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Tackling Poor Performance

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Executive Summary

Poor performance is an issue that worries managers and employees alike. It is of concern to senior managers because it is a measure of how effectively the organisation is led. But people in organisations do not always feel their organisation tackles poor performance appropriately – a hard nut to crack. Dealing with poor performance is an emotive issue. It is perhaps not surprising, therefore, that many organisations fail to address it. In our research, seven large employers shared their perspectives on the issue.

Why tackle poor performance?

Research evidence shows that:

- tackling poor performance is still fairly low on the agenda for employers
- poor performance reduces productivity
- managers find it uncomfortable and would rather ignore it
- it has a negative impact on other staff motivation and retention.

What do we mean by poor performance?

Among the seven employers participating in our study, interpretation seemed to be influenced by what was going on in their business at the time and this was what had prompted a review of their approach. But managers were quick in thinking of individuals, coming up with colourful labels stemming from behaviours such as attitude and lateness. So organisations may have a vague idea of what they mean by poor performance, but

people can quickly acquire a poor performer label. A 'worker with attitude' may be trendy in certain circles, but if it is the wrong attitude, seen in lack of co-operation with colleagues, it may lead to the employee being removed.

When is poor performance real anyway? That which can be construed as true poor performance may be small indeed, when we take account of factors that may have an impact on performance, such as sickness. However, the picture is quite confused when we consider that poor performance can result from role overload or unclear objectives or unrealistic targets. Changes to the work environment would probably raise the level of performance. On the other hand, absence (which can again be seen as a sign of poor performance) or a personal or a domestic problem, may be better handled by Occupational Health. Perhaps the clearest boundary is the overlap between behaviour and attitude, with misconduct. If the employee is dishonest and unethical, there are strong reasons for invoking the disciplinary process and ultimately exit. Poor performance is legally defined as 'when an employee's behaviour or performance might fall below the required standard'. Dealing with poor performance is, however, a legal minefield. This might explain why some employers tend to confuse poor performance with negligence, incapacity or misconduct.

What is acceptable performance?

Employees need to know what constitutes an acceptable level of performance, below which their organisation will consider their performance is wanting. This is not so easy when we look at the variety of messages that they may receive from their employers about performance requirements. Given that these often conflict, it may be difficult for an individual to have a clear view of what is meant by acceptable. The onus is, therefore, on line managers to instil some much-needed clarity, and on both parties to agree a standard of performance as well as the targets to be delivered.

Much emphasis was given by our employers to address performance issues informally and as soon as they arose – and most likely outside the performance appraisal process. This was often referred to by the managers we interviewed as 'micro-managing' (eg setting clear expectations and monitoring progress). Since the outputs achieved are key, failure to achieve them would

obviously be a signal for investigating the level of performance further. To this end, most of the HR managers interviewed said they 'would turn to the list of objectives set as the cornerstone for measuring poor performance'. It is therefore debatable as to whether this does not form part of an effective performance review process in the first place. To confuse us further, there are also many ways that employers in the study measured employees' level of performance to assess whether it is good or bad. All our employers were using both hard and soft measures and differed in the ways they sought these measures, how they combined them to obtain a rating, and in what kind of benchmark they used. Competency frameworks can be useful to spell out unequivocally the actions that are not helpful to the business.

But is the employee poor or simply not the best? Employers judged this with the controversial concept of forced ranking – whether the performance is relative (*eg* compared to best performers) or absolute (*eg* against a standard). The process of standard monitoring or calibration, that most adopted to ensure the consistency, and fairness of the overall rating, may serve to assuage employees somewhat, given the universal dislike of forced ranking and organisational league tables. Crossing the line below acceptable performance may involve employees lacking capability or displaying inappropriate behaviour. Crossing the line presents a rather complex picture – the grey areas:

- what makes a good day's work?
- are culturally-defined behaviours involved?
- is the employee in control and willing?

Tackling poor performance

All employers participating would review their selection process to avoid recruiting poor performers in the first place. But organisations need to put in place an overall approach and procedure to deal with poor performance. Approaches we encountered take on two important, but diametrically opposed, dimensions:

- whether the organisation's ultimate aim was to improve performance or remove the employee

- the degree of formality of the procedure used to achieve this aim.

Some organisations adopted a developmental approach, believing that employees' performance could be improved. Their intervention therefore included a sharper focus on training and development. In this case, a varying degree of formality of the process used was also in evidence. Towards the more formal end of the procedure, but still with an improvement emphasis, we found the approach that a manufacturing organisation had developed, ending in a performance improvement plan. At the other end of the spectrum lies the approach adopted by an electronics company that believed in informally matching people to roles according to their strengths.

We found no evidence amongst the employers in our study of the use of 'getting rid of bottom 10%' approach. But pressure to move towards such an approach could be sensed. A central government agency, for example, used an assessment centre to review the capability of its senior managers. Either explicit – or implicit – the list of poor performers seemed ubiquitous. But poor performance needs to be destigmatised and regularly talked about in a sensitive way. The capability procedure is also the means to document performance issues, which is the key to being able to act. However, evidence also needs to be collected earlier on as part of the appraisal process. Most organisations should clearly spell out the link or the difference between their capability and disciplinary procedures, as the boundary is often blurred.

The most common message emerging from the study is the need for managers to deal with issues early rather than let them get worse. We would like to offer them the following mnemonic as an illustration of good practice. In most cases, dealing with poor performance is a bit like turning on the taps:

Turning on the taps: encouraging line managers to deal with poor performance

- T** **timely** and early
- A** **appropriate** management style and response
- P** keep it **private**
- S** make it **specific** to performance and factual

Source: IES

The strategic choices

Employers need to decide what they are really trying to do with poor performance.

- **Weeding out small numbers** has a big impact on the rest of the workforce, giving the message that the organisation is serious about tackling poor performance.
- **Losing the worst, keeping the best** is clearly in vogue in the United States. This is about ratcheting up organisational performance by getting rid of the lowest performers (often average rather than poor). It can be legally difficult to defend and is disliked by employees.
- **Improving performance** may be better conceived as re-energising people and improving their skills and communication. This approach works if organisations adopt a collaborative approach, where senior managers work with colleagues to support the line to maximise contribution.

