

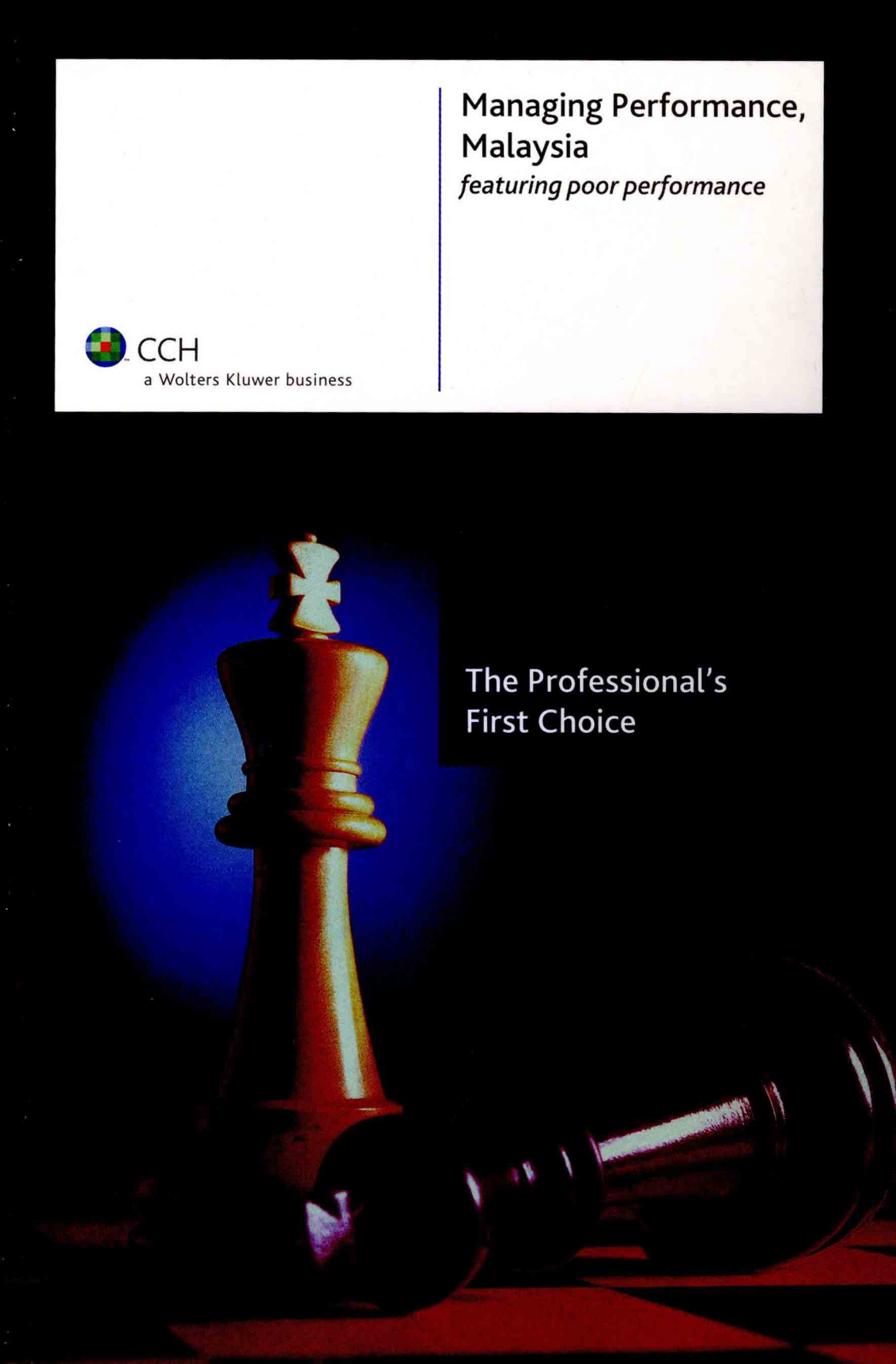
Managing Performance, Malaysia

featuring poor performance



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Chapter 1

MANAGING PERFORMANCE

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1.1 Managing Employee Performance

The process of managing an employee's performance is an inherent part of the day-to-day role for any position which supervises or manages other employees. Communicating work expectations, monitoring and giving feedback to employees are all components of the appraisal process within the broader performance management function. When this process is operating effectively, employees know what is expected of them and have a better understanding of their role in the organisation.

