

How to manage performance



booklet

inform

advise

train

work
with you

Acas can help *with your employment relations needs*

Every year Acas helps employers and employees from thousands of workplaces. That means we keep right up to date with today's employment relations issues – such as discipline and grievance handling, preventing discrimination and communicating effectively in workplaces. Make the most of our practical experience for your organisation – find out what we can do for you.

We inform

We answer your questions, give you the facts you need and talk through your options. You can then make informed decisions. Contact us to keep on top of what employment rights legislation means in practice – before it gets on top of you. Call our helpline **08457 47 47 47** or visit our website www.acas.org.uk.

We advise and guide

We give you practical know-how on setting up and keeping good relations in your organisation. Look at our publications on the website or ask our helpline to put you in touch with your local Acas adviser. Our Equality Direct helpline **08456 00 34 44** advises on equality issues, such as discrimination.

We train

From a two-hour session on the key points of new legislation or employing people to courses specially designed for people in your organisation, we offer training to suit you. Look on the website for what is coming up in your area and to book a place or talk to your local Acas office about our tailored services.

We work with you

We offer hands-on practical help and support to tackle issues in your business with you. This might be through one of our well-known problem-solving services. Or a programme we have worked out together to put your business firmly on track for effective employment relations. You will meet your Acas adviser and discuss exactly what is needed before giving any go-ahead.

Contents

1	Introduction	1
2	How to manage performance – overview	3
3	Why is managing performance important?	4
4	How should a performance management system be developed and introduced?	6
	Are senior managers fully committed?	6
	Who should be consulted?	6
	How will you keep people informed?	6
	How will you manage performance fairly?	7
	Who should be trained?	7
	When should the scheme be introduced?	7
5	How should employee performance be planned?	8
	Agreeing objectives	8
	Agreeing competencies/behaviours	12
	Output or behaviours?	15
6	What is involved in personal development?	16
	Why is development important?	16
	What is a personal development plan?	16
	Career planning	17
7	How is performance reviewed?	18
	Keeping a record of progress	18
	Regular feedback	19
	The appraisal interview	19
	Rating performance	21
	Self-assessment	22
	Views of others	22
	Countersigning reports	22

8	How should under-performance be managed?	23
	The importance of regular feedback	23
	Support and coaching	23
	Having that difficult conversation	23
	Disciplinary action	23
9	Linking performance to pay and rewards	25
	What are seen as the advantages of linking pay to performance?	25
	What are seen as the disadvantages of linking pay to performance?	25
	Other rewards	26
	How is performance management monitored?	26
10	Conclusion	27
11	Appendix 1 – Sample performance record	28
12	Appendix 2 – Examples of competencies	36
	Acas Publications	41
	Acas Training	42

Introduction

Managing employees' performance is a continuous process. It involves making sure that the performance of employees contributes to the goals of their teams and the business as a whole. The aim is to continuously improve the performance of individuals and that of the organisation.

Good performance management helps everyone in the organisation to know:

- what the business is trying to achieve
- their role in helping the business achieve its goals
- the skills and competences they need to fulfil their role
- the standards of performance required
- how they can develop their performance and contribute to the development of the organisation
- how they are doing
- when there are performance problems and what to do about them.

These basic principles apply to firms of all sizes. Even small firms can benefit from having a straightforward system to manage performance. Systems do not need to involve a lot of paperwork – on the contrary the most effective systems are often the simplest. Without a formal system much will depend on the attitude of individual managers. Some might agree appropriate objectives with people in their teams and give feedback on their performance while others may not.

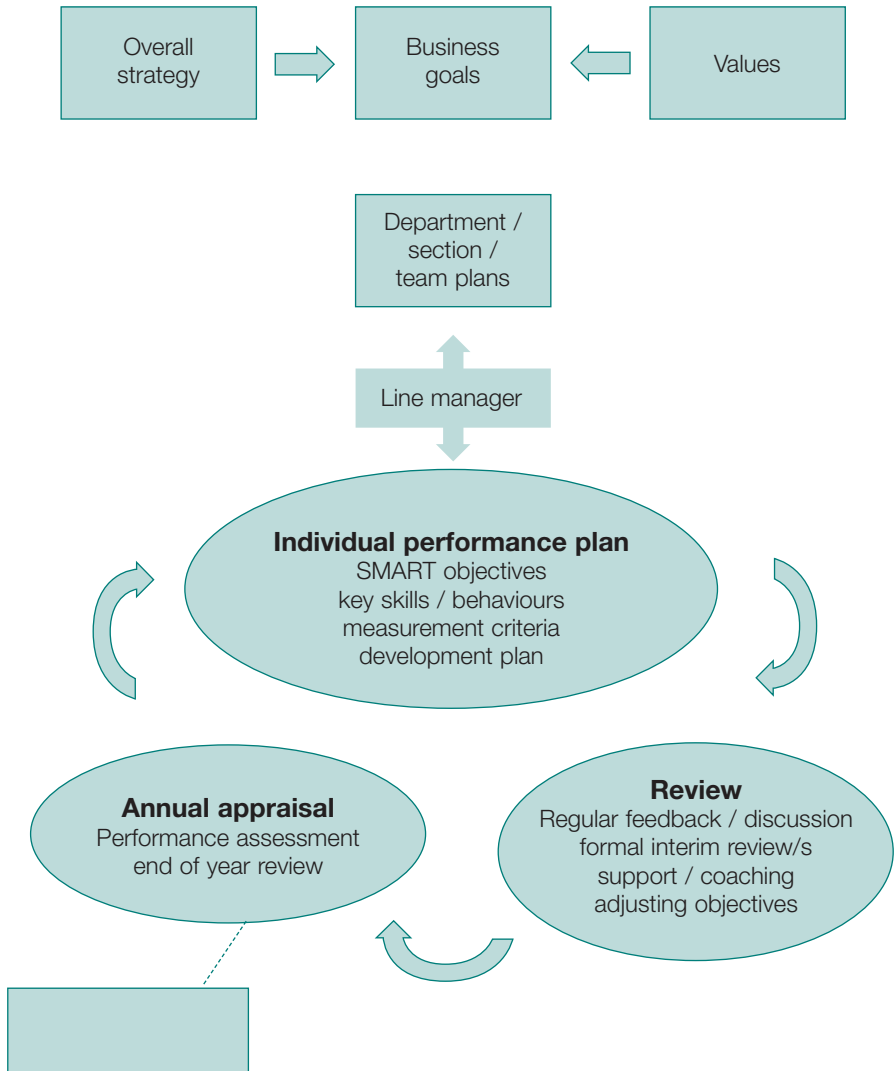
Where a performance management system is working well employees are more likely to engage with the goals of the business.