1. Why Tackle Poor Performance?

Summary

- poor performance is a hard issue to tackle
- a need for practical solutions for line managers
- key research questions are to define, measure and manage it
- contributions from seven large employers
- the report explores strategic and practical choices

Poor performance is an issue that worries managers and employees alike. It is of concern to senior managers because it is a measure of how effectively the organisation is led. But people in organisations do not always feel their organisation tackles poor performance appropriately – a hard nut to crack. Dealing with poor performance is an emotive issue. It is perhaps not surprising therefore that many organisations fail to address it.

'People can face almost any problem except the problem of people ... Faced with problems of people, management will go into a state of paralysis.' (Deming, 1992)

Yet nowadays organisations are faced with such business pressures and cost constraint that they can no longer ignore poor performance, as aptly illustrated by one manager.

'Gone are the days in which organisations could afford to carry passengers.' (Senior manager in a manufacturing organisation)

This research project was commissioned by the corporate Members of the Research Networks on reward and performance management. The aim of the study was to examine the

difficulties of tackling poor performance in organisations and the need for organisations to have clearer processes.

1.1 Poor performance: a hard issue to tackle?

It is a big issue but research evidence suggests it may be perceived as such by employees more so than by their organisation.

1.1.1 It is an issue but fairly low on employers' agendas ...

Recent survey data suggest that dealing with poor performance is still fairly low on some employers' agenda. Axelrod *et al.* (2002) reports that only 19 per cent of the 13,000 US senior managers questioned, in 112 organisations, believed that their organisation dealt with poor performers quickly and effectively. This lack of attention seems to cut across all continents and sectors as an IES survey on the quality of life in London NHS Trusts also shows (Robinson *et al.*, 2001). In 2001, 44 per cent of the 34,000 employees responding across 45 Trusts strongly agreed or agreed that '*poor performance is tolerated in this Trust*' compared with 22 per cent who disagreed or strongly disagreed.

1.1.2 ... that line managers would rather ignore ...

Managers find the process wholly uncomfortable, and many would rather turn a blind eye. Mercer's survey of 2,600 employees in the US shows that only 29 per cent thought that '*employees in my department who perform poorly are appropriately managed*', and 26 per cent that '*my manager regularly coaches me on improving my performance*' (Mercer, 2003). So in the short-term, many managers may find it easier to avoid confronting poor performers. As Guffey and Helms (2001) argue, this may be due to a variety of reasons including managers' needs for affiliation with their employees and their desire to avoid the risk of damaging a good working relationship. Lack of senior management support may also prevent them for fear it reflects on them badly. Sometimes it can simply be that recruitment can be a very time consuming activity (Kearns, 2000). Overworked

managers are likely to tolerate poor performance simply because an extra pair of hands is better than none at all.

1.1.3 ... yet it has a negative impact on the motivation of other staff

Most employees expect their organisation to deal effectively with poor performance, and some would be happy if their organisations acted more aggressively on poor performers (Axelrod *et al.*, 2002). Perceptions of whether poor performance is addressed also impacts on the perception among staff of their organisation, although it is not possible to say which is cause and which is effect. Thus, 60 per cent of respondents, in the IES NHS survey cited previously, who rated the trust as a worse place to work, compared with two years ago also disagreed that poor performance is managed compared with 41 per cent who rated the Trust as better. Interestingly, this research shows that failing to deal with poor performance may have some impact on retention. Over half of those who believed their Trust does not deal with poor performance also indicate they were likely to leave the organisation within the next year, compared with 41 per cent of those likely to stay. This is compounded by the fact that poor performers tend to stay in their organisation (IRS, 2003).

Evidence so far shows that poor performance is a problem left fairly unchallenged in many organisations, that impacts on staff perception of their organisations and that managers have a key role to play in eradicating.

1.2 Research questions

Discussions with Research Network Members coupled with IES research and consultancy experience led us to address three broad areas:

- What do we mean by poor performance?
- How do organisations measure poor performance?
- What are the approaches that employers adopt to tackle poor performance successfully?

1.3 Research approach

The project included:

- A literature review to identify the main trends and issues.
- Visits and discussions with seven employers in different sectors (finance, manufacturing, electronic, retail, central and local government).
- A review of some employers' policies and practices.

The remaining chapters discuss the difficulties of tackling poor performance in organisations, illustrated with the practices we encountered in the seven employers participating in the research. Chapter 2 examines research evidence about the drivers to address poor performance and how employers define poor performance overall. Chapter 3 investigates the benefits and pitfalls of using traditional methods for measuring poor performance. Chapter 4 discusses the approaches introduced by employers to deal with poor performance. Chapter 5 concludes by exploring the strategic choices that are available to employers in the approaches they use to deal with the issue. We begin with a discussion of what is meant by poor performance.

2. Defining Poor Performance

Summary

Poor performance:

- impacts on business performance
- impacts on other peoples' performance
- is complex to define.

The proportion of true poor performance:

- may be small
- has multiple causes not all due to the individual
- can lead to litigation if not handled well.

While poor performance is not a new issue for organisations, there seems to be a dearth of research to help organisations deal with the problem. Understandably perhaps, most textbooks on performance management concentrate on performance assessment and development, and do not cover poor performance in any great depth. Yet organisations can no longer afford to ignore the issue. In this section we discuss some of the reasons underlying this renewed interest:

- the pressure of business drivers and changing HR and union agenda
- the ways poor performance is construed and factors that may impact on its definition
- the consequences of the legal framework.

2.1 The business drivers

The business agenda is increasing the pressure on organisations to address the issue of poor performance. This is in response to a number of drivers:

- **Remaining competitive:** the productivity agenda should focus organisation's minds on improving individual performance, often it can shift attention to satisfying shareholders needs and the City.
- **Reward for failure:** As recent media coverage of CEO failures suggests, the higher in the organisational hierarchy it is the more likelihood poor performance will be rewarded. None of the big institutions mind rewarding success; the problem is when executives enjoy big bonuses for mediocre or poor performance – the so-called 'golden parachute'. Prudential has had to rethink its executive bonus scheme. The Myner's report has urged institutional shareholders to take a more active role in the companies they own. In some cases this is about better management costs (*The Herald*, 2003).
- **Customer satisfaction and the impact of employee engagement.** Employees are key to customer satisfaction. In order to become 'employer of choice', employers need to think about employees in the same way as customers and put in place good management practices (Hay Group, 2002).
- **Modernising government agenda.** This stresses the need for increased productivity and raising performance, particularly leadership and management skills via a sharper performance management process which is also designed to tackle poor performance.
- **Quality and business models.** The development of models of success to benchmark company performance against business models, eg EFQM etc.
- **External measurement and auditing.** This includes the increase in measurement and audit processes in the public sector, such as the Comprehensive Performance Assessment (CPA) and OFSTED and others' league tables.

