

Appendix C "Procedures for responding to poor performance" in the Performance Management Policy and Guidelines has been superseded by the 'Commentary and Guidelines on Conduct and Performance provisions, Part 2.7 of the Public Sector Employment and Management Act 2002 ' see Commentary and Guidelines on Conduct and Performance

Performance Management

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Part 1 - Introduction

1.1 Performance management

Performance management is a principal tool in achieving corporate objectives in that it links those objectives with employee goals and achievements. It focuses on improving performance through matching outcomes against individual, team and organisational objectives, and to the training and development needs of employees at all organisational levels. Managers using performance management effectively are generally more concerned with performance planning and improvement than retrospective performance assessment.

Performance management is an accepted management practice operating within both public and private sectors because it can be a valuable process for employees and employers alike. It provides for both recognition of high performance and early detection of performance that is not meeting expectations, allowing prompt remedial action to be taken.

1.2 Benefits of performance management

At a macro level performance management assists organisations to match outcomes with Government objectives. It provides a system for improving agency performance and outcomes, within the Government's legislation and policy framework, while maintaining good industrial relations. It generates benefits throughout organisational functions and processes.

Performance management recognises that people are the organisation's most valuable resource, and that people are the key to an innovative, professional and service-oriented public service. Performance management emphasises the relationship between the management and development of people and an effective organisation, and provides a fair and equitable environment for improving performance.

A performance management system links achievements at all levels of the organisation with corporate, business and government objectives. It provides the framework for:

- clarifying expectations, roles, responsibilities and resources required to achieve goals;
- improving communication and understanding between managers and employees in terms of work requirements, expectations, performance criteria and achievements;
- linking individual, team or unit performance with quality assurance, continuous improvement and evaluation processes of the organisation;
- facilitating, encouraging and assessing performance;
- encouraging structured feedback from employees and supervisors on performance and career planning and from the community on organisational performance;
- introducing an outcomes focused culture and increasing motivation;
- collecting data and information needed for management decision making or external review (eg by auditors);
- increasing the organisation's capability to meet future requirements and to improve outcomes for the community;
- identifying performance which requires improvement; and
- recognising and acknowledging performance.

Part 2 - Policy

2.1 Policy statement

The New South Wales Government requires public sector agencies to have in place performance management policies and processes to manage and improve individual and organisational performance in order to meet corporate goals and priorities. These processes, covering all employees, are to be reviewed on a regular basis. Performance management systems will vary from organisation to organisation to reflect specific needs and objectives. There are, however, minimum standards to be met by each agency.

2.2 Policy requirements

Public sector agencies are required to assess their existing performance management system to ensure it is consistent with the policy principles and minimum standards contained in this document. Those agencies that have not yet developed performance management systems should do so in accordance with these principles and standards.

2.3 Principles

Performance management should be based on principles reflecting the value of people to organisational performance, including:

2.3.1 Managing for improved performance

Ensure:

- employee participation in the development, implementation, operation and review of the system, including consultation with other stakeholders, eg unions and community groups;
- commitment and support at senior levels of the organisation are evident and that each manager has accountability for effectively implementing performance management;
- corporate values, goals and ethical standards are clearly reflected in the performance management system;
- managers are formally trained in assessment processes;
- managers and employees ensure that instances of long term poor performance are rare; and
- performance management contributes to achieving improved occupational health, safety and rehabilitation performance and reductions in workers' compensation costs.

2.3.2 Clear identification of expectations and responsibilities

For example:

- allocate responsibility for ensuring improvement and performance strategies are understood and accepted at all levels of the organisation;
- specify expectations and responsibilities of managers, supervisors, teams and individuals and ensure all staff are trained for their role in the process;
- clearly outline to managers their responsibility to identify poor performance and to take prompt and appropriate action to resolve performance difficulties; and
- ensure that employees at all levels are aware of, and understand, the organisation's process for managing poor performance and that continuing poor performance is unacceptable.

2.3.3 Linking the individual's contribution to organisational objectives

Ensure that:

- training and development are linked to the achievement of optimal organisational and individual performance; and
- people are recognised as the key to an innovative, professional, and service-oriented public sector.

2.3.4 Fair, equitable and confidential treatment of employees

The performance management system and processes must:

- be fair, equitable, transparent and free from bias;
- ensure assessment criteria is transparent and related to the inherent requirements of the job;
- apply assessment criteria fairly and uniformly;
- provide for acknowledgment and recognition of performance in a fair and equitable manner;
- provide appropriate confidentiality; and
- contribute to equal employment opportunity outcomes.

2.4 Minimum standards

The following minimum standards are to apply to performance management systems:

- the objectives of the system are clearly stated and consistent with organisational objectives;
- the system is regularly reviewed, with particular attention given to key elements (eg process of reviewing individual performance; provision of helpful feedback; updating of key accountabilities, criteria and indicators; and training and development plans);
- accountability is assigned to senior managers to ensure that performance, outcomes and training and development activities (relating to individuals, teams or units) are appropriate in terms of
- employee workplans contain agreed, clear and measurable performance criteria which are modified as changes occur in government or organisation policies, priorities or environment;

- the system enables assessment of the individual's contribution to the achievement of corporate goals;
- transparent links exist between performance assessment and performance reward;
- the system is clearly linked to the organisation's strategic management framework and is not treated as an isolated function;
- documentation explains how other structures and processes support performance management, eg how the establishment of a competency framework can be useful for the development of performance criteria;
- confidentiality safeguards are included, particularly for employee performance reports;
- commonsense and sensitivity are applied when assessing performance during a period of organisational change, such as restructuring, which may have a destabilising impact on people and the environment;
- employees are advised of review mechanisms and have access to existing grievance and dispute processes; and
- the system is promoted as an iterative process requiring ongoing refinement, and action is taken to reduce employee concern or fear.

