Chapter 6: Employee performance management

Performance management applies to more than just employees. Performance management could also be focused on the organisation, processes, programmes, products or services to internal and external customers, and projects, teams or groups organised to accomplish a result for internal or external customers. This standard focuses on employee performance management.

Employee performance management is key to the success of any organisation. This is because performance management systems encourage behaviour that drives positive business results. An effective employee performance management system will enable the effective use of rewards and performance. This is an accepted principle in reward philosophy.

Employee performance management is a process that entails the measurement and appraisal of employee performance. It is often one of the most difficult areas of responsibility in the human resource discipline and it is important that performance management systems be well designed and implemented effectively.

The aim of employee performance management is to provide an integrated approach that drives the desired behaviour in order to achieve business results and motivate individuals and groups towards a shared objective.

A model for employee performance management follows:
6.1. Strategic and operational planning

Strategic and operational planning form the basis of performance management as it details the organisation’s objectives which is then cascaded down to each business unit, department and individual in an organisation.

6.2. Identification of employee performance management enablers

For an employee performance management system to be effective, the following enablers should be in place:

(a) Clear job descriptions: For an organisation to select the right person for a job and also for a person to succeed in that job, a job needs to be clearly defined in terms of outputs and activities. This will help applicants and new employees to understand the expectations for the job. Read more about job descriptions in Chapter 2.
(b) Employing the right people: Jobs have different requirements and people have different skills and interests. Therefore, finding a good “job fit” where the skill of a person is matched to the job requirements is very important. It is therefore important to have a robust selection process.

(c) Effective orientation, training and education: Before a person can do the best job, he or she must have the information and tools necessary to perform. The person needs to understand organisation-related information and structures, job-related information, product and process use and requirements. Also, the person needs to understand customers and their requirements. In addition, the person needs the necessary tools required to perform the job.

(d) Performance management training: Training should be provided for managers and employees on how to effectively implement employee performance management as well as the legal and ethical considerations that need to be taken into account.

(e) Formal performance management policy: An organisation should draw up a performance management policy that is accessible to and guides employees and managers in the performance management process.

6.2.1. Performance management legal considerations
A performance management policy has to take the legal requirements of the Employment Equity Act into consideration.

6.2.2. Guidelines
Guidelines should be provided in the performance management policy document to minimise problems relating to unfair discrimination and to ensure that the implementation of performance management remains fair. These include the following:

(a) Managers and other appraisers should be trained thoroughly in the performance review/appraisal procedures. This includes emphasising that performance reviews are truthful, candid but constructive, and not malicious.
(b) Appraisers should apply consistent, explicit and objective job-related standards when preparing performance reviews. Work performance, not the individual, should be judged. Appraisals of an employee should be related to the essential functions of the job.

(c) An audit system should be established to guard against leniency and other rater errors to ensure that appraisals are unbiased.

(d) Agreement on performance measurement, weightings and perceived fairness.

(e) Written appraisals should be conducted regularly for all employees.

(f) Managers should receive coaching and diversity training to ensure that they are able to manage performance objectively and consistently and to provide honest feedback while being sensitive to employee differences.

(g) Managers should be able to provide the necessary coaching, mentoring and support to employees to motivate them towards performance excellence.

(h) Performance management systems should measure and incentivise managers for their leadership, mentoring and diversity skills, as well as for achieving employment equity objectives.

(i) Managers should, as a matter of policy:

- be objective and consistent in the application of the system to all employees irrespective of seniority or designated group membership.

- be made aware of the impact their decisions have on career development, retention and employment equity.

- be able to provide the necessary coaching, mentoring and support to employees to motivate them towards performance excellence.

- be fully aware of the “rating pitfalls” when conducting performance appraisals.
(j) The performance management system should be able to track whether equity in work allocation exists on the part of managers to avoid allegations of unfair discrimination regarding job assignments and distribution.

6.3. Performance planning and agreement

After the manager and the team have defined objectives specific to the business area, the manager and each individual should negotiate and agree on individual performance objectives, weightings and measurements as well as a development plan. The objectives in the performance plan should align with the department and business unit results, which should be aligned with organisational results.

(a) Performance objectives: Performance management translates organisational goals to results, which typically are described in terms of quantity, quality, timeliness or cost. Results are the primary products or services desired from the focus of the performance process. Objective or goal setting should focus on results needed by internal or external customers. Performance objectives should be challenging, specific, measurable, acceptable, realistic and time-bound.