2.2 The HR agenda

Many organisations will be concerned that implementing a system to identify poor performers will create a wider feeling of resentment and negativity among employees (Stanton, 2000). Employee reactions to monitoring are important, not only because organisations have a strong stake in maintaining both employee motivation and well-being, but also because the way in which monitoring is conducted will influence the amount of effort that employees address to different tasks.

2.2.1 Duty of care

Employers have now a more explicit 'duty of care' towards their employees than ever before (Bevan and Hayday, 2001). Both UK and EU legislation, together with case law, have made employers more aware of the need to safeguard the physical and psychological well-being of their employees. There is much belief placed in the power of policies and systems to deal with people's problems.

2.2.2 Human capital measurement

The focus on employees and their added value has also been emphasised by the current interest in measuring human capital as an asset in the same way as other assets. This stresses that human capital is to do with both employee capability and commitment, and what skills, knowledge and experience are available to the organisation, and how contribution is maximised.

2.2.3 Developing people

The Investors in People (IiP) standard has had much impact on ensuring that organisations develop its people effectively to deliver improved organisational performance via the performance management process. In particular, cascading organisational objectives to individual objectives and ensuring that employees, as well as managers, are equipped with the skills and training to deliver these. Research shows that one in five of the 1,567 employers surveyed believed that the investment in people required to achieve the IiP recognition had significantly increased the productivity of their people (IiP/NOP, 2001).

2.3 The union agenda

The advent of partnership at work, and the need for unions to move from an adversarial agenda to an aspirational agenda to enable people to get on at work, may serve to shape employee relations more than it has hitherto. The Unions 21 discussion paper (2003) set in particular their kind of labour market vision with some of the following characteristics (adapted from *What next for the unions?* p. 7):

- fair pay (including equal pay for work of equal value) and a narrower dispersion of incomes
- the absence of discrimination on grounds of race, gender, sexuality, disability or age
- secure and interesting jobs that workers find fulfilling
- a style and ethos of management based on high levels of trust
- choice, flexibility and control over working hours
- access to skills development and training.

Aside from statutory rights (more on this in the legal framework below), most of these characteristics depend on the unions being able to develop a more aspirational agenda with employers where they currently have a narrow membership base. Nevertheless, some aspects of the union agenda are bound to conflict with business and HR priorities.

2.4 What do employers mean by poor performance?

We were interested to discover whether the drivers in both external and internal environments had had much impact on the way our case studies thought about poor performance overall.

2.4.1 Influenced by business pressure ...

In most of our case studies, the definition of poor performance at the organisational level seemed to be prompted by what was going on in their business at the time, which led to a review of their approach to dealing with poor performance.

The need to address poor performance arose when:

- A new Chief Executive of a government agency wanted to move from a family environment to a seller of products operating in the private sector.
- A comprehensive performance assessment exercise at the County Council had generated some low ratings in some weak areas.
- A manufacturing organisation wanted to extend its development culture to include all levels of performance.
- The retail company was reviewing its approach to performance management, to examine whether a standardised process would help to raise the performance level in some parts of the organisation.
- The service section of a central government department had been reviewing its procedure to detail actions under capability and separate it from conduct, which had even more negative connotations.
- The team of a financial service in the City had dealt with the removal of a long serving manager who was poorly performing.
- An electronic company believed that roles could always be found to match the strengths and preferences of the employees it wanted to retain.

2.4.2 ... but a vague overall notion

In general, most of the HR managers interviewed in our case study organisations seemed rather vague when asked 'what does your organisation mean by poor performance?'. When probed for individual examples, however, they were quickly able to think of people. So although organisations may not have an overall definition, people can quickly acquire a poor performer label. There is plenty of research evidence to show that we tend to notice and remember negative events more. The fact that interviewees would often come up with observed behaviours, such as attitude, absence, lateness *etc.* further reinforces the point.

Common messages emerged from the cases studies, which vividly demonstrate the somewhat biased environment in which our attempt to define poor performance operates.

The common messages emerging from employers are that:

- they can't carry people
- micromanaging takes time
- labels stick
- poor performance is often 'brushed under the carpet'
- where you are in the organisation, and the power you have, is important.

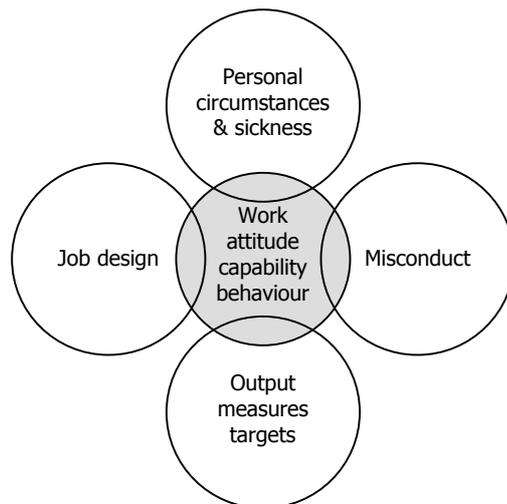
2.5 Understanding poor performance

2.5.1 When is poor performance real anyway?

Figure 2.1 depicts the interaction of different facets of performance, not all of which can be defined as poor performance. What could be construed as true poor performance may be small indeed when we take account of other ways poor performance might be defined.

At the core of the picture are the elements of performance often associated with poor performance. A 'worker with attitude' may be trendy in certain circles, but if it is the wrong attitude, seen in

Figure 2.1: What is true poor performance?