2.5 Relevant legislation

- Anti-Discrimination Act 1977
- Archives Act 1960, General Records Disposal Schedule 1992
- Crown Employees (Public Service Conditions of Employment 1997) Award: Clause 13 - Trade Union Activities
- Ethnic Affairs Commission Amendment Act 1996
- Freedom of Information Act 1989
- Legislation establishing Statutory/Declared Authorities
- Occupational Health and Safety Act 1987
- Public Sector Management Act 1988

2.6 Related policies and publications

- Agency's Code of Conduct

- Anti-Discrimination and Equal Employment Opportunity (EEO) Guidelines for Managers, Team Leaders and Supervisors (1997)
- Assistance Services for Employees: Policy and Guidelines (1998)
- Chief Executive Performance Agreement Guidelines (1995)
- Customer Service Performance Measurement Guidelines (1995)
- Dealing with Employee Work-related Concerns and Grievances: Policy and Guidelines (1996)
- Disciplinary Guidelines, Personnel Handbook
- Flexible Work Practices: Policy and Guidelines (1996)
- Harassment Free Workplaces: Policy and Guidelines (1996)
- NSW Premier's Department Strategic Management Cycle
- Occupational Health, Safety, Injury Management and Workers' Compensation: Policy and Guidelines (1998)
- Quality Management Planning Guidelines (1997)
- Recruitment, Selection and Appointment Guidelines, Chapter 2, Personnel Handbook

Part 3 - Guidelines

This document provides guidance for the development and implementation of new performance management systems, and serves as a reference for modification of existing processes and systems.

It is not intended to propose a 'one size fits all' model of performance management. These guidelines seek to be inclusive of, and applicable to, a range of current organisational situations, without being prescriptive. They need to be adapted to fit the organisation's needs and maintained in accordance with policy, strategy and environmental changes.

The policy section of this document does, however, set out the minimum requirements and underlying principles to be met by public sector organisations.

3.1 Current status of performance management in the NSW public sector

Most NSW government organisations are developing or implementing performance management systems or processes of some kind. There are, however, substantial variations in approaches being used, the system coverage, and the degree of success being experienced. In some instances, organisations have two or three different systems operating concurrently, with coverage of different categories of employees.

Several organisations have already designed a performance management system with a major focus on developing the organisation's people to perform to optimum capability. In these organisations the performance management system has been re-framed as a performance development system. Some quite sophisticated systems have been developed based on a multi-source feedback approach while others use a simple manager/supervisor feedback approach. Many of the systems currently in use are very effective and easy to use.

Other organisations are using their performance management system as a vehicle for continuous improvement and for developing a continuous learning culture. These organisations acknowledge that it is essential to regularly review and revise the system, so that performance management is a useful living process, and a tool for improving organisational effectiveness.

3.2 Objectives of performance management systems

An organisation's goals and requirements would normally be reflected in its performance management objectives, examples of which might include:

- realising the potential of individuals by identifying training needs and providing opportunities for training and development to enable all to contribute meaningfully to organisational achievements;
- providing structures and strategies for facilitating feedback; recognising individual, team and organisational performance (good and poor); and achieving continuous improvement, particularly in regard to the Government's legislative and policy frameworks, industrial relations and service quality;
- optimising performance, productivity, and quality of management and services;
- maintaining relevance and flexibility to achieve desired outcomes in organisations that are subject to rapidly changing environments and agenda;
- identifying and resolving poor performance issues in a timely, equitable and effective manner; and

- encouraging improvement in performance to the extent that instances of long-term poor performance are rare and ensuring employees are aware that continuing poor performance is unacceptable.

Performance management encourages the achievement of objectives through a cyclical process, eg:

Customer requirements

Improving performance criteria and standards

Developing useful performance information

Improving assessment and evaluation processes

Improved decision making based on better performance information

As well as assisting the organisation and individual to achieve objectives, performance management can be applied effectively in motivating employees, minimising conflict and channelling resources and training activities where they are needed most in the organisation.

3.3 Developing or modifying performance management systems

Whether developing a performance management system, or modifying an existing one, a three-stage process is recommended as follows:

- Stage 1 Review, modification or development;
- Stage 2 Implementation; and
- Stage 3 Monitoring and evaluation.

At each stage there are important considerations for the organisation and key decisions to be made. Appendix A provides a detailed step by step guide to each of these three stages and describes some of the issues to be considered at each stage.

It is recommended that a cross-functional design team manage the review, modification, development and implementation of a performance management system. An effective team would include human resource and employment equity specialists and employee association representatives.

The team's role would also include monitoring and evaluation, ensuring that participation occurs at all levels of the organisation, and assisting with communication throughout the organisation.

In modifying or developing a system it is important to take into account agency plans and policies on performance rewards and recognition (individual, team or unit), people management, and occupational health safety and workplace injury rehabilitation management.

3.4 Components of a performance management system

The performance management process would include steps for assessing performance and facilitating continuous improvement in individual, work group and/or team capability, thereby building organisational capability. It makes good sense therefore to provide for the assessment of goal achievement (an evaluative system) as well as the needs and aspirations of the individual (a developmental system).

Important inclusions for performance management systems are:

- workplans for individuals or teams to provide the basis for measuring goal achievement and developmental needs;
- development of performance criteria;
- assessment of performance and provision of feedback;
- links to systems such as competency frameworks;
- acknowledgment of good individual or team performance;
- the management of poor performance;
- processes for the collection, recording and aggregation of data;
- documentation of performance management processes and issues; and
- provision of training.

These components are described in the following sections of this document.

3.5 Workplans

The workplan document defines an employee's key accountabilities or objectives. It includes performance criteria, standards (or targets) and training and development plans. It must be consistent with the organisation's goals and objectives, and with the employee's position description and grading. Generic workplans may be useful where employees are working in teams and/or have similar accountabilities.

The workplan focuses on the following:

- knowing where you are going (aligning the role of the position with the strategic direction of the organisation);
- knowing what you want to achieve (in terms of key accountabilities and objectives);
- knowing when you get there (eg did performance meet expected standard or target); and
- defining action to address the training and development needs as well as the aspirations of the individual.

It should allow a relevant degree of personal control and autonomy over the employee's work, consistent with their position.