There are limits to what performance management can achieve. If the right people have not been recruited in the first place then managing performance effectively will be difficult or even impossible. The objectives for the job and the competencies required should be made clear at the recruitment stage. Advice on recruitment is not included in this guide but can be found in the Acas advisory booklet *Recruitment and induction*.

In some organisations employees' performance is linked to pay or rewards. Other organisations consider that a link to pay can adversely affect the way that performance is managed.

This guide sets out the various elements of the performance management cycle. It examines how each part of the process can be made to work effectively and fit into the process as a whole. It also examines some of the pitfalls that may arise and how to deal with them.

How to manage performance – *overview*



Why is managing *performance important?*

Managing performance is central to the relationship between managers and employees. It can be a key element of good communication and foster the growth of trust and personal development. Managing performance is central to how well your employees will be engaged in their work and how well they will perform.

If your employees are engaged in their work they are more likely to be doing their best for your organisation. An engaged employee is someone who:

- takes pride in their job and shows loyalty towards their line manager, team or organisation
- goes the extra mile – particularly in areas like customer service, or where employees need to be creative, responsive or adaptable.

A 2009 report to Government (the Macleod report) by David MacLeod and Nita Clarke *Engaging for Success: enhancing performance through employee engagement* made a strong case for the link between employee engagement and 'positive outcomes'. It pointed to a number of studies which demonstrate that high levels of engagement lead to 'better financial performance in the private sector' and 'better outcomes in the public sector'. Simply put – if your employees are engaged your organisation will do better.

'Bottom line' measures such as profits and financial performance indicate how well you've done in the past but not necessarily in the present. Managing performance throughout the year involves an ongoing dialogue between employees and their managers about how well they are doing and how they can improve. This can help employees to become more engaged with the organisation and their work.

The Macleod report identified four main drivers of employee engagement:

- leadership which transmits vision and values and how the individual contributes
- ‘engaging managers’ ie managers who facilitate and empower rather than control and restrict their staff, showing appreciation, respect and commitment to developing and rewarding capabilities
- an effective way for employees to voice their views and concerns
- behaviour throughout the organisation which is consistent with stated values leading to trust and integrity.

Good performance management can contribute significantly to all four of these drivers.

How should a performance management system be developed and introduced?

Are senior managers fully committed?

Gain the commitment of senior managers before starting the project. Managing performance will involve time and resource. Those who carry out appraisals will need to be properly trained and have sufficient time and resources to complete interviews, fill in the forms and carry out follow up work. Without commitment from senior managers none of this is likely to happen. It can be helpful to appoint a senior manager to promote and champion the new arrangements.

Who should be consulted?

Those who will be expected to operate performance management and those who will be included in the arrangements will often have helpful ideas. Managers, employees and their representatives should all be consulted about the type of system and its operation. It will also be helpful to operate a pilot scheme with sample groups of managers and employers. The scheme can then be refined in the light of feedback from those involved in the pilot.

How will you keep people informed?

Right from the start make communications a priority. Keep people informed about the development of your performance management using your regular communication channels and any special initiatives you may feel are needed. Your communications may include regular staff meetings, newsletters, company Intranets, discussion forums, videos, podcasts etc. Make sure you provide opportunities for feedback. You must not discriminate against employees in the way you manage performance because of their age, race, sex, disability, religion or belief or sexual orientation.

The Data Protection Act will generally apply to information you keep about your workers. You should tell them what the information is and what it will be used for. Your workers have a legal right of access to information you hold on them. For more information see the Information Commissioner's website at www.ico.gov.uk

How will you manage performance fairly?

The way you manage performance should be fair to all staff and decisions should be based on merit. You should also recognise that people have different ways of getting a good job done. In a diverse workforce differences may include such things as a person's disability and the need for reasonable adjustments or the way cultural or gender preferences may affect performance assessments. For example some groups of employees may be reluctant to make the most of their achievements but be just as able as those who do.

You must not discriminate against employees in the way you manage performance because of their age, race, sex, disability, religion or belief or sexual orientation. Your equality policy should cover the way you deliver equality and value diversity and this should feed into the way you manage performance. For more information see the Acas advisory booklet *Delivering equality and diversity* which can be ordered or downloaded from www.acas.org.uk/publications

Who should be trained?

All managers with responsibilities for performance management must receive training to help them manage performance effectively. This should include information on the objectives of performance management, how it will operate and what their role will be. Employees and their representatives will also need training in how to set their objectives and training in other aspects of the system.

Alongside the training, clear information should be provided to all managers and employees about how the scheme will operate and their respective responsibilities. All the necessary forms and paperwork will also need to be made available. Many organisations now make instructions and forms available on their company Intranet for use by managers and staff when needed.

When should the scheme be introduced?