Source: IES, 2004

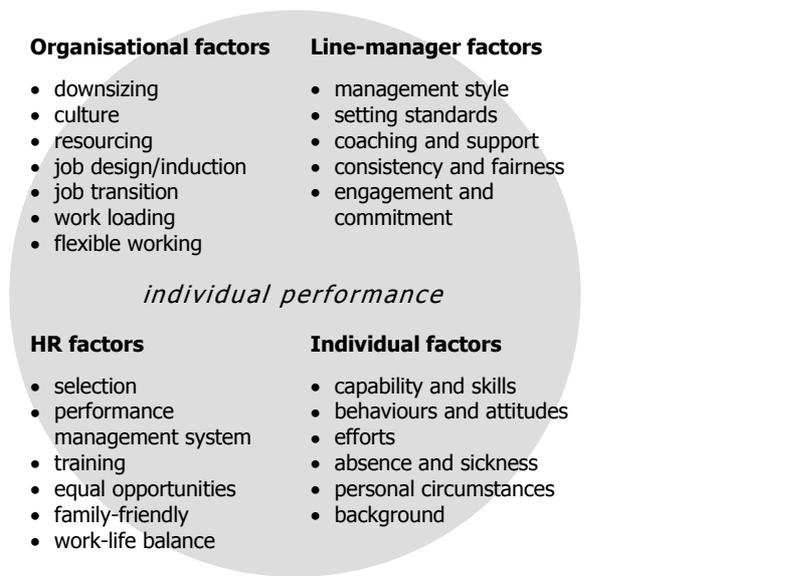
lack of co-operation with work colleagues, it may lead to the employee being removed. Similarly, the lack of capability to do the job would result in poor performance. However, the picture is quite confused when we consider that poor performance can result from role overload, unclear objectives or unrealistic targets. Changes to the work environment would probably raise the level of performance.

On the other hand, absence (which can again be seen as a sign of poor performance) or a personal or domestic problem may be better handled by Occupational Health. Perhaps the clearest boundary in the picture is the overlap between behaviour and attitude, and misconduct. If the employee is dishonest and unethical, there are strong reasons for invoking the disciplinary process and, ultimately, their exit.

2.5.2 Potential causes of poor performance

It may be easier then, as Figure 2.2 shows, to think of poor performance in terms of the factors that may have caused it, or at least have preceded it. There are many ways that poor performance might be defined by an organisation and different

Figure 2.2: Factors that may impact on individual performance



Source: IES, 2004

perspectives depending on the level at which it is addressed and the key player involved. While the factors below might not all lead to poor performance, their presence may have some impact on the likelihood that individual performance may end up being labelled as poor.

Organisational factors

At the organisational level, we may find the following factors impacting on individual performance:

- **The culture of the organisation.** Some may believe that all poor performers can be developed in order to improve their performance, and that they should invest indefinitely in their poor performers. Conversely, other organisations may have a 'blame' culture, where it is difficult to address performance issues. This may be the difference between whether poor performance is 'talked about' or 'brushed under the carpet'.
- **The resourcing strategy of an organisation.** This may involve downsizing putting pressure on the people who remain: the so called 'survivor syndrome'.
- **Job design and work loading.** Flatter structures enlarge jobs and push down a level of responsibility, with consequent pressure on more junior staff. It may be the individual simply doesn't know what to do. The job may be poorly designed or there may be a mismatch between capabilities and job content.
- **Job transition and induction.** Duncan (1997) believes people are not necessarily poor performers themselves, but rather the environment in which they find themselves affects them. For example, a new manager who has been recently appointed is struggling to make an impact, downgrading management's view of his potential.

HR factors

- **Wrong selection and recruitment.** Employers need to review their selection process, to ensure its validity in producing recruits who are likely to be good performers.
- **A poorly designed or implemented performance management system.** A performance management system

needs to establish clearly defined individual performance objectives for all employees.

- **Lack of development support.** Individual development plans can identify competencies in which employees need to show improvement. The plan should also include specific development objectives that will enhance performance in those competencies.
- **Limited innovative work patterns.** Organisations need to introduce flexibility to their work patterns to attract staff with caring responsibilities. This may otherwise result in unnecessary absence.
- **Absence of policies to manage poor performance.** Successful organisations are more likely to implement policies effectively, with respect to the management of poor performers, compared with average-performing organisations (Axelrod *et al.*, 2002).

The role of the line manager

As Tamkin *et al.* (2003) argue, managers feel torn between hard and soft management styles. On the one hand, they feel pressured to demonstrate excellent soft skills to maintain morale, commitment and motivation. On the other, they have to respond to the demands on increasing output, dealing with poor performance, and hitting stretching targets. Their toughest skill challenge is how to give negative feedback in relation to managing poor performers. Poor performance can often be caused by managers not outlining or clarifying the standards that are expected. Senior managers may not have the background, inclination, or time to explore these issues with poor performers. Instead these employees can find themselves tolerated, demoted or terminated (Duncan, 1997).

Individual factors

For the organisation, the 'knock-on effect' of someone not doing the job properly can be wide ranging (Goldman and Lewis, 2002). Poor performers may cover up their shortcomings by blaming and bullying others. However, there are background characteristics that may lead to employees being unfairly labelled poor performers.

Ethnic background

Rick *et al.* (1999) found that ethnic minority employees were likely to be found in disproportionately high numbers experiencing disciplinary action in a number of local authorities, or to have their good performance attributed to luck or ease of task. In the same study, when employees were asked to think about excellent performers in their organisations, ethnic minority employees were less likely to be given as exemplars of excellent performance, and were over-represented in the poor performer category, *ie* biased mental models of performance.

Personal circumstances

In many cases, it is likely that poor performance is being caused by circumstances in the employee's personal life. Bereavement, the break up of a relationship, financial worries, the birth of a child, drug abuse, and ill-health will all impact on an employees' work performance. Any ethical employer should spend time to identify what personal factors may be influencing an employee's performance, and should give as much help as is reasonable in terms of extra-time off, counselling *etc.*

Sickness and absence

Research evidence shows that, for some employees, absence is a mechanism for avoiding specific aspects of work that are perceived to be unpleasant. The need to avoid emotionally demanding, or stressful situations in the workplace may also result in absence. Some of employees' sickness levels can be attributable to characteristics of the workplace, which can be addressed by management actions (Bevan and Hayday, 2001).

2.6 The legal framework

Recent high-profile examples of organisations being sued for racial, age, or gender discrimination after having implemented systems to identify poor performers, may prevent organisations from addressing the issue (Rogers and Davis, 2002). Fear of litigation occupies the minds of HR and others' in organisations. Given that dealing with poor performance may eventually lead to disciplinary action, which could lead to dismissal and, if not

handled correctly, to court, this is a lengthy and risky process. Although it is beyond the scope of this research to examine the legislation, HR and line managers need to understand legal employment requirements.