The workplan would be documented, as it is the key record of the agreements reached between the employee and supervisor. The signing of the workplan by the employee and supervisor is optional for both or either party. Organisations should have a procedure in place to deal with disagreements over the content of workplans.

The workplan serves as the map that guides performance, the record of achievement for individuals/teams and the foundation for individual training and development action plans. It provides a record for both the employee and the supervisor to refer to, should any misunderstandings arise in regard to expectations and standards of performance. It also records the assessment process, review reports, details of changing priorities, conditions and resources that have impacted on the achievement of objectives.

An important objective of performance management is to identify staff training and development requirements to meet corporate objectives, and incorporate these in the employee's workplan. Employees are to be given appropriate guidance, assistance and training to satisfy their workplan performance requirements and standards. Failure by management to arrange or deliver training programs should be reflected in workplan outcomes or performance data.

The circular diagram below maps the path to follow in linking workplans with organisational objectives.

Review the organisation's

objectives

Decisions, actions and planning resulting from reviews

Annual review and feedback

Agree on/revise key accountabilities for the position

Develop/revise performance criteria (indicators)

Informal reviews and feedback

Agree on the organisation's key result areas

!<![end if]-->

Define targets (standards)

3.6 Developing performance criteria

Performance criteria are also known as performance measures or indicators. They must be meaningful, realistic and consistent with the employee's position description. Clearly defined criteria and performance standards enable each employee to fully understand the level of work expected from them.

Performance criteria show how achievement will be measured. These measures may be based on efficiency (eg, how accurately, how many, by when results will be achieved) or effectiveness (eg, how well results will be achieved and what impact the results will have).

Every organisation has several levels of planning and evaluation activity. Strategic, business

and people (or human resource) management plans are developed first, followed by team, work group and individual workplans. Team, work group and individual accountabilities and objectives are established to reflect participation in the achievement of organisational goals. This is sometimes referred to as a 'cascading' approach.

Once stakeholders have agreed on the key objectives to be achieved, it is easier to develop meaningful and measurable performance criteria. Performance management experts recommend that no more than six to eight criteria be used. These need to be

negotiated between the employee and supervisor and varied according to changes in government or organisation policy, priority or resources.

The first step in the development of criteria is to ask the following questions:

1. how does the position add value to the organisation?
2. what are the key result areas or accountabilities that relate to the role?
3. what quantitative outcomes will the individual need to demonstrate to indicate achievement?
4. what strengths, experience and capabilities will the individual need to achieve the required outcomes?
5. what developmental actions are required to meet the gap between points 2 & 4 above?
6. what resources need to be allocated to achieve point 2 above?

In developing performance criteria it is best to avoid the use of personal traits, qualities and characteristics or expectations that are unrealistic ie “100% compliance with quality audits” or “no complaints”. The use of job-related and multi-dimensional performance criteria provides a valid and reliable basis for defining and assessing performance and avoids bias.

Each criterion requires a standard or target specifically related to it. In determining standards of performance, consideration needs to be given to organisational conditions, resource requirements and training and development needs. Some organisations include a support plan in their workplan documentation. This would generally be an optional document for recording the outcome of discussions and negotiations between employee and supervisor on assumptions, resources or pre-requisites relating to accountabilities.

Performance criteria may be difficult or inefficient to implement, eg the choice of the measure “respond to enquiries within 24 hours” implies some system of recording enquiries and tracking responses. However, maintaining such a system could be cumbersome and impede effective customer service. As the measurement system needs to be manageable, the practicality of implementing recording systems purely for performance management purposes needs to be considered.

Examples of different types of performance criteria are provided as follows:

3.6.1 Goal-based criteria ie the outputs and outcomes achieved in relation to goals of the position. These may be suitable for individuals working on projects that need to be achieved to a pre-determined standard and by a particular target date. Goal-based criteria are objective and need to accurately reflect the capability of the individual or team in terms of contributing to a specific goal. For example:

Accountability
Performance Criteria
Performance Standard

Review new and emerging issues (eg reduction in Commonwealth legal aid program funding) that may impact on the provision of legal aid services to the community and develop appropriate policy.

Provide accurate policy advice to the CEO

Develop procedures to meet community needs

Policy statement to be developed and accepted by the Minister by the time funding reductions are implemented.

Complete new procedures for introduction by (say, beginning of the new financial year).

3.6.2 Behaviour-based criteria describe behaviours to be demonstrated and are best used in combination with goal-based criteria to establish a comprehensive set of criteria. For example:

Accountability
Performance Criteria

Performance Standard

Respond to request for customer assistance.
Timeliness and professionalism of response
Assistance is provided in a courteous and timely manner.

3.6.3 Competency-based criteria ie criteria based on defined skills, knowledge, experience and aptitudes required for a particular type of job. An employee would be assessed on their application of a defined set of competencies. These might include communication skills, interpersonal skills, judgement, analytical ability and flexibility. For example:

Accountability
Performance Criteria
Performance Standard

Make judgements on complex and sensitive issues on which conflicting advice might be provided by senior sources.
Reliability of on-the-spot judgements and conciliation of conflicting advice from senior officers
Advice accepted by the Director-General and Minister

3.7 Approaches to performance assessment and feedback

There are many approaches to the assessment and feedback process. All aim to provide an equitable, structured, consistent and quantifiable means of managing and developing individual, team or work group performance.

Whatever the assessment approach, it is critical to acknowledge that resource limitations, outside the scope of influence of the individual, may interfere with the attainment of goals. It is also critical to recognise that feedback on performance must be given on an ongoing basis and not confined to formal annual or quarterly reviews. A series of effective “check points” should be used to identify good and poor performance and deal appropriately with difficulties as soon as they emerge.

Most performance difficulties related to the employee’s agreed workplan can be resolved if the difficulties are identified at an early stage, and an appropriate action plan is developed to manage improvement of the employee’s performance. (Detailed

guidelines for resolving poor performance are provided at Section 3.9 and Appendix C to this document).

Some approaches to performance feedback and assessment currently being used in the New South Wales public sector are outlined on the following page and described in detail at Appendix B. Agencies are encouraged to explore and identify the approach that most suits their needs.