The "informal" process of providing employees with regular coaching and feedback on their performance, in the normal course of their work, is often considered secondary to the formal review process, although it is arguably more timely and effective for keeping employee performance on track. The formal performance appraisal process, and dealing with poor or sub-standard performance, are areas that tend to receive the most attention from management. Placing more emphasis on the informal process, with regular feedback to and from employees, should assist the appraisal process and reduce the need to manage poor performers.

Managing employee performance is a continuous cycle of planning, analysis, evaluation, and feedback. This may be followed by changes to the way in which the work is performed, including where necessary the acquisition of skills and/or knowledge and/or behavioural modification by the employee, in order to achieve the desired level of performance. In a strategic context, managing individual performance will be linked, directly or indirectly, to improving organisational performance.

This chapter examines the overall performance management system and specifically performance standards, given that performance standards clarify the expectations of the company in regards to employees' responsibilities, duties and work quality.

The appraisal process, which is a key component of performance management, will be discussed separately in Chapter 2.

1.2 What is Performance Management?

Performance management is a strategic function which drives other human resource processes, aligning individual and organisational objectives to bring about the latter's effectiveness. It links a range of human resource processes: strategic and workforce planning, job design and definition, recruitment and

selection, training and development, measurement and performance standards, and remuneration and employee diversity management.

A research study¹ in Australia defined the characteristics of an “excellent” as opposed to a “good” workplace, some of which relate to performance management are:

- Clear values – the extent to which people could see and understand the overall purpose and individual behaviours expected in the place of work.
- Getting feedback – always knowing what people think of each other, their contribution to the success of the place, and their individual performance over time.
- A sense of ownership and identity – being seen to be different and special through pride in the place of work, knowing the business and controlling the technology.
- Learning – being able to learn on the job, acquire skills and knowledge from everywhere, and develop a greater understanding of the whole workplace.
- Passion – the energy and commitment to the organisation.

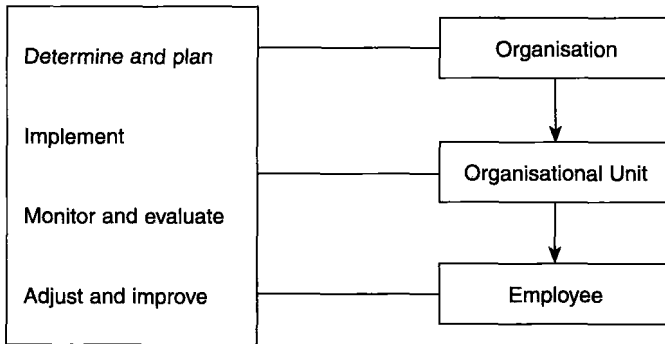
The study found that excellent workplaces make sure every individual receives continuous feedback on their performance and areas for improvement, both positive and negative. Employees in turn must be able to send their feedback to supervisors and management. They concluded that the benefits for the excellent workplace, when knowledge is readily available, are very considerable, particularly in terms of promoting a sense of ownership and identity.

The process for managing performance is integrated at all levels; whole of organisation, organisational unit (division, department, group) and individual employee. All levels apply the same process:

- Determine performance needs and develop plan.
- Implement plan (activities to achieve desired performance).
- Monitor and evaluate performance.
- Adjust, improve activities.

1 Research by ACCIRT entitled “Simply the best: Workplaces in Australia” by Dr Daryll Hull and Vivienne Read in December 2003.

Figure 1.1 Performance management model.