The legal and anti discriminatory framework*

- Employment Relations Act 1996
 - Employment Rights Act 1996
 - Employment Act 2002
 - Sex Discrimination Act 1975
 - Race Relations Act 1976
 - Race Relations (Amendment) Act 2000
 - Disability Discrimination Act 1995
 - Employment Equality (Sexual Orientation) Regulations 2003
 - Employment Equality (Religion or Belief) Regulations 2003
- *some of the relevant regulations, but not an exhaustive list

Managers who are being asked to deal with poor performers should receive full support from their human resources and legal departments. Faced with operational constraints, they may be more intent on removing the employee, which can conflict with HR advocating the protection of employees and the legal department avoidance of all legal risks.

According to Gennard and Judge (2002) dealing with poor performance is a legal minefield. Poor performance is legally defined as '*when an employee's behaviour or performance might fall below the required standard*'. Perhaps this is the clearest definition we have encountered so far. Nonetheless, the picture muddies when we consider the reasons. According to the Employment Relations Act 1996 it can be fair to dismiss an employee for:

- showing insufficient capability or qualifications
- showing inappropriate conduct
- redundancy
- breach of statutory provision
- for 'some other substantial reason'.

This might explain why some employers tend to confuse poor performance with negligence, incapacity or misconduct. The law does not differentiate these clearly. This is to a large extent due to the fact that the divide between gross misconduct rules in employment and poor performance is not clear-cut. It is difficult to incorporate rules about poor performance into rules in employment (*eg* time-keeping; absence; health and safety; misconduct; use of company facilities; confidentiality and discrimination). Similarly, there is a need to adapt to different company cultures, so it is important to provide employees with clear guidelines of what is acceptable in the workplace for both behaviour and performance.

Employers are required to follow, and demonstrate they have applied, the principles of:

- fairness
- consistency
- natural justice.

The Employment Act 2002 has taken procedural fairness a step further. It refers to the Employment Rights Act 1996, which states that if the employer fails to follow or complete the procedure, an employee who is dismissed as a consequence will have been unfairly dismissed. It is further reinforced by the requirement that procedural arrangements are complied with before cases are brought before employment tribunals and there is a provision for a 'cooling off' period so that both parties can seek a compromise.

This chapter has explored what is meant by poor performance. Defining poor performance in an organisation may be shaped by a variety of factors derived from a broad spectrum of interests, *eg* business, HR and employee rights to name but a few. At the organisational level, however, these still remain somewhat removed from individual employees – we explore whether the measurement process may be more successful in communicating clearer messages about performance.

3. Measuring Poor Performance

Summary

- multiple levels of acceptable performance
- objectives are the cornerstone
- spelling out negative behaviours is useful
- appraisal, but evidence from several sources
- organisational league tables disliked ...
- ... but moderation/calibration validate
- crossing the line: the grey areas.

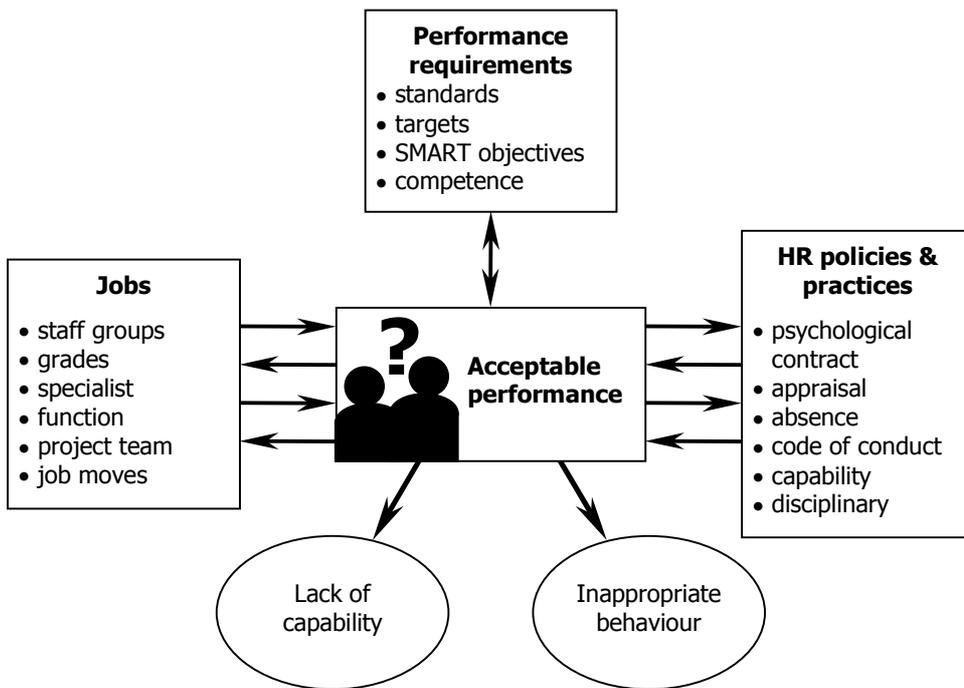
Both from a point of view of the overall organisation and the legal framework, the previous chapter put poor performance squarely at 'below standards' or 'below expectations'. This is, therefore, key to measuring poor performance, but:

- is it the employee or something else?
- is poor performance bad or just average?
- is performance absolute or relative?

3.1 What is acceptable?

Employees need to know what constitutes an acceptable level of performance, below which their organisation will consider their performance to be wanting. Not so easy when we look at the variety of messages that they may receive from their employers about performance requirements, as Figure 3.1 demonstrates. Performance requirements may vary according to the jobs, the level of skills and seniority amongst other things and could be

Figure 3.1: What is acceptable performance?



Source: IES, 2004

facilitated, or indeed hindered, by the presence and effectiveness of other HR policies and practices.

Given these conflicting messages, it may be difficult for an individual to have a clear view of what is meant by acceptable. The onus is, therefore, on line managers to instil some much-needed clarity, and for both parties to agree a standard of performance as well as the targets to be delivered.

3.1.1 Is performance appraisal the best vehicle?

Previous IES research, based on almost 1,000 managers shows how performance review is becoming an over-burdened management tool. Line managers are additionally expected to identify staff training needs, provide career counselling, spot high flyers of the future and manage poor performers. While each of these is a legitimate part of managing, in seeking to do so

many things at once, it is hardly surprising to find that many appraisal schemes fail to deliver any of them effectively (Strebler *et al.*, 2001).