It is usually sensible to introduce a new system at the beginning of your staff reporting year. Set the date well in advance to allow for training and communication but once the date is set stick to it.

How should employee *performance be planned?*

There are three aspects to planning an individual's performance:

- objectives which the employee is expected to achieve
- competencies or behaviours – the way in which employees work towards their objectives
- personal development – the development employees need in order to achieve objectives and realise their potential.

Agreeing objectives

Where do I start?

Performance management starts with a shared understanding of what your organisation is trying to achieve. This will be set out in your business plan which may be influenced by wider long-term goals from mission statements, corporate values and strategic or corporate plans.

Your business plan will help guide objectives at all levels in your organisation. Small firms may operate as one team so the link to the business plan is often clear. In larger organisations with a number of layers – eg departments, business units, sections and teams – the link

to wider business objectives may be less apparent. Nevertheless there should be a clear link between individual objectives and those of the team and the business as a whole.

How do I communicate my business plan?

Telling everyone in the business about your plans and how you are doing should be part of your regular communications with employees. Plans and progress against them change all the time and simply handing out a copy of your business plan is not enough. Plans need to be explained and understood at each level and employees need to be able to ask questions to understand the contribution they can make and be able to feed back their ideas.

There is a wide variety of ways to communicate your plans ranging from face to face meetings to company newsletters and Intranets. You should choose the methods which suit your organisation. For more information about how to communicate with employees see the Acas advisory booklet *Employee communications and consultation*.

What is the role of line managers?

Individuals and teams are often the key to increased productivity and efficiency. The person who can get the best out of individuals and teams is usually the person who works closest to them – their front line manager.

Line managers are best placed to talk to employees, to listen to their concerns, to counsel and coach them, to check they meet their targets and to ensure they are committed to the business. The success of a performance management system rests largely on line managers. They can help to link business goals with employee performance by putting them into the context of employees' work.

There may also be occasions where employees do not meet expectations and the line manager will have a key role to play in managing under-performance. Line managers will need to be confident to handle those 'difficult conversations' and to carry out their role effectively.

Managers or supervisors will need to be trained to be able to conduct one-to-one meetings with their staff and deal with what are often very sensitive or emotive issues. They will also need to be trained to manage discipline, capability and grievance procedures if these become required. See also p18 on managing under-performance.

Line managers and performance management

Line managers:

- agree objectives, competencies and development needs with individuals so that they contribute to business goals
- review individual performance against objectives and competencies throughout the year
- give feedback and discuss amendments to individual objectives as circumstances change
- agree the most important skills and behaviours necessary to do the job well and agree a personal development plan
- help staff to achieve objectives through coaching and provide access to training or other development opportunities
- manage under-performance
- hold an annual appraisal review with the job holder and, in collaboration with the employee, write an appraisal report. This is often supplemented by interim reviews held quarterly or half yearly.

How are individual objectives agreed?

Objectives should be agreed to cover essential outputs relating to the employee's role plus any special projects that the individual may be required to carry out.

Example

John worked as purchaser in a large wholesaler. His work was outstanding and he was promoted to manage the department. The company was very busy and objectives and competencies for his new job were not discussed. John soon found the job too much for him but as a manager he was expected to cope.

John was unhappy so left and moved to a competitor as a purchaser. After a year he was promoted to a managerial role in the new company. This time he was given clear objectives and a plan was agreed with his senior manager to help him develop his managerial competencies. His development plan included being trained in how to manage the performance of others. One of his own objectives was to agree suitable objectives with the staff he managed and carry out quarterly performance reviews. John is well on the way to becoming an accomplished manager.

Employees must be able to understand their objectives and know what they need to do in order to achieve them. It is usual for line managers to agree objectives through discussion with individual

employees. Objectives may be agreed following discussion or the individual may frame the objectives for subsequent discussion and agreement with the line manager. Involving the individual in framing objectives is likely to make them more relevant and better understood.

If your organisation has a number of people who carry out similar tasks it may be better to agree common objectives for these groups of employees. This should still be done in discussion with employees and/or their representatives.

The 'SMART' acronym is a useful way of getting objectives right. Objectives should be **Specific**, **Measurable**, **Achievable**, **Relevant**, **Timebound** ie:

- **Specific** – objectives should state a desired outcome. What does the employee need to achieve?
- **Measurable** – how will you and the employee know when an objective has been achieved?
- **Achievable** – is the objective something the employee is capable of achieving but also challenging?
- **Relevant** – do objectives relate to those of the team/department/business?
- **Timebound** – when does the objective need to be achieved?

Examples of objectives

Smart objectives will help employees know what is to be achieved. Below are some examples of objectives which are SMART and some which are not.

SMART	Not SMART
Improve overall customer satisfaction by 5% over last year based on the results of the after sales questionnaire sent to all customers.	Improve customer satisfaction as far as possible.
Clear delivery bays daily of all waste and other material within 30 minutes of delivery vans leaving.	Keep delivery bays as tidy as possible.
By the end of the year prepare a board paper on staff absence levels with recommendations on how absence might be reduced.	Investigate absence levels.
Reduce pages printed on laser printers by 10% in the first quarter of this year compared with the same period last year.	Seek to reduce use of laser printers.
Recruit 50 new customers before the end of the year.	Concentrate on getting as many new customers as you can.
Answer all customer queries within two working days.	Answer customer queries as quickly as possible.
Complete staff reports within one month of the end of the reporting year.	Complete staff reports as soon as you can.
Carry out website usability testing once a quarter and improve customer satisfaction in usability tests by 25% over the course of the year.	Improve the ease of use of the website.

5

Provide guidance to employees which explains more fully what SMART objectives are and give some actual examples applicable to your organisation.