Performance Assessment and Feedback Approaches

- Manager/supervisor feedback on an individual's performance.
- Upward feedback, in which individuals provide feedback on the manager's or supervisor's performance.
- 360 degree feedback, in which peers, supervisors, subordinates, customers and the individual themselves all provide feedback on an individual's performance.
- Multi-source feedback, in which feedback is provided to individuals, teams or work groups from a range of sources including at least two or more of supervisor/s, customers (internal and/or external), peers, other teams or work group members.
- Team-based feedback is provided to a work group or team as a whole, usually by a manager or supervisor.
- Client survey whereby those receiving services provide feedback to the individual or agency concerned.

3.8 Using competency standards in the performance management process

Competency standards can be used to compare the performance of an individual, work group or team against a set of relevant, predetermined competency standards (eg national, industry-wide or agency standards consistent with national, industry or recognised occupational standards). They provide benchmarks for performance and may be useful in identifying gaps, training and development requirements or the need for individuals to use competencies involving a higher degree of complexity.

Competency standards incorporate a comprehensive set of associated performance criteria. It is not, however, practical to adopt the entire set of standards for the purposes of performance management. Key performance criteria, specific to the nature of the work being assessed, need to be identified for each employee, work group, or team, via the development of individual or generic workplans.

Standards are often used as an integrated tool for human resource management. Agencies using competency standards or competency-based criteria should refer to the Premier's Department Competency Standards Framework Project newsletters.

3.9 Resolving poor performance issues and promoting good performance

Performance management is a system through which good performance can be emphasised, encouraged and rewarded and poor performance can be managed and reduced to the satisfaction of the manager and the employee concerned. Agencies should ensure that their performance management system provides for both acknowledgment of good performance and resolution of poor performance.

Policy and guidelines for recognising and acknowledging good performance are being developed by the Public Sector Management Office to supplement this document.

3.9.1 Identification of poor work performance

Poor work performance occurs where an employee consistently fails to meet agreed, documented, work objectives that are fair and reasonable. The consequences of this can impact on the individual employee, the work group and the organisation.

Factors contributing to poor performance include:

- organisational factors (eg poorly managed restructuring; poor work and job design with subsequent lack of challenge in work; ineffective recruitment and selection resulting in a "mismatch" of people and jobs; inappropriate planning, resourcing and competing deadlines);
- management practices (eg inappropriate or unacceptable management approach; inconsistent application of performance standards; biases, changes in opinion or lack of care or commitment on the manager's part);
- training and development needs (eg inadequate induction and explanation of job role/responsibilities; insufficient skills, training, or experience to perform the duties and responsibilities of the position; unsupported introduction of new technology);

- poor communication between management and employees (eg inadequate performance evaluation and feedback);
- social factors (eg disruptive personality clashes within the work environment);
- inappropriate work environment (eg occupational health and safety standards not being met; direct or indirect discrimination or workplace harassment);
- personal issues (eg lack of motivation or commitment; health or other family problems; drug and alcohol misuse).

Performance difficulties that are not work-related may require intervention or assistance by management, employee associations, an employee assistance provider, or external individuals or organisations. The cause of performance difficulties needs to be identified and appropriate strategies developed, including training, to assist the employee deal with identified poor work performance.

Agencies are also referred to Premier's Department documents "Alcohol and Other Drugs: Policy and Guidelines" and "Assistance Services for Employees: Policy and Guidelines" for guidance in relation to managing some of these issues.

3.9.2 Roles and responsibilities

Effective management is a major factor in minimising poor work performance. The benefits of successful management of poor performance are:

- reduced interference with achievement of group goals and objectives;
- increased motivation of staff and group morale;
- reduced allocation of managerial and supervisory time and effort; and
- reduced use of the disciplinary process.

The role of line managers and supervisors is critical to the management of performance because their day to day supervisory function includes guiding the employee to achieve performance standards expected in accordance with clear and reasonable workplan criteria.

In many organisations managers would be guided by performance standards determined on an organisational basis to provide consistency across units or branches.

Consistent application of standards and procedures is particularly important when dealing with performance difficulties.

Organisations need to encourage and train managers and employees to resolve performance difficulties in the early stages. Managers need to understand their responsibility to make the employee aware that performance is not up to standard, and to take prompt action to assist the employee in meeting expected standards.

3.9.3 Procedures for resolving poor performance

Organisations need to include a procedure within the overall framework of their performance management system to resolve poor performance issues and promote good performance. The procedure should offer an effective alternative to the view that disciplinary action is the only means available to deal with poor performance.

The principles behind an organisation's processes for managing poor performance would be the same as outlined at Section 2.3 of this document, ie managing for improved performance; clear identification of expectations and responsibilities; linking the individual's contribution to the organisation's objectives; and fair, equitable and confidential treatment of employees.

Throughout the process, two-way non-threatening communication is essential to the implementation of "fair and reasonable" performance management. It is vital to ensure that communication is unambiguous, clearly understood and based on the principles of mutual respect, responsibility, and concern for the employees and objectives of the organisation.

The main steps in dealing with poor performance are summarised below and expanded upon in Appendix C:

- Early intervention and informal counselling
 - advising the employee that their work performance is considered poor and discussing the performance problem with a view to identifying the cause
 - informal counselling would occur with only the manager/supervisor and employee present

- Formal counselling and development of a performance improvement plan
- developing a performance improvement plan in consultation with the employee
- advising the employee, and confirming in writing, the level of performance expected, how and when performance will be reviewed, and the likely consequences if performance does not reach a satisfactory level

- Follow-up review of performance
- reviewing performance against performance improvement plan standards

- Deciding on the appropriate option if performance remains poor
- extension of the review period;
- transfer to another location or type of work, at an equivalent grade;
- use of sanctions; and/or
- disciplinary action.

Transfer to another location is not the solution if the employee is not given support, assistance and/or training to resolve performance difficulties and should not be considered as the first option. As well as additional training, the option of job redesign could be considered.

The above steps aim to address persistent poor performance, not isolated or sporadic instances that should be managed on a day to day basis. Disciplinary action should only be used when the manager has taken appropriate action, over a reasonable period of time, to manage the employee's work performance, and the work performance continues to be poor.