According to a recent survey conducted by IRS (2003), only 17 per cent of the 95 employers responding used appraisals to identify and deal with poor performance. Much emphasis was given by our employers to addressing performance issues informally and as soon as they arose – and most likely outside the performance appraisal process. This was often referred by the managers we interviewed as ‘*micromanaging*’ (eg setting clear expectations and monitoring progress). It could be argued that this should form part of an effective performance review process in the first place. Nonetheless, even a well-thought out performance management system will be ineffective if managers lack the competence and confidence to use it. Managers would be better prepared if their training focused on writing measurable objectives, assessing and evaluating competencies, and interacting effectively with employees. These interaction skills will enable managers to effectively reach agreement on performance expectations, provide honest feedback, coach poor performers and discuss the repercussions of not improving performance. There will obviously be times when using a separate policy, such as a capability procedure, will be called upon (see Chapter 4). The efficacy, or otherwise, of performance appraisal in dealing with poor performance rests on the extent to which the performance is unacceptable, which in turn depends on the accuracy of performance measurement.

3.2 The performance measures

It may not be surprising by now that there are also many ways that an organisation measures the level of performance to assess whether it is good or bad, as shown in Figure 3.2. All our employers were using both **hard** and **soft** measures to assess an individual level of performance shown in the outer ring. They differed in how they combined these to obtain a rating and in what kind of benchmark they used.

3.2.1 Outputs are key ...

The outputs achieved would be the most important measure of performance in our organisations. Failure to achieve them would obviously be a signal for investigating the level of performance further. To this end, most of the HR managers interviewed would look for the objectives set as a first step when a potential poor performer was identified:

'We turn to the list of objectives set as the cornerstone for measuring poor performance.' (Manager in a financial organisation)

But how representative is this list when, as shown by another manager, the difficulty level of objectives has changed and the onus put on 'value added' is much greater?

'Historically the big change for us was liP and, in particular, business planned deployment – it is not around every day objectives but stretch.' (Senior manager in a manufacturing organisation)

Or some of these are more critical than others ...

Figure 3.2: The performance measures



Source: IES, 2004

The criticality factor

- critical (can only remove or demote someone for failure to achieve this)
- non-critical
- additional

... or opportunities or autonomy to achieve targets may depend on the role, function or location or part of the business the employee is working for. For example, objectives may be difficult to set for low-complexity job contents, which rely on delivering a number of prescribed tasks. Or simply, as is often the case, that some line managers are themselves poor at setting SMART objectives and assessing whether they have been achieved.

3.2.2 ... but can competencies help?

Arguing that it is not **what** is delivered, but **how** it is delivered has become somewhat of a cliché. Nonetheless, competency frameworks, which were used by all our case studies, deserve a closer look in terms of setting behavioural indicators of poor performance. Indeed, as our discussion on the legal framework shows, these may be the only way to communicate some of the negative behaviours, *eg* poor timekeeping, unwarranted absence *etc.* (see section 2.6). Again, there are a number of caveats which may limit the effectiveness of the assessment.

- How many of these competencies are critical or optional? Work on assessment shows we can only excel at a few.
- Are there levels of performance or job requirements that are attached to each? Employers are beginning to discard performance levels as staff did not readily accept them nor were they used appropriately, and it was difficult to disassociate levels of performance with levels of seniority.
- Are behavioural examples of what is considered poor performance by the organisation included? While it is understandable that organisations wish to reinforce a positive message, actions that are not helpful to the business are unequivocally spelt out (Warner, 2002).
- Has the competency language been diversity proofed? White and minority ethnic employees, for example, can use quite

distinct but different types of competencies when describing the performance of individuals (see section 3.4.2).

- Are the appropriate weights given to competence and behaviours in order to arrive at an overall performance measure?

3.2.3 What counts as evidence?

Some employers are relying on external tests of capability. These may be administered in an assessment centre setting, or by an external consultant, for an individual assessment diagnosis. Employers should be mindful that some of these tests may not be representative of performance in current job.

'If two employees are told to improve their sales presentation skills, one may be judged merely on how they were ranked in a training session, another on whether they delivered a predetermined number of live presentations and how the clients responded. Those are two different goals, and more importantly, two very different sets of measurement – one a formalised training process, the other a live sales scenario.' (Axelrod et al. 2002)

Feedback from other sources such as boss, peers, subordinates, and external customers is increasingly sought. Previous IES research found that multi-source feedback had a positive impact on staff motivation and increased their belief that their manager was as accurate as possible in judging their performance (Strebler et al., 2001).

Bearing in mind the issues surrounding objective setting and competency descriptors discussed above, these have to be combined somehow to obtain an overall measure of performance. The employers in the study did this with various degrees of transparency. One approach was to ask managers to produce an overall rating, taking account of the achievement of objectives and demonstration of competencies. Another organisation asked managers to give an overall, but separate, rating to objectives and to competencies (from outstanding, valued contribution to below expectations). These were then combined into an overall score. The permutations were such that someone with an outstanding score on objectives or competencies but below expectations on the other, ended up labelled a poor performer.

Figure 3.3: Organisational approach to spotting poor performers

Potential	Actions			
High potential several moves up	<ul style="list-style-type: none"> • new to role • coaching • change role 			
Potential for one move up	<ul style="list-style-type: none"> • new to role • coaching • change role 			
May develop within the band	<ul style="list-style-type: none"> • new to role • coaching • change role • exit 			
No potential upwards or in current role	<ul style="list-style-type: none"> • selection error • redeployment • exit 			
Performance	Unsatisfactory performance	Satisfactory performance	Superior performance	Distinguished performance

Source: IES, 2004, adapted from the manufacturing organisation

3.2.4 Spotting poor performers

Most of employers in our research used a process of standard monitoring or calibration. One organisation had a cascading process that involved calibrating staff performance from the individual, to functions right through to the whole organisation. The approach to spotting poor performers adopted by the manufacturing organisation (see Figure 3.3) is helpful towards communicating a clear message about current performance and future prospects within the organisation, rather than a nebulous concept of ‘the best’ as done by others.