1.3 Purpose of Performance Management

To be successful in today’s globally competitive, knowledge-based economy, organisations must seek to gain a competitive edge by monitoring and improving their performance on an ongoing basis. There are various methodologies designed to facilitate this process on an organisational level, including the following.

1.3.1 *Balanced scorecard*²

The “balanced scorecard” is a measurement-based management system that translates organisational vision and strategy into action. It is based on the premise that a range of variables contributes to organisational performance in addition to financial performance, and should therefore be measured. Measures of customer satisfaction, growth and retention, internal operations (efficiency, speed, quality processes) and human resource systems and development are leading indicators of company performance, while finance is a measure of outcomes.

By developing, measuring, collecting and analysing data from both the internal business processes and external outcomes, the organisation can track and improve its strategic performance and results. The balanced scorecard methodology can be applied to most organisations on an organisational, business

² Developed in the early 1990s by Drs Robert Kaplan (Harvard Business School) and David Norton.

unit or department basis. An increasing number of organisations have adopted the balanced score card approach, are applying it to both their organisation and its functional units, and are integrating individual appraisals with scorecard goals and values.

1.3.2 Six Sigma

Six Sigma is a business improvement concept which aims to provide defect-free business processes with customer satisfaction and improvement being the driving forces. Established in the late 1980s, the objective of Six Sigma is to eliminate all mistakes, waste, and repeat work by using data and statistical analysis to measure and improve performance, to the point where the quality of the output is near perfect.

The methodology uses trained, cross-functional project teams to locate and make improvements to operational performance by identifying and eliminating “defects” in manufacturing and service-related processes. The most common tool used for Six Sigma improvement is the Define-Measure-Analyse-Improve-Control (D-M-A-I-C) cycle. Six Sigma entails a significant training investment in statistical, project management and problem solving skills.

1.4 Preparing a Performance Management Policy

A policy on performance management should articulate the whole system approach as well as communicate performance expectations and the appraisal process. It should relate to organisational effectiveness and be signed off by the chief executive.

The policy should address the following points:

- Set the scene with an introductory statement on managing performance in general, to establish or reinforce a culture of performance management. This communicates the fact that performance is taken seriously in the organisation and rather than being simply an annual review process, it is an approach which covers other processes like recruitment and selection, development, promotion, remuneration, that is “have we got the right people in the right jobs doing the right things?”. Managing poor performance also needs to be included. If employees understand that their own performance objectives are not arbitrary but derive from or are linked to organisational objectives, they will have more clarity on their value and role in the bigger picture.

- Detail the benefits of regular feedback on a day-to-day basis, and effective job performance and behaviour for both parties, the values of the organisation, and how the appraisal system relates to them.
- The role of appraisals in providing for employee participation and communication in future work developments.
- How the information and results are to be used, eg individual development, training policies, salary reviews.
- Method used, who is to perform the appraisal, when it will be done and what means of follow-up will be employed.

An example of a policy statement is set out in Appendix 1.1 at the end of this chapter. Although for each individual organisation the specific wording of the policy statement should reflect its particular circumstances, the example given is indicative of the type of information which should be included.

A more detailed procedure than outlined in Appendix 1.1 may be necessary and appropriate in some cases – particularly those where unsatisfactory work performance is the justification offered by the employer.

1.5 Employee Performance Plans

Employees must know what they need to do to perform their jobs successfully. Expectations of employee performance are established through the elements and standards contained in employee performance plans. Performance elements tell employees what they have to do and performance standards tell them how well they have to do it. Developing elements and standards that are understandable, measurable, attainable, fair, and challenging is vital to the effectiveness of the performance appraisal process.

1.6 Need for Performance Standards

Poor performance can put the morale and productivity of the whole organisation at risk, and can be one of the most difficult workplace challenges faced by a supervisor or manager. Poor performers can also take up a disproportionate amount of management time, with little return on investment.

In order to ensure that employers are being fair to their employees, reasonable standards must be established by supervisors and managers. In addition, the standards of performance must be administered fairly, ie supervisors and managers must demonstrate integrity beyond reproach when dealing with all