

Managing Employee Performance

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Overview

Employee performance has a significant effect on the success of a business. It serves as the foundation for determining a company's capacity, competitive advantage, and resilience to internal and external shocks. The management team can create a working environment that enables employees and the company to thrive by emphasizing employee's development and the alignment to company goals. It is therefore essential for organizations to monitor and manage performance.

The level at which this is done is determined mainly by the company's level of dependence on employees. Companies that are labour intensive (needing a large workforce or a large amount of work in relation to output) tend to be more dependent on employees for success than capital-intensive (requiring the investment of large sums of money into machinery). This is an important thing to consider when determining performance management systems. More costs and efforts are allocated to the workforce where the business is labour intensive.

The following five steps are generally taken into consideration when managing employee performance:

1. Clear, attainable targeted performance levels are set and communicated to the respective employees.
2. The management or supervisory team offers consistent feedback and support to employees regarding the processes to be taken to achieve goals set.
3. Review performance periodically against targeted levels
4. Develop improvement plan for employees who fail to meet targets and reward employees who do.

Thus, performance management is at the centre of strategy implementation, employee compensation, workforce planning, and **business development**.

- **Strategy implementation:** When senior management determines the strategy, performance goals are set in line with the strategy, and the achievement of the goals signals effective implementation of the strategy.
- **Employee compensation:** Employee compensation consists of fixed and variable portions. The variable portion is dependent mainly on individual and collective performance in relation to targets.

- **Workforce planning:** Monitoring performance clarifies employee capacity when productivity is ideal. These figures reflect areas of need and areas where improvement is necessary. Monitoring performance also creates a suitable environment for training and succession planning. Candidates who perform well may be considered for promotion.
- **Business development:** When performance is monitored, the workforce's strengths and weaknesses are highlighted; thus, the strengths may be emphasised to create competitive advantage and weaknesses dealt with accordingly.

Legal Issues

When managing employee performance, it is imperative to keep the following issues relating to applicable law in mind:

Negligence

Organisations often have a performance management system in their employee or policy handbooks or employment contracts. However, legal issues relating to negligence arise where the policy is outlined but not implemented.

Defamation

Defamation is the disclosure of untrue, unfavourable performance information that damages an employee's reputation. Defamation occurs when an employee is evaluated based on behaviour that is neither relevant nor job-related; when an evaluator fails to include evidence that might explain or excuse poor performance, or when an evaluator revises a previous review to justify future adverse action taken against the employee. When information about bad performance is represented, there is no defamation. Defamation thus does not exist where information regarding poor performance is represented. However, an employee can take legal action against his/her employer for cases of defamation.

Misrepresentation

In contrast to defamation about reporting untrue, unfavourable information, misrepresentation is about disclosing untrue favourable performance, which causes risk or harm to others. Legal issues arise where the employee with favourable reports fails to meet the standard of their reported performance resulting in a negative impact on the business.

Unintentional discrimination

Unintentional discrimination occurs when the performance management system unintentionally impacts a protected class, such as sex or race.

If a group of employees consistently receives lower performance scores, then an unintentional discrimination case exists if these individuals have common characteristics or belong to the same class of individuals.

Illegal discrimination

Illegal discrimination occurs when the system provides different scores to different employees based on non-performance variables like race, nationality, colour, or ethnic and national origin. As a result, some employees receive more training, feedback, or awards due to their ratings than others.

Communication

The business strategy must be well defined to be effectively communicated. Your business plan's communication goals should be founded on your employees' awareness of how their responsibilities affect the strategy as a whole. Therefore effective business strategy communication should include every employee. A well-communicated business plan lowers ambiguity and improves efficiency.

It is ideal for tailoring your message to your audience while presenting your business strategy. This is because the interactions you have with your staff should be practical and relevant to their jobs.

When expressing your business plan, another goal is to make communication easier in both directions. For example, your frontline employees might be a valuable source of information about what's going on in your company. By making your staff feel valued, you can encourage them to express their thoughts on your approach.

Elements of Performance Management

1. Clear, attainable targeted performance levels are set and communicated to the respective employees. These targets should be clear about quality, quantity, timing and manner of

- performance. In addition, these targets should be well informed, challenging, but attainable.
2. The management or supervisory team offers consistent feedback and support to employees regarding the processes to be taken to achieve goals set.
 3. Communication lines should constantly be open. There should never be an issue that is consistently repeated without addressing. Therefore, the learning and growth process is ongoing.
 4. Review performance periodically against targeted levels.
 5. After a set period, the performance is assessed against the goals set. This is a sensitive period, and thus matters should be approached with caution. However, the employee is given adequate opportunities to communicate and improve; therefore, it should be quick and easy.
 6. Develop improvement plan for employees who fail to meet targets and reward employees who do.
 7. Rewards and practical assistance create room for improved future performance: rewarded employees work towards getting further rewards, and the other employees have a clear guide on how to reach points at which they will receive rewards.

Auditing and Evaluating the Performance Management Systems

The following is a summary of key risks and audit objectives:

(<https://www.oecd.org/gov/ethics/3-2-EC-IAS-Focus-on-audits-of-perf-management-systems-Ciaran-Spillane.pdf>)

As seen above, the audit objectives have been matched to respective risks faced by performance management systems. The point of the evaluation process is to ensure that the systems implemented are working as required and collecting information effectively. The evaluating process is essential because it lets management know whether or not the systems implemented are sound or inadequate for its needs. Ineffective systems will result in distorted performance reports and defeat the value that the process should create.

Conclusion

Managing employee performance is not simplistic and requires an integrated approach considering legal issues, forms of communication, the performance framework and industry standards.

References:

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