It is important to note that disciplinary action, policy and procedures are not part of the Performance Management Policy and Guidelines. Organisations requiring

information on the disciplinary process should refer to guidelines in the Personnel Handbook.

3.9.4 Employee rights

Principles of fairness, equity and sound employee relations practice provide that employees have the opportunity to clarify and seek counsel in matters which have the potential to affect their employment. Employees who are to be involved in a formal counselling session arising

out of the management of their work performance are to be advised of their rights to:

- access and utilise existing grievance and dispute resolution procedures;
- assistance from an interpreter or other person nominated by the employee; and
- representation by their union or a colleague, as observers only, at such sessions, meetings or procedures.

The informal counselling situation is an opportunity for the manager and employee to discuss and resolve performance issues. Only they should be involved, unless an interpreter is needed.

3.10 Data collection, recording and aggregation

Performance management record-keeping systems should be designed so that the performance data collected can be aggregated and cross-checked against performance criteria at the relevant work levels, eg individual or team. Aggregated performance data can be useful to discuss progress towards defined performance goals at relevant work group and team meetings.

Performance data can also be used for:

- setting the organisation's goals;
- acknowledging outstanding performance and determining where performance improvement is needed;
- skills databases and resource management;
- assessing equity of the performance management system in terms of any differential impact on EEO groups and consistency of application between managers; and

- benchmarking initiatives, customer service policies, quality assurance strategies etc.

There is a range of software products that take the administrative load out of synthesising and aggregating data which may be useful to large or decentralised organisations. Enquiries might be directed to the Public Sector Management Office in the first instance.

3.11 Documentation and confidentiality of performance information

When a manager/supervisor resolves day to day problems in the work area, keeping written records would not normally be necessary. However, from the informal counselling stage details of the discussion on performance difficulties should be documented as:

- a basis for future action, eg in meeting training and development needs;
- evidence for both parties of what has taken place;
- an indication that the employee's work performance has been under notice and that departmental performance management procedures are being followed.

Personal details about the employee should not be unnecessarily recorded. The use of broad descriptions, psychological terminology or comments on personality traits (eg "depressive" or "neurotic") is to be avoided.

If the employee concerned disagrees with any part of the record it could be amended if the reporting manager agrees, otherwise the employee is entitled to record their disagreement in writing on the report. The employee should sign the report and be given a copy.

It is a basic principle that employees should have ready access to reports relating to themselves. Individual and generic workplans would be available for sighting by the employer, employees, other government department personnel and union delegates. Individual performance data, however, must remain confidential between an individual and supervisor. No performance data collected by a department on any employee, or former employee, may be released to another employee, government department, or other person(s), without the written approval of the employee or former employee, unless the information is required as an exhibit or evidence in legal or industrial proceedings.

An organisation needs to clearly state its policy concerning confidentiality of performance management records (information and data), defining what will remain confidential, who has access to confidential and non-confidential records and what is available for internal and external publication.

If employees are confident that the system is open and transparent, and that confidentiality and dispute resolution processes are assured, the performance management system is more likely to be successfully adopted throughout the organisation.

Guidance regarding the disposal, care and confidentiality of documents is contained within the General Records Disposal Schedule issued by the Archives Authority of NSW and the Data Protection Principles in the Personnel Handbook.

3.12 Training

The success of any performance management system will depend on the degree of commitment and skill of those participating, and the training that supports them. Successful implementation of performance management will include both training in the operation of the system itself, and training in specific competencies required to ensure that participants are capable of contributing.

Competency areas for training and development might include:

- For managers
- giving and receiving constructive feedback;
- cross-cultural awareness and communication;
- effective performance standards;
- setting realistic objectives;
- training needs analysis;
- transparency in performance management; and
- managing under-performance and rewarding superior performance.

- For employees
- negotiation skills;
- cross-cultural awareness and communication;
- appropriate assertiveness;
- individual performance and organisational achievement;
- setting work goals;
- self-assessment; and
- giving and accepting feedback.

3.13 Characteristics and outcomes of successful performance management

Several common characteristics were identified through research and feedback from NSW public sector agencies as being indicative of successful performance management, and these have been compiled into a “best practice” model” at Appendix D to this document.

Outcomes that have been achieved by organisations that have successfully implemented performance management include:

- levels of employee motivation increased, improvements occurred in communication, review and feedback processes, with emphasis being placed on the qualitative nature of feedback;
- improvements occurred in people management, ethical and harmonious employment relations, strategic planning, and in the organisation’s ability to adapt to ongoing change;
- grievances arising over the level of demonstrated performance were reduced in number or more easily resolved;
- productivity improved and customers recognised service/product improvement;
- organisations placed greater emphasis on the achievement of longer term goals rather than continually operating in a crisis management style; and
- employee satisfaction increased in relation to performance recognition and reward, development/training opportunities and their contribution to organisational outcomes.

3.14 Further information

Useful websites for those who wish to explore current thinking on this topic are:

<<<http://www.zigonperf.com/Links.htm>>> &

<<<http://www.zigonperf.com/bibliogr.htm>>>.

Appendix A

DEVELOPING OR MODIFYING A

PERFORMANCE MANAGEMENT SYSTEM

Stage 1 - Review, Modify or Develop the System

Key steps

Key considerations

1. Convene a design team, and/or contract external expertise to review, modify or develop the system, and coordinate links to other management tools.

