be benefits to keeping work friendships distinct from other friendships you form outside of work. It is important to realize that you have a leadership *responsibility*, which transcends friendship obligations, and you will have to effectively manage your relationships in order to avoid conflict of interest.

### **Desire to “Get It Over With”**

People can go on all day about the positive stuff. It is easy, and even fun to compliment someone on a job well done. But when it comes to negative feedback, the desire is often to say as little as possible – often too little – in order to get in and out of the conversation as quickly as possible! While you are not encouraged to belabour the point, when the conversation is overly succinct, you likely are omitting important information that provide much-needed context to the feedback you are providing. You risk coming across as rude, abrupt and the employee is left feeling punished.



### Problem-Focused vs. Solution-Oriented

Some managers focus too much on the problem and tend to get long winded about all that has gone wrong. While identifying the problem is critical, the goal should be discussion only to the point in which the problem is understood. From that point, the discussion should be focused on solutions to motivate, encourage and support employee success.

### Tension

It is important to remember that individuals do not *like* being told that they require performance improvement. Even in the best of work cultures, where an individual may appreciate the communication and opportunity to improve (and this culture is not easy to achieve), it is the very rare employee who will not perceive, and express, negative tension at being told that they are not performing to standard. It is a leadership challenge to motivate, support and encourage success despite this inherent tension.

### Tangents

In an effort to get over their own discomfort, managers who do not suffer from being overly succinct go too far the other way and tend to babble. The hope is to 'sneak' the feedback in and amongst a lot of other dialogue and the consequence is that often the communication is unclear and vague. Employees who do not fully understand what is being communicated are at risk for inappropriately responding to the communication. It is very important to give employees every opportunity to improve which includes effective communication and sticking to the topic.

## PERFORMANCE MANAGEMENT TOOLS

### Your Purpose

Your conversations are not had for their own sake. Your purpose should be to *help* employees and that purpose can help guide you through some of the tough challenges. It is critical that your purpose be communicated and that your actions support your stated purpose.

### Your Confidence

It is human to be nervous when communicating poor performance feedback. However, your confidence is one of the tools that can provide you with credibility and assist you in delivering tough messages. Do not be apologetic about having to give the feedback. Employees *want* to follow strong, confident leaders and it is these leaders that they trust.

### Documentation

Performance problems should not be a matter of subjective opinion, a manager's personality or his/her mood. It is a management best practice, as well as risk mitigating, to document all performance discussions. Performance improvement can sometimes take considerable time and coaching effort (depending on the nature of the improvement required) and it is important that the entire process is documented. This helps employers and employees stay on track and focused, as well as provide a third party who may need to evaluate the process something tangible on which to judge.

### Consistency

Being consistent ensures that the process is implemented fairly. Do not let one employee 'get away' with something that another employee is performance managed on. When you are consistent, you can have confidence, which makes you a credible, effective, trustworthy leader. Being consistent helps you deliver the tough messages because you know that you owe it to *all* employees to ensure that *everyone* is up to standard. Consistency also contributes to a performance management culture which

#### Handling Emotional Situations...

- ✓ remain calm
- ✓ make the discussion private
- ✓ listen openly to the comments
- ✓ ask for all the details
- ✓ discuss possible solutions
- ✓ if the employee does not cool down, set up a future meeting time
- ✓ Summarize, diffuse and offer encouragement

can assist in overcoming some of the challenges listed above. And in such a culture, often employees will self-correct the issues they can because they know what is expected and what will happen if they fall below standard.

### **A Note about your High Performers**

Unfortunately managers often ignore their highest performers. The consequence of this neglect is that high performers miss out on the benefit of having a leader that is investing in their *continuous improvement*, setting goals that motivate them to 'reach' for recognition and new experiences. Ironically, the highest performers need this more than lower performers and yet they are the individuals who rarely receive performance management attention from their boss.

Organizations tend to spend more time trying to encourage employees 'up to standard' than in retaining those who continuously meet standards and are in need of further challenges and rewards.

### Case Study

For the past six years, Sarah has been a manager in your Customer Service Department. Throughout this time, she has demonstrated a “gift” for managing and motivating others. Sarah’s management style – if it can be *called* a style – is a mixture of “lead by example,” and a dedicated attempt to personally connect with each member of her team. Even when various team members don’t get along with each other, at the very least, they have one thing in common: they get along with Sarah. However, most often, her teams get along admirably and perform at higher-than-average levels.

Sarah’s excellent management abilities are even *more* noticeable when compared to other management groups; many of which are overwhelmed with interpersonal conflict, chronic turnover, and under-performance. As a key performer on your team, you highly value Sarah and recognize how important she is to the company. Losing her would be devastating, and the consequences would be felt throughout the department and possibly the entire company. Fortunately, losing Sarah has never been something you’ve had to contemplate: until this morning.

A few hours ago, a visually frustrated Sarah walked out of a meeting that you had arranged for all of the senior managers. In that meeting, you introduced the new “Performance Management” policy; one that mandated a standardized Performance Improvement Plan for each employee. While most managers at the meeting seemed pleased with the new policy – turnover and performance issues have been widespread and something has been needed for a while – Sarah outright rejected the plan. Here’s what she said before leaving the meeting:

“Performance management is, in reality, seen as little more than a way to get rid of people that management doesn’t like. Instead of managers being forced to be held accountable for their management – or *lack of management* – these little improvement plans are going to put the onus entirely on the employees. That’s just not fair. A relationship that *leads* to high performance is based on fairness and trust. This policy attacks that fairness and trust at the root. It’s going to backfire miserably, and I’m not going to put these walls between me and my team. They deserve better than that – they deserve actual management, not a policy or piece of paper. We’re losing focus here. We’re going to regret this and we’re going to lose lots of great people.”

What strategies, tools or methods would make sense here to resolve Sarah’s concerns and still allow for the policy to work? Or is the policy, itself, a bad idea – or just a bad idea for teams that are already performing “above average” and where improvement is already taking place?