Agreeing competencies/behaviours

The way an employee achieves their objectives is often as important as the end result. This is where competencies come in.

Competencies are the behaviours that employees need to perform a job to a high level. They relate to how people deliver objectives rather than what the objectives are. For example sales reps while reaching sales targets may also need to focus on the longer term needs of customers so that they come back as repeat customers. In addition sales reps will usually need to be able to work as part of a wider team so that orders are fulfilled as promised. The competencies a sales person needs may therefore include team working and customer care. Typically competencies will have various levels each of which is defined and illustrated by the expected behaviours written in everyday language. See example opposite.

Competences or competencies

It is easy to get bogged down in definitions of the difference between competences and competencies. Many organisations use the terms interchangeably. In this guide the term competencies (or competency in the singular) is used throughout to refer to the behaviours that employees need to show in order to perform their job competently.

Most organisations will have a good idea what competencies they expect employees to demonstrate. Competencies will normally be determined by the values and culture of the organisation. Larger organisations may develop a 'competency framework'. The framework will define the whole range of competencies used in the organisation from which those appropriate for each job are selected. Some competencies may be defined as 'core' and apply to all employees. Others, such as leadership, may only be appropriate to managers.

All organisations are different and will need to develop the particular competencies that suit them. Some competencies commonly included in frameworks used by organisations include:

- knowing the business
- communicating effectively
- embracing change
- focusing on goals
- developing self and others
- leadership
- teamwork
- creativity
- planning and organising
- equality.

Within a competency framework each competency is defined and divided into a number of levels. The types of behaviour an employee is expected to demonstrate at the various levels are also set out. For example a competency for

communicating effectively might be set out as in the table below. The table also includes indications of negative behaviours or areas for development but not all organisations include these.

Communicating effectively Communicates clearly and concisely both when speaking and writing to colleagues and customers		
Level 1	Level 2	Level 3
Communicates clearly and concisely. Adapts language and style to the audience to ensure understanding.	Communicates relevant information clearly and concisely to others.	Ensures people are given the right information.
Positive behaviours		
<ul style="list-style-type: none"> ● speaks clearly to colleagues and customers and engages their interest ● listens actively and responds politely and clearly ● explains difficult issues clearly and understandably ● follows the organisation's guide to style and presentation ● checks understanding ● supports arguments and recommendations effectively in writing. 	<ul style="list-style-type: none"> ● speaks clearly to colleagues and customers ● is polite and shows understanding ● responds to people with communication difficulties in a polite helpful way ● uses appropriate body language and tone of voice. 	<ul style="list-style-type: none"> ● explains things clearly ● gives the right information ● keeps colleagues informed.

Negative behaviours/ areas for development		
<ul style="list-style-type: none"> ● interrupts when someone else is speaking ● takes too long to explain points ● doesn't check understanding ● uses jargon or language that is not suitable for the audience ● gives insufficient explanation. 	<ul style="list-style-type: none"> ● doesn't use appropriate body language or tone of voice ● gives standard answers not tailored to the needs of the listener ● impatient with customers with communication difficulties ● poor spelling and grammar. 	<ul style="list-style-type: none"> ● difficult to understand ● gives too much or too little information ● doesn't tell colleagues things they need to know ● gives inaccurate information.

Employees at level one would be expected to have the competencies for levels two and three as well. Employees at level two would also be expected to have level three competencies.

Some further examples of competencies showing positive behaviours for three levels are included at Appendix 2.

Managers agree appropriate competencies with each employee. An employee's competency is then assessed against the framework according to the behaviours they demonstrate when doing their job.

Although designing and putting together a competency framework can be time-consuming it is usually worthwhile – especially for larger organisations. A well-designed framework will help with a wide range of human resource activities. This may include performance management, learning and development, career and succession planning and recruitment and selection.

Output or behaviours?

Both outputs and behaviours (objectives and competencies) are important. You will need to decide the relative weight you give to outputs and behaviours. This will depend on your organisation and how you want to achieve your objectives. Some organisations place a greater emphasis on results or outputs while others aim to encourage the competencies or behaviours which will lead to higher performance. Be clear what behaviours and outputs you wish to encourage.

Example

In a retail company the way staff dealt with customers was the biggest influence on whether they became regular shoppers but the bonus system rewarded only sales. The organisation adjusted the way it measured performance to give more emphasis to the staff behaviours that contributed most to business results. These included product knowledge, customer focus and team working.

What is involved in *personal development?*

Why is development important?

Individuals will bring skills and competencies to a job when they are recruited. These will need to be continually developed and renewed if employees are consistently going to meet their short and long-term objectives and those of the organisation. Employees' development needs may become apparent in a number of ways including:

- through discussion at a performance review
- to meet new or changed objectives
- to develop their career aspirations
- to help improve the performance of the organisation.

What is a personal development plan?

A personal development plan is where development needs are normally set out. The plan need not be complicated but should include:

- the development needed
- how the development will be achieved

- when the development will be achieved
- how the achievement will be measured.

Placing an emphasis on personal development presupposes that the organisation will provide suitable development opportunities. As with any training and development there will be many ways to help employees develop. These may include:

- formal training courses
- further education
- changing jobs
- special projects
- online learning
- coaching
- mentoring
- shadowing
- attachments to other departments or organisations.

Personal development is an integral part of performance management. Development plans and performance plans are normally included together in one document which is then reviewed during the year as employees work towards their objectives.

Career planning

A personal development plan will help employees achieve their potential. Many organisations now see benefits in developing the talents of all staff to help cope with the need for ever more skilled workers to gain competitive advantage.

Good performance management will also help organisations identify and develop employees with exceptional potential. Such employees may be seen as future leaders providing they get the right training and experience. Identifying and developing talent can thus aid succession planning.