3.3 Poor or simply not the best?

The aggregated measures of individual overall performance are often arranged into some kind of forced ranking. At the core of Figure 3.2 (discussed earlier) is also whether the forced ranking is judged with regard to other employees’ performance *ie relative*, or whether it applies a standard, *ie an absolute* level of performance. Examining how organisations used forced ranking challenges the opinion of a senior manager in one of our case

studies who thought that employees have a view about their contribution.

'Most people know how they are adding value.' (Senior Manager, manufacturing organisation)

3.3.1 Is poor performance normally distributed?

Forced ranking requires an organisation to decide what would be an appropriate distribution of ratings. These may be derived from identified performance gaps and improvements required by the organisation. Targets are then set for the percentage of employees expected to fall into each category. A typical bell-shaped distribution, also known as the vitality curve, would aim to have ten to 20 per cent of top performers and five to ten per cent of lower performers with most of the staff as the middle average performers (Rogers and Davis, 2002).

3.3.2 ... or are poor performers at the bottom of the league table?

Some organisations assert that poor performance is relative. In line with this, poor performance is not necessarily unacceptable performance. Employees who are incompetent or unethical should easily be dealt with through normal disciplinary and dismissal procedures. However, some employees may deliver acceptable performance but, compared to their better performing colleagues, they are still poor performers. This creates a sort of organisational league table.

This ranking is then typically used to determine performance-related pay. The data can also be converted to identify employees whose relative performance is unacceptable. In theory, by getting rid of the bottom performers, the company improves the average level of performance, raising the performance level for the rest of the employees in subsequent years. In many organisations, forced ranking is evolving into a highly sophisticated measurement activity, supported by a growing array of software tools and business processes.

3.3.3 Either way forced ranking is a demotivator for all except the very best

Organisations using ratings in this way put faith in a system to modify performance rather than encourage line managers to deal with poor performance issues. Forced ranking causes low morale and encourages staff to compete against each other. In fact, in some cases forced ranking may ultimately cost the organisation more than if the poor performers were just tolerated. Recently, a number of high profile lawsuits in the US have forced many organisations to reconsider using forced ranking. For example, the Ford Motor Company's system graded employees A, B or C. The intention was to remove C performers. Instead, Ford landed up in court. Six lawsuits were filed by irate employees, and subsequently the system was changed (Rogers and Davis, 2002). Furthermore, an employee who receives consistently negative performance feedback may be more likely to experience emotional exhaustion than a person whose feedback is generally positive (Brown and Benson, 2003).

3.4 Crossing the line: the grey areas

Figure 3.1 showed that crossing the line below 'acceptable performance' may involve employees lacking capability or displaying inappropriate behaviour. There are several areas where crossing the line presents a rather complex picture.

3.4.1 What makes a good day's work?

Sometimes employees are present at work, but not really working. It is difficult to define what means a fair amount of work. This may also be linked with sickness absence, where it is difficult to tell if sickness is legitimate. However, the presenting problem might be quite deceptive, as one of our line managers experienced.

A performance problem resolved by increasing workload

A manager was confronted with a problem with a member of the team who was dismissive, was surfing the Internet and using her mobile phone, and not producing the quality of work expected. She explored reasons behind it first and then called a meeting to deal with it informally. She explained the need to demonstrate value. Initial

improvement tailed off so the employee was put on formal stage 1. The manager gained her trust and tried to help. It turned out she was bored and wanted to be kept busy and appreciated.

3.4.2 Beware of culturally defined behaviours

Sometimes, behaviour does not conform to the expected standard, or its value is perceived differently depending on different cultures. White raters, for example, favour management skills, knowledge of organisation, and cognitive competencies whereas minority ethnic groups favour organisational skills, time management, team working and self-management (Rick *et al.*, 1999). It can be argued that the former competencies would be ones that get you noticed in an organisation.

3.4.3 Is the employee in control and willing?

Organisations need to be aware of the ACAS Code of practice for several reasons (ACAS, 2003). It distinguishes between capability or conduct because they have different procedural steps. The latter has a more formal procedure. The notion of '*within the employee's control*' is included so that an employee capability or inefficiency may be disregarded if it is for reasons outside his/her control (eg lack of skills for a post, or short or long-term health problems). A further notion of '*employee willingness*' is added so that there is a conduct problem if the member of staff fails to knowingly do something that he or she is capable of doing (eg because of laziness, carelessness, attitudinal and working relationships). The psychological contract mentioned in Figure 3.1 refers to the employment relationship as one of mutual trust. The following incident demonstrates that both improved performance and trust are needed to resolve a poor performance issue.

Trust broken

A manager identified an employee whose performance was below standards. She told the individual and set objectives to deal with the issue. There were mitigating circumstances in that he had problems with his partner. They spoke weekly and gradually attendance and performance improved. Meanwhile, the manager discovered that there had been a breach of confidentiality with another manager; trust was broken and the employee left.

This chapter reviewed the ways in which employers measure poor performance. The messages about what employers mean by an acceptable level of performance can be confused and depend on line managers' consistency of approach. Some of the measures of poor performance, such as the lack of achieving objectives or inappropriate behaviour, however easy to observe, are still subjected to factors beyond an individual's control. Organisations need to be aware of the dangers of discrimination and the impact of using forced ranking either relative or absolute. This is likely to affect the approach that employers put in place to deal with poor performers.

4. Dealing With Poor Performance

Summary

- to decide whether to improve or remove
- informal vs. formal procedures
- common practice is the capability procedure
- organisations have a list of poor performers
- why line managers don't act
- equipping line managers to deal with poor performers
- TAPS — a simple mnemonic