(b) Performance standards: The list of job duties tells the employee what is to be done; performance standards provide the employee with specific performance expectations for each major duty. They are the observable behaviours and actions which explain how the job is to be done, plus the results that are expected for satisfactory job performance. They tell the employee what a good job looks like. The purpose of performance standards is to communicate expectations. They should be as specific as possible. Good performance typically involves more than technical expertise. It also involves certain behaviours. It is often these behaviours that determine whether performance is acceptable. Performance standards are:

- based on the position
- observable, specific indicators of success
- meaningful, reasonable and attainable
• describe "fully satisfactory" performance once trained

• expressed in terms of quantity, quality, timeliness, cost, safety, or outcomes.

(c) Weightings: Each objective could be given a weight or prioritisation, which is often in the form of percentage time spent or a numeric ranking. The business policy should describe to what extend weighting or prioritisation will be used.

(d) Measures: It is necessary to assign measures to each performance objective. Measures provide information to evaluate the accomplishment of results. Measures are usually specified in terms of quantity, quality, timeliness or cost.

(e) Documenting a performance plan: The performance plan must describe the employee’s preferred results, how results tie back to the organisation's results, weighting of results, how results will be measured and what standards are used to evaluate results. Developing the plan is often the responsibility of the head of the business unit/department. As far as possible, the plan should be developed in conjunction with the employee.

(f) Setting up a development plan. A development plan should form part of the performance plan. This is the role of the development plan:

• To provide a development plan when the performance appraisal indicates performance improvement is needed.

• To benchmark the status of improvement so far in a development effort.

• To form part of professional development for the employee.

• To form part of succession planning to help an employee to be eligible for a planned change in role in the organisation.

• To enable informal reviews of performance and development.

6.4. Ongoing feedback
Ongoing feedback is essential. It is often one of the most important aspects in the performance management process. Not only does it provide the employee with valuable insight into how he/she has fared on task or project, it gives the manager an opportunity to build a relationship with an employee and to get feedback from the employee.

6.4.1. Effective feedback

To be effective, feedback should:
- be specific and not general.
- always focus on specific behaviour and not on a person or the person’s intentions.
- be given to sincerely and honestly provide help.
- be given as close as possible to the completion of a task, assignment or project.
- be a shared process between a manager and a subordinate and based upon open two-way communication.
- address key activities to improve or reinforce performance.
- always be followed up on.
- be timely and regular.
- be clearly understood.
- be constructive and positive.

Feedback does not always have to be initiated by the manager. An employee should regularly ask for feedback throughout the performance management cycle.

Ongoing feedback can be in the form of a discussion or chat between the employee and the manager or it could take the form of a structured meeting.

6.4.2. Informal performance reviews
Informal performance reviews should be encouraged. An informal review is an assessment of performance during the middle of an appraisal period, but can take place more frequently than that. An informal performance review helps prevent surprises at the formal appraisal. It alerts the employee to performance problems that may be perceived while the employee still has time to correct them. The informal review also provides the employee with ongoing feedback and on how well he or she is currently meeting expectations.

The performance plan should be used as the basis for informal reviews. They provide an opportunity for managers to suggest strengths and areas for improvement. Although the reviews are informal, they should be taken seriously by both the manager and employee. Time should be set up specifically for the review.

Notes may be taken as they may be helpful in preparing for the annual performance review and provide a record to certify that the informal review has taken place.

The informal review should afford the manager and employee an opportunity to recontract and agree on changes and additions to the original performance plan. In such instances, the performance plan should be updated and agreed on by both parties signing the updated contract.

The informal review is also used as a means of tracking and measuring progress towards results, identification and reprioritisation of results, reinforcing activities that achieve results and intervening to improve progress where needed.

Feedback from other parties (the employee’s clients – internal or external – and peers) may also be helpful in the informal appraisal. This feedback also lends some objectivity to the discussion.

It is rare for informal performance appraisals and their frequency to be dictated by the organisation as a whole. Managers and employees decide on their frequency and format, which should be suitable to the environment in which they operate.

6.4.3. Counselling

Many feedback sessions involve a combination of feedback and counselling. Counselling should be initiated where a problem with work performance or conduct is identified. This should be addressed as
promptly as possible to prevent more serious problems, just as good performance should be promptly recognised.

6.4.4. Coaching and mentoring
Frequent informal performance reviews give a manager the opportunity to re-train, coach and educate employees before poor performance becomes an issue. During the informal review, managers should focus on ensuring that the employee is getting training that he or she needs in order to do well or be successful at the job. The ongoing purpose of feedback or informal reviews is also to coach employees in the areas of job knowledge, productivity, customer service and quality of work.