Many opportunities for developing exceptional talent may be found in-house through such things as management development programmes and experience in a range of different jobs. As well as the development activities listed above some organisations may also use:

- psychometric testing to help identify those with high potential
- challenging special projects that test capability
- secondments at home and abroad
- help with study for higher level management and other qualifications
- senior managers acting as mentors.

How is performance *reviewed?*

Reviewing performance is a continuous process. Nevertheless for administrative ease most organisations also operate an annual cycle where objectives are set at the beginning of the year and formally reviewed and assessed at the end.

Reviewing performance typically has three elements:

- regular informal meetings where line managers discuss current work and development. They offer feedback to recognise achievement and to encourage progress and identify any possible problems
- formal interim reviews where employees sit down with their line managers to discuss progress against their performance plan. This is an opportunity for the line manager to celebrate achievements and offer constructive feedback where more needs to be done. There should be at least one interim review and many organisations prefer to hold them quarterly
- the annual appraisal review where the work of the year is discussed and feedback is given. There is also usually a formal rating of performance for the year at this stage.

During the course of the year the need for new tasks may arise and priorities may change. Any changes should be recorded on the employee's performance record.

Keeping a record of progress

Both employees and line managers should keep a record of achievements and development activities. This need not be an onerous task and will normally involve recording relevant examples which can lead to a wider discussion at the review meeting. It should be made clear to employees what sort of record and how many examples they should keep. An example of a 'Performance record' form is at Appendix 1. This can be adapted to the needs of your organisation to list objectives competencies and development plans. It will also provide a record of achievements and reviews. Some organisations may consider using an electronic workflow-based recording system.

Example

Sally had worked for an employment agency as a clerical worker for a number of years. She was promoted to recruitment work and told she could pick up the job as she went along.

The agency had a simple performance management system which included setting objectives and quarterly reviews. Sally's employer did not agree objectives with her. Sally did her best but even so there were a number of complaints from clients about unsuitable applicants being sent for interview.

The owner of the agency told Sally she would need to have a word with her. Dates for review meetings came and went but the owner was always too busy to carry them out.

At her end of year appraisal meeting Sally was told she was not up to the job and she was given notice of dismissal. Sally complained of unfair dismissal to an Employment Tribunal and was awarded substantial compensation.

The owner of the agency spent much more time preparing the tribunal case than it would have taken to set objectives and carry out the quarterly reviews. She also had to pay compensation, lost a potentially valuable employee and had to recruit and train somebody new.

Regular feedback

A regular dialogue between line managers and their team members is at the heart of performance management. Managers should discuss work as it goes along by talking at regular informal meetings about:

- how the employee is doing in terms of objectives and competencies and what might be added to the employees record of achievements
- things to think about that might be enhanced further
- areas to work on and any concerns about performance. These may feed into the employee's development plan.

The appraisal interview

Preparing for the interview

Employees should be given adequate notice of appraisal interviews. It is often helpful to provide a short form on which employees can write down their thoughts on how they have done by asking questions such as:

- what things do you think have gone well during the year?
- do you have any views on how you might build on your achievements?
- is there anything you are concerned about where you may need help?

The form is a memory jogger for the individual not something to be given to the manager conducting the appraisal.

Time should be set aside for the interview. The seating should be comfortable and arranged to create an informal atmosphere. The manager should make arrangements to ensure that the interview is free from interruptions.

The structure of the interview

Where regular informal meetings and interim reviews have been carried out both employees and line managers at the annual review will have a fair idea of how the year has gone. The annual appraisal interview is not the place to raise serious issues of under-performance for the first time (see p19 on managing under-performance).

The interview will generally be carried out between the employee being appraised and their line manager. At the interview the line manager will explain that the purpose of the interview is to review the employee's performance against their performance plan and discuss:

- how well they have achieved their objectives
- how well they have demonstrated the behaviours or competencies needed to meet their objectives

- their progress in meeting their development plan.

During the interview

Managers should put employees at ease by beginning their interviews with fairly general remarks. It is preferable to discuss employees' strong points first and to place emphasis on good work already done. Employees should be encouraged to suggest ways in which their good work can be continued and their views sought on how they can achieve further improvement. Another way to start the interview is for managers to ask employees what successes they feel they have achieved during the past year and which things they are least pleased with.

Questions should be framed which draw out the employee's reactions and ideas. Leading questions or questions which only require a 'yes' or 'no' response should be avoided. If the employee has completed a form before the appraisal this can form the basis for discussion.

If it is necessary to improve performance it will be counter productive for the manager to gloss over employees' weak points and stress their good features just to avoid confrontation. It is important to encourage employees to discuss their development needs openly and

to encourage them to suggest ways in which they can improve. Managers should try to get employees to suggest their own solutions through discussion.

Following the review of performance it is time to discuss plans for the coming year including:

- future objectives
- development needs appropriate to the existing job or the individual's future in the organisation.

Any plans that are agreed and who will take them forward should be recorded on the appropriate part of the appraisal form.

If there are disagreements the manager should explain how the employee can appeal against his or her appraisal markings. It is always best to seek to achieve a resolution to disagreements informally, if this is possible.

Rating performance

Most appraisals include an overall assessment of how employees have done and this should cover their performance against their objectives and the way they have achieved them. A written assessment of the overall performance is normally included on the appraisal report.

Organisations may have rating scales which show the level of performance an employee has reached. The ratings will be based on how well employees have achieved objectives and displayed the required competencies. This is particularly the case where there is a link between performance and pay. The number of levels and the way they are described vary widely but there are normally three main levels:

- outstanding performance
- standard performance
- unsatisfactory performance.

