Employee performance is a complex mix of skills, knowledge, ability, attitude, effort and results. Performance management aims to maximise employee performance and align individual and team effort with organisational goals and objectives. Creating a performance management culture makes good business sense and may also provide an organisation with a competitive advantage.

What is performance management?
Performance management is a continuous cycle which commences with your recruitment decision and includes setting performance criteria, monitoring and assessment, feedback, action planning, and learning and development activities. Significant goals of performance management include:

- alignment of individual and team effort with organisational goals and objectives
- creating a shared vision of the organisation’s strategic direction
- facilitating discussions on performance expectations, standards and achievements, and
- providing a mechanism for employees to receive regular performance feedback and guidance.

Why it is important
Effective performance management:

- helps to maintain high levels of performance and identify areas for improvement
- empowers employees by providing input into goal and objectives setting
- provides a mechanism to acknowledge exceptional performance and address under-performance
- identifies learning and development needs
- aids in succession planning
- provides an avenue for employees to provide feedback on the effectiveness of workplace systems, processes and procedures.

The type and complexity of the performance management system used will most likely depend on the industry, the nature of the work and the size of the business.

Performance review
Performance review involves establishing and agreeing on performance standards, comparing performance against these standards and taking appropriate action. The review process can range from informal discussions between an employee and their supervisor/manager, to a more structured and documented system. An informal approach may be where you regularly meet with an employee to give and receive feedback, provide advice and guidance,
agree on priorities, and discuss day to day issues. Formal performance review usually involves more structured meetings where short and long term objectives and priorities are set, learning and development needs determined, and performance issues discussed. Outcomes of these more formal meetings and the associated outcomes are usually documented and reviewed by participants on a regular basis.

Modern performance review systems focus on two way dialogue, goal setting, employee development and regular consistent performance discussions.

What is performance review?
From the moment we recruit an employee we are judging and making decisions about their performance. An important first component of the review process is ensuring that the employee understands the inherent responsibilities, goals and objectives of the position.

Introducing a performance review system
As an organisation grows, the performance management issues become more complex and this is when you may think about moving from an informal review system to a more structured formal program. You may like to consider the following when introducing a more formal performance review system:
- reviewing organisational goals and objectives
- establishing individual performance goals and objectives in line with organisational goals and objectives
- consulting with employees and involving them in the development phase
- establishing the purpose and proposed benefits
- keeping it simple
- identifying performance goals and objectives for each position and ensuring alignment with organisational strategic direction
- organising training for employees involved in the review process
- record keeping.

Performance review process
Ideally your performance review and associated discussions with your employee should be a regular ongoing process. The following steps provide you with some guidance for when you undertake more formal performance discussion:

STEP 1 Plan and prepare
A successful review involves preparation and commitment. A key step in your preparation is to schedule enough time for the discussion so that employees do not feel that they have been rushed or deprived of an adequate review.

- Familiarise yourself with the position description or requirements of the job
  Read the position description to ensure that you understand your employee’s job requirements. If you are reviewing their performance, you need to be able to compare it against the expectations and requirements of the position.

- Pre-review questionnaire
  Consider developing pre-review questionnaires for both parties to help prepare them for the upcoming discussions. The questions should prompt both parties to critically evaluate performance and identify strengths and development needs, achievements, any potential performance issues or problems, and any changes which could be made to improve performance.

- Review previous performance reviews
  Check the results of any previous reviews as this may trigger discussion points for this review.

- Evaluate job performance against the job expectations/requirements
  A rating scale may help identify areas of improvement or new directions, targets and goals for the next review.

- Plan the performance review meeting
  Consider the issues that need to be discussed. Focus on positive feedback as well as areas where improvement and development is needed. Think about possible goals and objectives for the duration of the next review period.
Managing Performance

**STEP 2** Conduct the review

- **The setting**
  A formal performance review should be conducted in a quiet location away from distractions and interruptions.

- **Starting the review**
  Start the process in a positive manner by asking the employee what they have included in their pre-review questionnaire and discussing achievements and strengths. Consider the points raised in the pre-review questionnaires. Active listening will demonstrate that you are interested in the employee’s progress, achievements and feedback. Modify your own perceptions and review where appropriate. Ask the employee for their suggestions on how they may improve performance or work practices in their area.