6.4.5. Career discussions
Supporting the career development needs of all employees is a challenge, as employees are looking for different things in their careers and may all be at different life stages and career stages. Much of this support should be given through discussions or conversations and should also form part of the informal review.

Employees are expected to be responsible for their own careers, but they need support and training to do this.

(a) As part of the informal performance review, a manager should take the time to find out about an employee’s career aspirations and assist with providing information to employees. Information that can help support an employee in a career discussion may include the following:

- Information on opportunities, for example, by providing an overview of career paths and the types of job moves it would be possible to make.

- Feedback to the employee on skills and potential. Such feedback may increase the employee’s self-awareness, which is central to career development.

- Assisting employees by providing advice.

Career discussions do not only refer to development by moving jobs, but also career development within a job.
(c) Career discussions should take place often and should not be limited to a formal performance appraisal or even an informal performance appraisal. They can also be spontaneous and unplanned. Career discussions, like feedback, should be part of working life.

6.4.6. Formal reviews

A formal performance review should be the orderly and systematic assessment of the employee's performance measured against the achievement of identified performance areas and input standards which were agreed by both supervisor and employee.

A formal performance review is typically a twice-yearly or yearly appraisal of an employee’s job performance during the respective period. It could be more frequent depending on the organisation’s requirements.

The following principles underpin formal performance reviews:

(a) Formal performance reviews are a business imperative. People should understand how their roles contribute to the achievement of organisational goals.

(b) Formal performance reviews take place within the framework of changing business imperatives and a dynamic external environment.

(c) Formal performance reviews should be undertaken as often as the local business process dictates. Many organisations only use postmortem financial and operational information to judge employees’ performance. The ideal is to reduce the time between an event’s occurrence and the response to that event to ensure that maximum learning occurs. The focus therefore shifts from a judgmental and punitive process to a developmental approach.

(d) Each individual (manager and employee) takes full accountability for the output and behaviour norms and standards agreed upon in advance and in updating them to changed circumstances.
(e) Ensure that formal documentation is kept on file.

(f) Formal performance reviews equally value output (appraisal) and the behaviour (assessment) required to deliver the output.

(g) The output of formal performance reviews provides the input into organisations’ reward, career development and talent management processes.

(h) Managers should be coached on how to provide objective feedback and use counselling mechanisms during formal performance reviews.

(i) Managers should develop employees through coaching and mentoring as well as career discussions.

(j) Employees should be coached on how to respond to honest, objective feedback and to capitalise on development opportunities associated with formal performance reviews.

(k) Formal performance reviews should underpin the idea of continuous improvement, not only of the organisation, but equally of the individual.

(l) Poor performers should receive special attention and development opportunities to ensure their performance improves. Should these efforts not produce the desired results, the Code of Good Practice of the Labour Relations Act to deal with poor performance should be applied.

(m) Organisations should introduce consistency checking mechanisms to ensure the integrity and equity of formal performance reviews.

(n) Formal performance reviews should link performance to other human resources practices.

(o) A formal performance review should include both appraisals and assessments.

The formal performance review process should take cognisance of the following:
The frequency of formal performance reviews will be dictated by local business processes but the following should be minimum standards:

- The employee and the manager should produce evidence to substantiate appraisals and assessments.

- The employee should be provided with the opportunity to do a self-evaluation that will serve as input to the formal performance review.

- The manager should obtain as much input as possible through mechanisms such as multi-raters and 360-degree assessments to assist in providing objective feedback.

- The manager and employee must have a face-to-face discussion to review the successes and challenges and agree on an individual development plan for the upcoming year.

- Both manager and employee must formally sign off on the formal performance review process as confirmation that a formal review has been undertaken.

- Mechanisms must be created for employees to raise issues and/or grievances relating to perceived or real unfair treatment or victimisation experienced during the formal performance review process.

When setting up a formal performance review, sufficient time for planning for the review session should be allowed.

Also, enough time should be allocated to the session itself.

The venue for the performance appraisal should be one that is comfortable and not intimidating so as to get maximum input from the employee being appraised. The venue should also be free from distractions so as to give the review the necessary attention.

Preparation for the formal performance review is essential:

The employee should prepare for the formal performance review by going through the performance plan and noting which objectives have been met and which have not been met.
(b) The employee should gather evidence to support the achievement of objectives stated in the performance plan. This feedback could take various forms such as reports, informal feedback received or formal multi-rater feedback.