These may be refined by adding additional sub categories. For instance the three ratings above could be made into a five point scale by adding categories for above standard performance and well above standard performance. It is not normally necessary to have more than six categories. An example of rating levels is included in Appendix 1 but the way ratings are worded is important and should fit with the language and culture of your organisation. Some organisations have separate ratings for the achievement of objectives and behaviours/competencies.

Self-assessment

Historically assessment was carried out by line managers. It is now generally carried out by managers in partnership with their employees or by the employees making their own initial self-assessment which is then discussed with the line manager.

Where an element of self-assessment is used employees usually complete a form on which they record the evidence and rate their performance against agreed objectives. Employees can only assess their own work if they have clear objectives, know the competencies they are expected to show and trust their line manager.

Countersigning reports

Many organisations have a system in which a more senior manager countersigns performance plans and final appraisals. In this way managers can assess the standard and consistency of the reports completed by a range of managers. It can also help them identify any additional training needs a manager may have.

Views of others

Views on performance may be sought from others – eg colleagues, subordinates and customers. In some organisations this may be formalised to cover all the various people in a position to comment on performance including colleagues, subordinates and customers. This is often known as 360 degree feedback. People asked for feedback are usually assured of confidentiality in order to encourage openness. The process can be time-consuming and is most often used to give managers feedback to aid their development.

How should under-performance *be managed?*

The importance of regular feedback

A performance management system will help managers regularly review performance and identify problems early on. In most cases action can be agreed between the manager and employee to remedy any problems at the earliest opportunity.

Support and coaching

Support and coaching by managers will help employees understand possible options for improving performance and take the necessary action. Under-performance may have a variety of causes and some of them may be outside the individual employee's control. It is therefore important to discuss any problems carefully with employees so that practical solutions can be agreed. Often an Enhanced Development Plan is used to support employees. This is a clear plan over a period of two to three months with progress meetings at least fortnightly.

Having that difficult conversation

Regular reviews and support will help minimise under-performance. Nevertheless there may be occasions when, despite adequate

support, an employee's performance consistently fails to reach the required standard. Where this is the case managers must not duck the issue. Line managers must be prepared and ready to have difficult conversations with their team members and will need to have been trained to do so. If an organisation does not have the expertise to carry out this sort of training there are a number of external providers. For further information see the Acas website at www.acas.org.uk

Disciplinary action

Where informal approaches fail you may decide to take more formal action which could eventually result in dismissal if employees fail to make the necessary improvement. Where this is the case always follow your organisation's disciplinary procedure (or your capability procedure if you have one). Your procedures should take account of the advice given in the *Acas Code of Practice on disciplinary and grievance procedures*. Managers should be trained to use the procedure and it should be made clear which managers have the authority to take disciplinary action including dismissal.

Employment tribunals are legally required to take the *Acas Code of Practice on disciplinary and grievance procedures* into account when considering relevant cases. Tribunals will also be able to adjust any compensatory awards made in these cases by up to 25 per cent for unreasonable failure to comply with any provision of the Code. This means that if the tribunal feels that an employer has unreasonably failed to follow the guidance set out in the Code they can increase any award they have made by up to 25 per cent. Conversely, if they feel an employee has unreasonably failed to follow the guidance set out in the code they can reduce any award they have made by up to 25 per cent.

The employee should be informed if the note represents the first stage of your formal procedure (equivalent to a first written warning) and what action will be taken if they fail to improve. For example the next stage in your procedure may be a final written warning and, ultimately, dismissal.

A copy of the note should be kept and used as the basis for monitoring and reviewing performance over the period specified in your procedure (eg, six months). Detailed advice on disciplinary issues may be found in *Discipline and grievances at work: the Acas guide*.

In cases of unsatisfactory performance the first formal stage in many organisations is a note in writing setting out:

- the performance problem
- the improvement that is required
- the timescale for achieving this improvement
- a review date and
- any support, including any training, that the employer will provide to assist the employee.

Linking performance to *pay and rewards*

Many organisations have a link between the rating of employee performance (see p17) and pay. The idea is that a link to pay encourages employees to achieve their objectives and perform to a high level. The link can be made in various ways including:

- an increase to basic pay
- accelerated progression up a salary scale (or lack of progression if performance is not assessed at a high enough standard)
- a one off bonus
- share options.

Whether organisations link pay to performance will often depend on the type of industry together with their culture, values and the style of management. A 2008 surveyⁱ found that more than a third of pay awards were based to some extent on a measure of performance. In the finance sector almost 70 per cent of pay awards were entirely merit-based. Employers may also have to take account of market forces which might affect the need for pay increases more than performance.

ⁱ Performance pay budgets increase by 3.75% in 2007/08. Rachel Sharp. IRS Employment review issue 908 24/10/2008.

What are seen as the advantages of linking pay to performance?

- Encourages a culture in the organisation which focuses on the importance of performance.
- Encourages high performance.
- Adds meaning to performance assessment which may be seen as unimportant if it doesn't affect pay.
- Employees often feel that it is fair for employees to be paid more for better performance.
- Those who under perform will receive lower pay than their colleagues.

What are seen as the disadvantages of linking pay to performance?

- When inflation and pay awards are generally low the difference between performance increases for high and low performers may not be significant.
- An individual's performance will generally rely on a wider team who may resent them getting extra pay for a team effort.

- Employees may focus on short-term goals which have the greatest effect on pay to the detriment of overall performance and development.
- Performance management generally looks forward but where there is performance pay this can shift the focus onto past performance as that is what affects pay.
- Employees may be less prepared to admit weaknesses and development needs as they may feel it will affect their pay.

Other rewards

Pay is not the only way to reward good performance. Organisations also use increased development opportunities and special recognition awards. In addition those employees who perform well and develop their skills are more likely to be promoted.

How is performance management monitored?