- Using 'in-house' resources and/or external expertise
 - Balancing a commitment to maximising participation and consultation with available organisational resources
 - Gaining input from a range of experts and users of the system
 - Gaining and maintaining support at all levels of the organisation
2. Perform a needs analysis.
- Identifying strengths and weaknesses of existing system
 - Determining how the system might be improved
 - Deciding on how much change staff will support
 - Determining if existing skill base is sufficient to support the system

3. Clarify the key objectives of the system, and the principles on which the system will be based.

- Achieving understanding within the organisation at the outset about why the system is being introduced

- Obtaining input at all levels

- Planning to invest time and effort in overcoming sources of concern

- Identifying benefits to employees and promoting achievements

4. Decide which approach or combination of approaches is to be used, and who will be covered by the system.

- Undertaking an organisational survey to assess level of organisational readiness

- Determining the relevance and appropriateness of the approach to the organisation's culture, people management strategy and strategic direction

- Developing the pre-requisite organisational culture and environmental conditions

- Dealing with resistance

- Assessing resource needs/availability for successful implementation

5. Decide whether or not a pilot is necessary.

- The size of the organisation (eg pilot may not be necessary in very small organisations)

- How different the system is compared to any system previously used

- The timeframe for introducing or modifying the system

6. Decide on the components of the performance assessment process.

- How often will formal performance assessment and development meetings take place to regularly provide feedback, monitor achievement and adjust performance criteria (eg monthly, quarterly etc).

- What type of feedback approach will be used (refer to Appendix B)

- What will be the format for workplans and record-keeping

- What the mix of organisationally generic and individual/team performance criteria will be
- Whether competencies are to be used

7. Design the record-keeping, monitoring, compliance and complaints processes.

- Ensuring the confidentiality of individual records between the individual and immediate supervisor
- Designing a monitoring process to ensure that fairness and validity are regularly assessed eg developing safeguards such as regular user surveys and reports
- Providing for compliance monitoring
- Establishing a complaint mechanism (eg clear link to organisation's grievance and harassment process)
- Ensuring confidentiality by deciding who will have access to the aggregated information generated by the performance management system and why
- Deciding how regularly the performance data is to be aggregated, checked against business plans and what process will be used to feed the aggregated data back into the organisational planning process
- Deciding how long to keep information

8. Develop strategies to ensure the system's status as an integral part of organisational planning and continuous improvement efforts.

- Ensuring the timing of the aggregation of performance data is aligned to planning and priority setting processes and to the NSW Premier's Department Strategic Management Cycle.
- Including the performance management system as a strand of the organisation's quality management strategy
- Linking the system to organisational training and development planning by including these as part of workplans
- Including mechanisms to ensure performance acknowledgment eg awards schemes
- Determine what documentation, policies and procedures are needed

Stage 2 - Implement the System

Key steps

Key considerations

1. Develop an implementation plan.

- Determining the timing in line with the Premier's Department Strategic Management Cycle, corporate and business planning, and in relation to any other major organisational development initiatives
- Phasing in the system to ensure that everyone is adequately trained and supported in the introductory phases

2. Design and implement the promotional strategy.

- Counteracting negative prior experiences and perceptions of performance management
- Promoting the system as a means of documenting achievements, and acknowledging and developing performance
- Conducting information sessions for all staff
- Involving the design team as 'promoters' and encouraging participation
- Establishing how staff will be informed of progress

3. Organise training

- Providing training in the interpersonal communication skills of active listening, problem-solving, negotiation and how to give and receive feedback constructively and non-defensively
- Providing practical training in how to develop meaningful performance criteria, and how to assess training and development needs

- Providing training in facilitating performance, managing performance difficulties and acknowledging outstanding performance
- Informing employees about the documentation of the process eg using the forms, maintaining confidentiality

4 Start to use the system (or start the pilot).

- Using several generic performance criteria that relate to current key organisational strategies eg ethical conduct, EEO outcomes, commitment to continuous improvement, quality
- Ensuring that performance criteria are negotiated, and that the managers role to facilitate performance is clear
- Establishing an 'enquiries' service to respond to unforeseen problems
- Ensuring readiness of the design team to monitor the system
- Availability of support to users including further training, oversight of development of workplans
- Providing regular reports to all employees on the progress of implementation, as well as any common problems being experienced

Stage 3 - Monitor and Evaluate the System

Key steps

Key considerations

1. Following the pilot or first stage, modify the system in accordance with outcomes.
 - The adequacy of administrative procedures to support the system
 - The effectiveness of record-keeping in terms of clarity, relevance, ease of use and confidentiality
 - The quality and usefulness of the performance data generated

- The adequacy of the training provided
2. Analyse the performance data generated.
 - Cross-checking the aggregated performance data from work groups, teams, units and divisions against business plans and data collected through the compliance monitoring mechanism
 - Measuring the extent of linkage that can be identified between work group, team or division performance and overall organisation performance
 - Using the evaluation data to identify any inadequacies or problems in the system, and adjusting the system to eliminate the problems
 3. Monitor equity and impact issues.

For example:

 - Equity of assessment, especially when there is a link to performance pay;
 - Consistency in approach;
 - Incidence of grievances;
 - Perceptions of the fairness of the system by employees; and
 - Impact on EEO groups.
 4. Evaluate the effectiveness of the system.
 - The simplicity of the system
 - Nature of training and development needs being identified and addressed
 - Adequacy of safeguards against biased or discriminatory practices
 - Continually checking that the system is achieving its objectives and reflects the underlying principles
 5. Maintain individual and organisational acceptance and commitment to the system.
 - Undertaking regular user/organisational surveys to evaluate perceived fairness, relevance, reliability, and equitable application of the system
 - Measuring the extent to which motivation and enthusiasm for the system is sustained

- Reporting regularly to the executive of the organisation on the extent of use of the system and the outcomes
- Identifying and reporting on any obvious discrepancies between units and divisions that may reflect local management styles or particular problems requiring attention
- Ensuring regular reports to staff on organisational performance as performance data is aggregated at different levels of the organisation
- Establishing a performance acknowledgment scheme and/or creating incentives through enterprise bargaining at organisational level

6. Co-ordinate links to other performance management tools.

- Development plans (with training budgets, corporate plans, 360 degree appraisal/ SES performance agreements)
- Staff surveys
- Client surveys
- Annual reports to Parliament
- Best practice/continuous improvement
- Quality assurance
- Audit reporting

7. Monitor record-keeping system.

- Improving the record-keeping system to minimise the administrative workload
- Assessing the usefulness of the information kept
- Checking the security of records

8. Monitor the budget and time for resourcing the system.

- Time contributed by the members of the design team balanced with the benefits to the organisation
- Cost of training provided to support the system
- Time involved by the employee and assessor in the performance management process
- Costs in administering the system eg record keeping, software etc.

