

This information is intended to be a brief introduction to the subject. Legal information is provided for guidance only and should not be regarded as an authoritative statement of the law.

**Leaflet 10**

**February 2016**

## **Managing the performance of your staff**

Effective performance management can bring about many benefits to your business, including improved staff performance, greater productivity and stronger employee engagement.

To manage your employees effectively, you will need to be able to set clear goals and objectives, and provide regular and constructive feedback to your staff.

### **Appraisals systems**

A good appraisal system will:

- help you to assess your staff against defined objectives
- give you the chance to give constructive feedback and to praise staff for their good work
- allow you to define medium and long term objectives for your employees

It also offers the opportunity to:

- address any problems
- discuss apparent weaknesses
- find solutions, such as offering training
- identify better ways to carry out tasks

There are four key elements in a good performance and appraisal system:

1. **set objectives**
2. **monitor performance against objectives** - help staff to improve if you think they aren't performing as required
3. **carry out the appraisal**
4. **provide rewards/remedies**

### **How often should appraisals happen?**

Many businesses carry out an appraisal after a set period of time for new employees or those who have changed jobs within the company. After that, appraisals once or twice a year may be enough.

### **Get it right from the start**

A performance system will work only if you plan and implement it properly:

- make sure that you know what an employee's job involves - read their job description
- keep it simple - this will save you time and money
- use a standard format for your appraisal forms
- make sure managers are committed to the appraisal process and they know what each employee will be expected to achieve
- discuss what is proposed with employees, or their representatives if appropriate, before you implement an appraisal system
- Make sure you tell your employees about it in writing.

### **Agreeing objectives**

Setting objectives can help you measure your employees' performance over a set period of time, and they usually form the basis for appraisals.

There are a variety of different ways to agree objectives with your staff.

### **Key performance indicators (KPIs)**

KPIs are objective factors that can be clearly identified and measured, such as:

- sales figures
- production output
- machine downtime
- financial performance

To make sure objectives are useful, you could use the SMART system. This means making sure objectives are:

- Specific
- Measurable
- Achievable
- Realistic
- Time-based

For example, instead of 'increase sales' as an objective for a sales person, you could set: 'Increase sales to new customers by 10 per cent over the next six months.'

### Competencies

You may prefer to base your appraisal on competencies, rather than objectives. These are behaviours or qualities that your employee should display and include things like:

- teamwork
- communication
- time management
- leadership
- problem solving

You will need to agree competencies that fit in with your business objectives.

Whichever method you choose, it's important that your employees understand their objectives and know how they can achieve them.

Involve them in the objective setting, as they are often best placed to know how a particular task is done most effectively, and will ensure they commit to achieving it

### Rating performance

Using the objectives you agreed with your employee, rate them on each one using a number, for example from one to six, with one being excellent and six unacceptable.

## **Comparison with objectives**

This style of appraisal concentrates on whether objectives or competencies have been met, partially met, or not met.

If your employee falls short on meeting their objectives, the appraisal offers the opportunity to understand why, and to look for solutions to any problems, such as the need for further training.

## **Carrying out the appraisal**

Line managers usually carry out the appraisal. They are likely to have day-to-day contact and be aware of the employee's performance. It is also common for senior management to see the results, so that they are kept up to date on staff progress.

## **Preparing for appraisals**

Make sure employees know in advance what to expect, and ask them to prepare.

When filling in appraisal forms, try not to focus solely on the recent past. It helps if you keep records of performance throughout the year, including occasions when the employee has been praised, or when problems have been addressed.

## **The appraisal meeting**

To make the appraisal meeting as productive as possible:

- set aside enough time
- make sure the room you use is comfortable and that you won't be disturbed
- open the meeting with positive comments
- use the appraisal form as a guide throughout the meeting
- discuss any objectives set at the last appraisal and whether they have been achieved - make sure it's a two-way discussion
- remember that any criticism should be constructive
- agree further objectives together
- make sure the employee understands the next steps, such as a pay review or training programme
- always end the meeting on a positive note

## **Following up an appraisal**

Give employees a written copy of their new objectives, and keep one in their personal file. Some companies give their employees a copy of the appraiser's comments. Your employees have a right to access appraisal or performance review notes.

It is good practice to give the employee the right to appeal if they don't agree with the appraisal and the opportunity to have this noted on their file.

## **Rewarding good performance**

You may choose to link your appraisal system to decisions about pay, bonuses and other financial incentives.

### **One-off bonus payments**

These are based on a combination of a percentage of salary and how far the employee has achieved their objectives over the year.

### **Pay increase**

This could be based on overall performance rating - for example:

- below average performance - no pay increase
- average performance - 2 per cent pay increase
- above average performance - 3 per cent pay increase
- excellent performance - 5 per cent pay increase

## **The pitfalls of financial reward programmes**

Offering financial rewards can be an excellent way to motivate employees, but it can also backfire. There may be cause for dispute if employees discover some are given greater rewards than others. Rewards should be fair and consistent - make sure you do not discriminate against particular employees.

## **Where can I get more information?**

The Agency Helpline 028 9032 1442 gives free advice on employment matters.