(c) The employee should also make a note of objectives not achieved and gather evidence as to why they were not achieved. In some instances, there may be good reason for a failure to achieve objectives. The gathering of evidence also reduces subjectivity in the formal review.

(d) The employee should also note a rating that he or she believes that is applicable to his or her performance, which can be debated at the review.

(e) In preparation for the formal review and rating process, the manager should also gather evidence to support the performance discussion. The evidence of performance may include reports, multi-rater feedback or informal feedback received on the employee during the review period. The evidence should as far as possible, be relevant to the objectives stated in the performance plan.

(f) The manager should also analyse the employee’s performance plan, noting objectives that have and have not been achieved. For objectives that have not been achieved, evidence of progress towards the objectives and reasons why the objectives have not been achieved should be noted.

(g) The manager should also note a rating for the employee, which can be debated at the review.

(h) The manager should also note efforts that have been made to coach, mentor and develop the employee as a result of informal reviews and the impact of these efforts.

The employee and manager should have a formal discussion.

(a) The performance plan should be the main focus of the discussion. Where specific measures have been agreed, these should be adhered to in the discussion.
(b) Input from the employee and manager is very important. It should be a two-way discussion and not one-sided.

(c) Debate around the final rating should also take place. Where an agreement is reached, the formal rating should be signed off.

(d) Where an agreement on the final rating cannot be reached, there should be a formal grievance procedure that can be followed.

(e) Consistency checks should be conducted where individual performance is linked to the team’s overall performance. If there is no consistency, the ratings should be reviewed.

(f) If any ratings are reviewed, a follow-up discussion with the manager and the employee is necessary. The employee and manager should then agree and sign off any ratings that may have been adjusted subsequent to the formal review discussion.

(g) Where an agreement on the final rating cannot be reached, there should be a formal grievance procedure that can be followed.

Consequence management is essential.

6.5. Reward and recognition

The trend is to establish a direct correlation between the employee’s effort and reward. Performance results should be used as an input and guide to determine remuneration, but this is not the only factor that should be used. Market factors such as scarcity of skills and other retention considerations also play a role. Read more about fixed and variable pay in Chapters 3 and 5, and about benefits in Chapter 4.

Paying people fairly for the contribution that they make can motivate employees, but it is not the only factor that influences the retention of good performers. Other factors also include job satisfaction, work environment, work-life balance and the management style of direct managers.

6.6. Management of poor performance

The Code of Good Practice in the Labour Relations Act should be followed in managing poor performance.
If an employee receives a poor performance rating and has been counselled throughout the review period in informal reviews, but fails to meet the required performance standards, a manager should consider a formal performance counselling approach. Determining at what point a decline in work performance or failure to observe the appropriate standard of conduct warrants formal counselling is a matter of the manager’s judgement.

6.6.1. Process
To comply with the Code of Good Practice, the following process should be followed:

(a) Corrective counselling: A counselling session should be held with the manager and employee to establish possible reasons for non-performance or poor performance. This would normally take place in informal reviews. The manager needs to ensure that the following is reasons were eliminated during this phase:

- Equipment
- Training and development
- Performance plan
- Assessment
- Feedback
- Supervision.

(b) Reasonable time to improve: The employee should thereafter be given a reasonable time period to improve performance. There should be regular checks on progress throughout the given time period.

(c) Investigatory phase: During this phase an employee is made aware of consequences for poor or non-performance. At this stage the employee could either accept treatment or assessment. This decision needs to be recorded in writing. During this phase, the following should be covered as further possible reasons for poor performance:

- Psychological
- Medical/physical
- Personal/ domestic
- Financial.

(d) Reasonable time to improve: The employee should thereafter be given a reasonable period to improve performance. There should be regular checks on progress throughout the given period.

(e) Formal performance corrective programme: Where informal counselling has failed to produce the desired level of performance, a formal performance corrective plan may be introduced where:

- The issue or area of non-performance is confirmed in terms of the performance plan formally recorded.
- The standard at which the employee must perform should be noted.
- In conjunction with the employee, specific actions should be recorded to attain the acceptable standard of performance.
- A reasonable time to improve should be agreed by the employee and manager.

All the above phases should all be recorded and documented formally. Feedback sessions should take place regularly and should coincide with the frequency of duties. A formal session to announce the outcome of the formal corrective plan and a formal notice of this should also be handed to the employee. In instances where an employee has failed to meet the accepted and agreed level of performance and no other alternatives are available, disciplinary action may be taken against an employee.