- **Participation**
  Keep the review on track and focused and encourage the employee to be involved. This may mean you have to do more listening than talking.

- **Dealing with any issues**
  Review any agreed goals and objectives and ensure alignment with the strategic direction of the business. Providing negative feedback can be counter productive so carefully consider what you hope to achieve in delivering the feedback and how you can deliver feedback in positive terms. Concentrate on positive aspects of the employee’s performance, and deal with any general problems jointly in a constructive way.

- **Review goals and targets**
  Review previous targets and goals. Work together with the employee to set new ones if necessary. The result is joint ownership and commitment to the goals and targets.

  Use the SMART formula system below as a guide.

  - **Specific** – Measurable – Achievable – Relevant – Timely

  Document agreed targets and indicators of performance to avoid any confusion or misunderstanding at a later stage.

- **Ending the review meeting**
  Discuss changes to the review and agree on a date to finalise the written review. Agree on a date for their next review. Close the meeting once all issues have been discussed and the employee has had an opportunity to share their input.

**STEP 3** After the review

Finalise your notes made during the discussion.

You may ask the employee to sign the final written performance review to indicate that they have read the revised review and that the discussion took place. This does not mean that the employee agrees with the content of the review.

**Poor performance**

Poor performance generally falls into the following categories:

- unsatisfactory work performance
- breach of workplace policies, rules or procedures
- unacceptable behaviour
- employee’s personal issues that impact on their performance and/or others in the workplace

**Reasons for poor performance**

Common causes of poor performance may include one or more of the following:

- your employee doesn’t know what is expected because goals and standards or workplace policies and consequences are not clear (or have not been set)
- there is a mismatch between your employee’s capabilities and the job they are required to undertake
- your employee does not have the knowledge or skills to do the job expected of them
- lack of personal motivation, low morale in the workplace and/or poor work environment
- your employee may have personal problems such as family stress, health problems or substance abuse problems with drugs or alcohol.

Poor performance should be considered promptly as unaddressed problems have the potential to escalate and are very likely to have a negative effect on morale, productivity and the workplace in general.

**Managing poor performance**

**STEP 1** Assess and analyse the problem

How serious is the problem? How long has the problem existed? How wide is the gap between the level of performance and the level of performance expected of the employee? Refer to the common causes of poor performance as a guide.
Once you have identified and assessed the problem, organise a meeting with the employee to discuss it. Let them know the purpose of the meeting so that they can make the necessary preparations.

Allow the employee to bring a support person, or a union representative, if appropriate, to the meeting. The employee should understand that the support person does not participate in the discussions during the meeting.

**STEP 2** Meet with the employee to discuss the problem

Meet with the employee in a quiet location away from distractions and interruptions.

You will need to define and provide specific examples to ensure that the employee understands exactly:

- what the issue is
- why it is a problem
- how it impacts in the workplace
- why you are concerned.

Also explain the outcomes you want to achieve from the meeting.

Give the employee the opportunity to respond and put their case forward. Listen to their explanation of why the problem has occurred.

**STEP 3** Jointly devise a solution

Work out a solution with your employee. An employee who has contributed to the solution will be more likely to support the process.

Develop a clear plan of action with your employee to implement the solution. The action plan should include performance improvement milestones and timeframes.

Schedule your next meeting with the employee to review and discuss their performance against the agreed action plan.

Keep a written record of all discussions relating to poor performance, including action to be taken. You may need to refer to these if further action is required.

**STEP 4** Monitor and review performance

Monitor the employee's performance and continue to provide feedback and encouragement. You will need to work with the employee to ensure that performance improvements are sustained.

If you do decide to dismiss the employee make sure you are aware of your obligations under the *Fair Work Act 2009 (Part 3-2 Unfair Dismissal)*.

*Other titles in the Employment Essentials series*

- Introducing Workplace Flexibility
- Managing People
- Ending Employment
- Workplace Policies and Procedures

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