Once your performance management system is up and running you will need to check how well it is working. The simplest way is to ask all those involved – managers, employees and employee representatives. You can do this through general discussion at staff meetings, one to one meetings, focus groups, consultative

committees, staff surveys, intranet discussion forums etc. This can cover both how well the system is operating and how far it has contributed to the main goals of improving personal and organisational performance. Changes in absence and employee turnover levels following the introduction of a new performance management system may also be indicators of how the system is working.

Other indicators may be:

- completion rates for appraisals/performance record forms
- the number of appeals against assessments/ratings
- how well documentation – eg recording of objectives, work records, appraisal reports – is being completed (check a representative sample in detail).

Conclusion

The performance of your employees and your organisation is best managed if the system is tailored to your needs. It should be designed so that it helps managers to manage and improve the performance of themselves and their teams. There will inevitably be some form of documentation to complete and this should be kept to a minimum. The essence of any performance management is the relationship between employee and manager. Both should know what needs to be done to meet their own goals and contribute to those of the organisation as a whole.

Appendix 1: Sample

performance record

Name	
Staff Number	
Job Title	
Do you manage staff?	Yes/No
Report year	
Who do you report to?	
Who countersigns your report?	

Hints and tips

- keep a regular separate log of key achievements
- keep comments brief and succinct – bullet points are recommended
- regularly update the performance workbook and use it at meetings with your line manager
- if your line manager or the person who countersigns your report changes during the year add their name(s) with the date they took over
- save this document on your computer whenever you make changes.

Section 1 – Objectives

(to be completed by employee)

- please add extra objectives if required
- comment briefly – bullet points recommended.

Objective 1.....

Summary of achievement against objective 1

Interim Review

Final Review

Objective 2.....

Summary of achievement against objective 2

Interim Review

Final Review

Objective 3.....

Summary of achievement against objective 3

Interim Review

Final Review

Objective 4.....

Summary of achievement against objective 4

Interim Review

Final Review

Section 2 – competencies

Comment briefly on your achievement against the competencies for your job that you have agreed with your manager.

Competency	Enter level required for your job (1/2/3)	Comment
Focusing on customers		
Learning new job skills		
Focusing on goals		
Teamwork		
Communicating effectively		
Solving problems		
Being flexible		
Embracing change		
Knowing the business		
Being creative		
Developing self and others		
Planning and organising		
Leading and deciding		

Section 3 – Personal development

(to be completed by employee's line manager)

This section enables people to reflect on what they are good at and what areas they would like to develop.

Current Strengths

Future career plans and aspirations

(Summarise what you would like to be doing in the short, medium and longer term).

Personal Development Plan (PDP)

This is an opportunity to maintain a focus on personal development and can form a basis of discussion with your line manager.

Area of development	How will this be developed	By when	Record of achievements

Section 4 – Interim Review

This section is for brief overall summary comments for the half year by the employee and their line manager, together with assessment level agreed after discussion at the interim review.

If agreement is not reached then a comment about this is recorded by both the employee and the line manager in the summary section.

Date of Interim Review
Employee's summary for half year

Line manager's summary for full year
(Comment briefly on achievement for objectives, competencies and development)

Indicative interim assessment level (half year)

This is based on performance to date against objectives and competencies. It is indicative and can change in line with full year performance.

Indicative interim assessment level	Tick the level agreed
Outstanding performance	
Standard performance	
Below standard performance with development needs	
Unsatisfactory performance	

Section 5 – Final review

This section is for brief overall summary comments for the full year by the employee and their line manager, together with assessment level agreed after discussion at the final review.

If agreement is not reached then a comment about this is recorded by both the employee and the line manager in the summary section.

Date of end of year review
Employee's summary for full year

Line manager's summary for full year
(Comment briefly on achievement for objectives, competencies and development)

Final Assessment Level

This is based on performance over the year against objectives and competencies.

Assessment	Description	Tick agreed assessment level
Outstanding performance	Objectives exceeded and competencies more than fully demonstrated.	
Standard performance	Objectives met and competencies fully-demonstrated at required levels.	
Less than standard performance with development needs	Most objectives met but development required to fully meet all objectives.	
Unsatisfactory performance	Performance unacceptable; objectives not met and competencies not demonstrated. Under-performance action underway.	

Signatures

Employee:..... Date:.....

Line manager:..... Date:.....

Countersigning manager:..... Date:.....

Countersigning manager’s comments (only required in cases of dispute)

.....

.....

.....

Appendix 2:

Examples of competencies

Teamwork Contributes to team effectiveness		
Level 1	Level 2	Level 3
Develops the effectiveness of the team.	Encourages team activities.	Participates in team activities.
Positive behaviours		
<ul style="list-style-type: none"> ● takes a leading role in maintaining and developing effective relationships to make the team effective ● skilled in creating trust and respect between team members ● promotes collaboration between members with differing interests ● develops cooperation with other teams. 	<ul style="list-style-type: none"> ● actively helps to build team effectiveness ● encourages the exchange of ideas and opinions ● understands and takes into account the effect of team members' behaviour on others in the team ● makes every effort to maintain relationships between team members. 	<ul style="list-style-type: none"> ● shares information, and ideas ● gives opinions ● helps colleagues with problems.

Embracing change Demonstrates a positive attitude towards change		
Level 1	Level 2	Level 3
Anticipates change.	Adapts to change.	Open to change.
Positive behaviours		
<ul style="list-style-type: none"> ● learns new skills and acquires knowledge to help anticipate and take advantage of change ● keeps abreast of changes which may affect the company ● puts forward new ideas and solutions to help the company adapt ● anticipates changes in ways of working and adapts working methods accordingly. 	<ul style="list-style-type: none"> ● readily adapts to changes in work, people and circumstances ● looks for new solutions to cope with change ● recognises when there is a need to agree changes to personal objectives ● adapts ways of working as necessary to continue to meet objectives. 	<ul style="list-style-type: none"> ● not fazed by new ways of doing things ● maintains performance in changing circumstances ● willing to change plans and objectives to account for new circumstances.