9. Continuously refine the system.

- Considering the need for continued training support, surveys, and safeguards for processing administration matters and record keeping
- Reviewing the performance data generated and the flexibility of the system
- Maintaining the links with the other organisational planning and evaluation processes

10. Evaluate the effectiveness of the complaints and compliance mechanisms.

- Establishing a designated role for a compliance/ evaluation officer or committee to monitor consistency, fairness, and equity in the application of the system
- Including compliance performance criteria in all workplans of supervisors
- Monitoring and reporting on the number and nature of complaints
- Regularly reporting back on compliance targets

Appendix B

APPROACHES TO ASSESSMENT AND FEEDBACK.

- Manager/Supervisor feedback

The manager/supervisor feedback approach involves individuals in a performance management process with their immediate supervisor. A more senior or peer supervisor might participate as an appraiser in the process.

This approach has several advantages. It is simple to design and implement, individuals being assessed need only meet the performance criteria negotiated with their direct supervisor. It is not necessary to formally incorporate direct feedback from peers, subordinates and/or customers.

The main disadvantage of this approach is that it may provide an incomplete picture of an individual's performance in key areas, eg teamwork, customer service and interdepartmental liaison. It may also become a process of appraisal interviews, with the annual appraisal outcomes linked to a salary increment rather than providing timely performance data for development and organisational planning purposes. The use of this approach with another can reduce the disadvantage.

- Upward feedback

Subordinates provide feedback on the supervisor's (appraisee's) performance, particularly in regard to perceptions of management skills.

Subordinates' feedback is collated by the appraisee's supervisor or by an impartial third party before it is provided to the appraisee by his/her supervisor for use in the workplan.

Upward feedback is not suitable as the sole approach to performance management because it measures only one aspect of performance and is only applicable to managers, supervisors and team leaders. It is usually used in conjunction with the manager/supervisor feedback approach, or as part of a multi-source approach.

Upward feedback in combination with other approaches can be a key component of an organisation's continuous improvement strategy. It is a tool for building the capability of managers and supervisors in the people management skills aspect. The feedback may be useful for teambuilding exercises, training needs analysis and in cultural change processes.

- 360 degree feedback

As this approach encircles the individual's performance, it is described as 360 degree feedback. The most significant contacts the individual has in the workplace, eg supervisors, external and internal customers, co-workers, subordinates and self, have a role in providing feedback about the individual's performance. This approach supports continuous improvement by emphasising the individual's development needs. It serves as a supplement to, not a replacement for, day to day supervisory feedback.

In this approach the feedback is provided in relation to a common objective set of work-related criteria, and the performance data generated is very useful in identifying problems or issues common across the organisation. Likewise, the performance of divisions, units, teams or work groups can be easily compared with each other, against common criteria.

This approach encourages consistency across the organisation in the type and amount of performance data collected and therefore equitable outcomes for employees. If this approach is used in relation to specific projects rather than on a more comprehensive basis it does not become resource intensive. It works best when supported by customised software for performance data analysis.

- Multi-source feedback

The multi-source feedback approach is a structured system in which individuals, work groups or teams receive performance feedback from people they work closely with, and/or from those to whom they provide products or services.

This approach is useful where it is inappropriate to assess individuals. For example, when performance is dependent upon the success of the work group or team. For example, if the position requirements are mainly customer focused, and not overseen by the immediate supervisor, it may be particularly important to involve customers/clients in the feedback process.

The key to the decision about which stakeholders to involve in a multi-source feedback process lies in the answer to such questions as:

- What performance criteria should be used?
- Who are the stakeholders that are in the best position to observe performance?
- Who is most affected by the performance of the individual, work group or team?

- Team or work group based feedback

This approach is relevant in situations where a work group or team works as a single unit to meet a common goal. The supervisor would assess team or work group performance rather than measuring each individual's contribution.

Feedback about team-based performance provided to an individual by a supervisor can be counterproductive to teamwork and potentially divisive.

Appendix C "Procedures for responding to poor performance" in the Performance Management Policy and Guidelines has been superseded by the 'Commentary and Guidelines on Conduct and Performance provisions, Part 2.7 of the Public Sector Employment and Management Act 2002' see Commentary and Guidelines on Conduct and Performance

Appendix C

PROCEDURES FOR RESPONDING TO POOR PERFORMANCE

1. Early intervention and informal counselling

Poor performance should be dealt with as soon as performance difficulties are identified, for example:

- agreed goals and targets are not achieved within a reasonable or agreed time;
- agreed tasks are not performed; or
- identified skills required are not demonstrated.

Informal counselling by the manager/supervisor of the employee should only occur under the following conditions:

- The employee is given reasonable notice of the proposed informal counselling session, and the purpose of the session.
- The manager/supervisor should confine the counselling session to work performance, informing the employee of identified deficiencies in their performance by reference to the employee's workplan. The employee should be given the opportunity to respond to this information, which may or may not resolve the problem. If unresolved, the manager/supervisor will verbally, and in writing, confirm the work performance issues requiring improvement, the targets to be achieved, and the timeframe. The employee will also be informed of the next steps to be followed if improvements to work performance are not achieved within the required timeframe.
- If possible, the outcome of informal counselling should be agreed by the employee and their manager/supervisor. If the employee disagrees with the manager/supervisor's views on their work performance, and/or proposals to improve work performance, they are to be informed of their right to use the agency's grievance and dispute resolution procedures.
- Resolution of the employee's grievance or dispute may result in the following:
 - no further action in regard to the employee's work performance; or
 - implementation of informal counselling outcomes; or
 - formal counselling if the level of poor work performance cannot be effectively managed by informal counselling, or the staff member refuses to accept informal counselling outcomes; or
 - administrative action if the work performance has been caused by organisational, personal or external factors.

Early and effective informal counselling in most cases will address a work performance problem, and inform the employee that poor work performance is unacceptable.