Developing self and others Maximises own and colleagues' abilities		
Level 1	Level 2	Level 3
Leads development.	Promotes development.	Aids development.
Positive behaviours		
<ul style="list-style-type: none"> ● develops a culture of learning in the organisation ● develops policies for promoting a culture of learning ● determines and agrees budget for implementing policies ● makes sure policies are implemented. 	<ul style="list-style-type: none"> ● recognises and rewards good performance ● helps others to identify development needs and prioritise their importance ● agrees objectives and priorities with team members and identifies any areas for development ● creates opportunities for people to learn ● shares knowledge and experience through coaching and mentoring. 	<ul style="list-style-type: none"> ● helps others by giving constructive feedback ● welcomes and acts on feedback received ● learns from mistakes ● keen to learn ● assesses development needs and suggests how they might be met.

Customer care Is aware of and responds to customers' needs		
Level 1	Level 2	Level 3
Develops policies for customer care.	Develops customer service.	Customer focus.
Positive behaviours		
<ul style="list-style-type: none"> ● sets clear policies for meeting internal and external customers' needs ● implements customer care policies effectively ● anticipates changes in customers' needs and plans accordingly ● provides expert guidance on customer care. 	<ul style="list-style-type: none"> ● resolves customers' complaints and confrontation effectively ● develops clear standards for dealing with customers ● helps develops plans to meet new customer needs ● creates a positive commitment to customer care ● focuses team on customer service. 	<ul style="list-style-type: none"> ● knows who the customers are ● gives friendly helpful service ● helps customers get what they want ● avoids customers becoming difficult by being helpful ● calms angry customers.

Planning and organising Plans, organises and delivers activities and projects		
Level 1	Level 2	Level 3
Plans for the business.	Plans ahead for the work of others.	Organises own work.
Positive behaviours		
<ul style="list-style-type: none"> ● develops detailed, structured business plans ● adjusts plans to meet changing needs ● translates business strategy into actionable plans ● determines and secures the resources required to achieve core and new business objectives ● co-ordinates activities across business areas ● effectively manages several complex activities at the same time ● monitors delivery of plans against strategic objectives. 	<ul style="list-style-type: none"> ● schedules work, allocates responsibilities and resources ● sets measurable targets and deadlines for self and others ● integrates plans to fit with those of others ● sets appropriate timescales and milestones and sees that tasks are completed on time ● sets appropriate priorities ● reviews major tasks when completed to enhance future planning ● keeps to budget ● manages workload. 	<ul style="list-style-type: none"> ● organises own work so that tasks are completed on time ● works systematically ● work is orderly, accurate and up-to-date ● keeps to agreed working hours ● prioritises workload effectively ● follows relevant procedures.

Acas Publications

Book time with your Employment specialist

Whether you need to know how to write a contract of employment, how much holiday you are entitled to or about the latest employment legislation, our range of booklets and leaflets give practical information and advice for both employers and employees on employment matters.

You can choose from our handbooks offering comprehensive guidance to the modern workplace or our *Getting It Right* pocket guides, providing vital checklists to help small firms run their business.

View and order online at www.acas.org.uk/publications

Other Acas guidance that might be of interest includes:

Acas advisory booklet – *Employee communications and consultation*

Acas advisory booklet – *Front line managers*

Acas advice leaflet – *Varying a contract of employment*

Acas Training

Our training is carried out by experienced Acas staff who work with businesses every day. They will show you the value to your business of following good practice in employment matters and how to avoid the common pitfalls. We also run special training sessions on new legislation.

Look at the Acas website for up-to-date information about all our training or if you want to book a place online – go to www.acas.org.uk/training.

Training sessions are specially designed for smaller companies and our current programme includes:

- Managing discipline and grievances at work
- Managing absence at work
- Essential skills for supervisors
- Employment law update
- Contracts of employment – how to get it right
- Having difficult conversations

We also have free online learning to help you – just go to www.acas.org.uk and click on [e-learning](#) to look at the topics covered.

Information in this booklet has been revised up to the date of the last reprint – see date below. For more up-to-date information please check the Acas website at www.acas.org.uk.

Legal information is provided for guidance only and should not be regarded as an authoritative statement of the law, which can only be made by reference to the particular circumstances which apply. It may, therefore, be wise to seek legal advice.

Acas aims to improve organisations and working life through better employment relations. We provide up-to-date information, independent advice, high quality training and we work with employers and employees to solve problems and improve performance.

We are an independent, publicly-funded organisation and many of our services are free.

April 2010

Acas' main offices:

- National
London
- East Midlands
Nottingham
- East of England
Bury St Edmunds, Suffolk
- London
- North East
Newcastle upon Tyne
- North West
Manchester
- North West
Liverpool
- South East
Paddock Wood, Kent
- South East
Fleet, Hampshire
- South West
Bristol
- West Midlands
Birmingham
- Yorkshire and Humber
Leeds
- Scotland
Glasgow
- Wales
Cardiff

www.acas.org.uk

Helpline **08457 47 47 47**

08456 06 16 00
helpline for Minicom users

08702 42 90 90
Acas publications orderline

to view a full list of Acas publications,
go to www.acas.org.uk/publications

08457 38 37 36
for the Acas Customer Services Team who
can provide details of services and training
in your area or visit www.acas.org.uk/training

08456 00 34 44
for questions on managing
equality in the workplace



INVESTOR IN PEOPLE