2. Formal counselling and development of a performance improvement plan

Formal counselling would normally be required in situations where:

- performance is still poor after informal supervisory counselling;
- the poor performance is beyond the scope of informal supervisory counselling;
- the poor performance exists at a formal feedback point in the annual cycle of performance assessments; or
- poor performance exists at the end of a probationary period.

A formal counselling session would normally be the responsibility of the employee's line manager and conducted:

- at a predetermined time and location.
- with the employee having received adequate written notice of the purpose of the session, who will be in attendance, the poor work performance issues to be canvassed, proposed strategies to address poor work performance, consequences of continued poor performance, and the purpose of a performance improvement plan.
- in accordance with the agenda. If there is no identified organisational, personal or external factors or deficiencies that can be attributed to the poor work performance, an agreed documented performance improvement plan should be developed by the manager/supervisor and employee.
- with a support person in attendance (such as a union delegate or colleague) if desired by the employee.

The performance improvement plan should include agreed dates for progress reviews, and be signed by the manager/supervisor and employee.

The employee's rights in relation to formal grievance and dispute resolution procedures should be maintained which, depending on the outcome, may result in:

- no further action in regard to the employee's work performance; or
- implementation of formal disciplinary action if the employee has not good cause or reason to accept formal counselling, or;
- alternative administrative action if the poor work performance is the result of organisational, personal, or external problems.

At the end of a formal counselling session the employee and their manager/supervisor should be fully aware of the future management of the employee's work performance.

This information should be summarised in the formulation of a performance improvement plan. The performance improvement plan should be signed and a time agreed for the follow-up meeting. A copy should be given to the employee.

3. Follow up review of the performance improvement plan

At the agreed date, the supervisor and employee should review the employee's performance and the remedial action taken as a result of the performance improvement plan.

Where it is agreed that the performance is satisfactory, this should be documented and future performance should continue to be assessed through the normal feedback cycle of the performance management system. However, consideration should be given to setting an interim date for further counselling to assist the employee if required.

If the employee has failed to improve performance at the agreed date the supervisor should consider further action including:

- extension of the review period;
- transfer to another location at an equivalent grade;
- use of sanctions; and

- disciplinary action.

As in the previous counselling session the principles of maintaining accurate records, informing those involved and allowing adequate preparation time should be followed.

Any decision or recommendation made should be conveyed to the employee in writing and include:

- the decision or recommendation;
- a summary of the procedure to date and the basis for the decision;
- the consequence of the decision and, if applicable, the legislative basis under which any further action is being taken; and
- advice on how to access further information and assistance if required.

Where consideration is being given to either extension of the review period, or transfer, the matter should be discussed with the employee and agreement to proceed sought. Otherwise the agency's grievance and dispute resolution mechanism could be utilised. Failure to agree does not in itself preclude the proposed course of action but should raise serious doubts about the potential for success.

4. Use of sanctions

If performance remains poor after the formulation and review of the performance improvement plan it may be appropriate to consider the use of sanctions. The use of sanctions is intended to bring about an improvement in the performance of an individual. Sanctions must be related to work performance only. They may include the following:

- extension of probation period;
- cancellation of increment;
- cancellation of flex time; and/or
- cancellation of access to study leave provisions.

Intended or actual use of any sanction must be approved at the appropriate managerial level and documented both in a written statement to the staff member and in the revised performance improvement plan.

5. Disciplinary action

Disciplinary action may be appropriate where performance remains poor despite two opportunities to reach a satisfactory level.

Where consideration is being given to disciplinary action the procedures in the Public Sector Management Act 1988 and Regulation must be followed. Additional guidance is contained in the Personnel Handbook.

Appendix D Best Practice Model for Performance Management

þ The objectives of the system are clearly defined

Objectives of the system, and its underlying principles, are clearly defined in terms of potential benefits to the organisation, its employees and its clients. Guidelines are clear and unambiguous.

þ The system is aligned with corporate objectives, priorities and strategies

The system reflects the organisation's goals and priorities and is linked with corporate and business plans. The system has a strong strategic focus, with recognition given to performance and achievements that advance corporate priorities.

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The system is designed in full consultation with employees and their representatives as it needs to be supported at all levels of the organisation to be accepted and workable.

þ The system is equitable

The system is equitable; open; free from gender, race and other bias; and fairly and consistently applied.

þ The organisation focuses on performance improvement

The organisation fosters performance recognition and realisation of the individual's potential by taking a positive approach to cultural change and focusing on outcomes, continuous improvement and training. Performance management is not used as a primarily punitive means of dealing with unsatisfactory performance or disciplinary matters.

þ Commitment and ownership of the process is demonstrated

Managers and supervisors perceive performance management as a fundamental and ongoing management function and a key planning and evaluation mechanism. The organisation fosters 'whole of organisation' ownership of performance management processes rather than managerial or human resource specialist ownership.

þ Comprehensive training is provided

Training and education needs are determined and all employees, including supervisors and managers, receive adequate training. Follow up support and maintenance training is provided. Managers and supervisors obtain the necessary interpersonal and communication skills required for providing quality feedback.

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Performance criteria and standards are clearly defined in workplans and are objective, job related and based on performance over which the team or individual can exert control. Outcomes are measurable in terms of individual, work group or team achievement and goals are challenging yet attainable.

þ Confidentiality is assured

Employees are confident in the system's ability to provide anonymity and confidentiality and appropriate safeguards against bias. Agreement is reached on documentation to be produced and guidelines for its retention.

þ Data generated is used appropriately

Performance data is analysed when decisions are being made on organisational improvement strategies and training and development initiatives. Inappropriate generation and use of performance data does not occur.

þ The system is linked to a sound grievance handling process

The performance management process includes a complaint mechanism, or link to the organisation's existing grievance and harassment policy and procedures.

þ The system is regularly reviewed

Review mechanisms are in place to ensure that the system is effective, relevant and that it remains in line with corporate objectives and priorities. The system is compared with other performance indicators (such as absenteeism, turnover, productivity levels) in order to gauge its effectiveness. Attitude surveys are used to measure levels of motivation, commitment and job satisfaction.