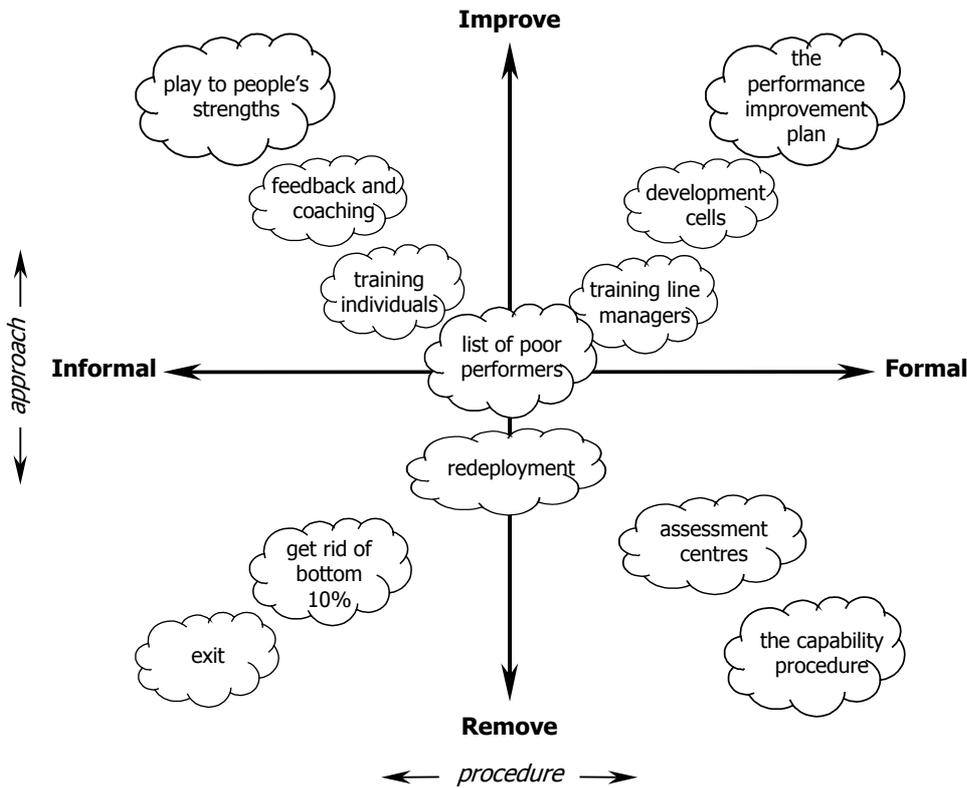
The issues of definition and measurement, discussed in the previous chapters, are partly affected by what people think their organisation is going to do with poor performers.

- How do approaches vary depending on whether the ultimate aim is dismissal or development?
- Is the capability procedure a means to act to avoid litigation?
- What can we do to help line managers deal with the issue?

4.1 Organisational approaches: improve or remove?

Aside from the other factors discussed along the way, such as a review of the selection process to avoid recruiting poor performers in the first place, organisations need to put in place an overall approach and procedure to deal with poor performance. The approaches to deal with poor performance, which we encountered in our case studies, seemed to cluster

Figure 4.1: Organisational approaches to deal with poor performance



Source: IES, 2004

around two important, but diametrically opposite, dimensions, as shown in Figure 4.1:

- whether the organisation's ultimate aim was to improve performance or remove the employee
- the degree of formality of procedure used to achieve their aim.

If all else fails, however, approaches are not mutually exclusive and all of our employers would invoke some more formal and final measures, such as a disciplinary policy.

4.1.1 Improving performance

Some organisations adopted a developmental approach, believing that employees' performance could be improved. Their

intervention, therefore, included a sharper focus on training and development. In this case, a varying degree of formality of the process used was also in evidence. Towards the more formal end of the procedure, but still with an improvement emphasis, we found the approach that the manufacturing organisation had developed, ended in a performance improvement plan.

Discussing poor performance is legitimate

At the manufacturing organisation, all senior managers regularly discuss the performance of their people at development cells held on a monthly and quarterly basis. Discussions include lower performers and possible causes, roles, problems and issues. There is a 'lower performers' list. Managers talk about what individuals could do to improve their performance, if only they knew this can be followed by voluntary severance discussed with the union. Individuals receive informal feedback confirmed by a formal letter, about the company's views of their performance and potential. There is a validation of the exercise by another manager, usually from HR.

At the other end of the spectrum lies the approach adopted by the electronics company, which believed in informally matching people to roles according to their strengths.

Playing to people strengths

The electronics company separates reward from development and differentiates between performance and potential. Individual performance against objectives is compared against a peer group calibration. This highlights the strengths and gaps early on in an individual's career with the company. An 'individual strengths' profile is used to assign project responsibilities and new roles. Managers are encouraged to focus on performance gaps and coach individuals to meet expectations. The company also uses more formal processes if needed.

While all organisations would ensure that adequate training was provided to individual employees, the approach taken by the county council was to formalise their procedure and educate their managers.

Tightening the process via manager training

Being rated average but a safe authority as a result of a CPA exercise was one of the drivers prompting the Council to review its performance. Staff survey results also revealed that only 45 per cent of its staff believed their manager was effective at tackling poor

performance. Wanting to tease out performance issues, they have developed strategies that include a moderation system and a training core module for line managers.

4.1.2 Removing employees

As far as we could tell, none of our case studies espoused the drastic, and much disliked, removal method adopted by some private sector companies in the United States (see also our discussion of forced ranking in Chapter 3).

Getting rid of the bottom ten per cent

'Forced ranking is used by an estimated 20 per cent of US companies. Companies such as General Electric, Sun Microsystems and Conoco find forced ranking systems beneficial because they encourage managers to identify and remove those who are ineffective and force a predetermined compensation distribution curve in which top performers are rewarded and poor performers are forced to either improve or — more likely — move on.' (*Rogers and Davis, A Poor Way to Manage Poor Performers, p1, DDI, 2002*)

But pressure to move towards such an approach could be sensed during our discussions. The central government agency, for example, used a not too dissimilar process to review the capability of its senior managers.

Starting at the top

This public sector agency needed to move from a family working environment to a seller of products operating in the private sector. A new CEO decided to address leadership style and change its culture in the process. All senior managers attended an assessment centre led by the board. This resulted in 50 per cent of longer-serving managers leaving the organisation. The organisation has also introduced a more stringent selection process, the need to manage performance as a managerial objective and a potential development centre.

4.1.3 The list of poor performers

Either explicit, as in our example from the manufacturing organisation above, or implicit as in some of the other organisations we talked to, the list of poor performers seemed ubiquitous. HR and senior management could use it for:

- identification of training needs, obsolete skills and competencies
- as part of a resourcing strategy, possibly leading to redeployment
- standard and diversity monitoring and calibrating across the organisation (see also Chapter 3).

For the latter, one employer used the list anonymously – asking HR to remove the names before it was presented to management. Despite this laudable attempt to minimise the impact on individuals, organisations need to ensure that people on their lists are real poor performers (see our discussions of other factors that may impact on performance in the previous chapters).

4.2 The capability procedure

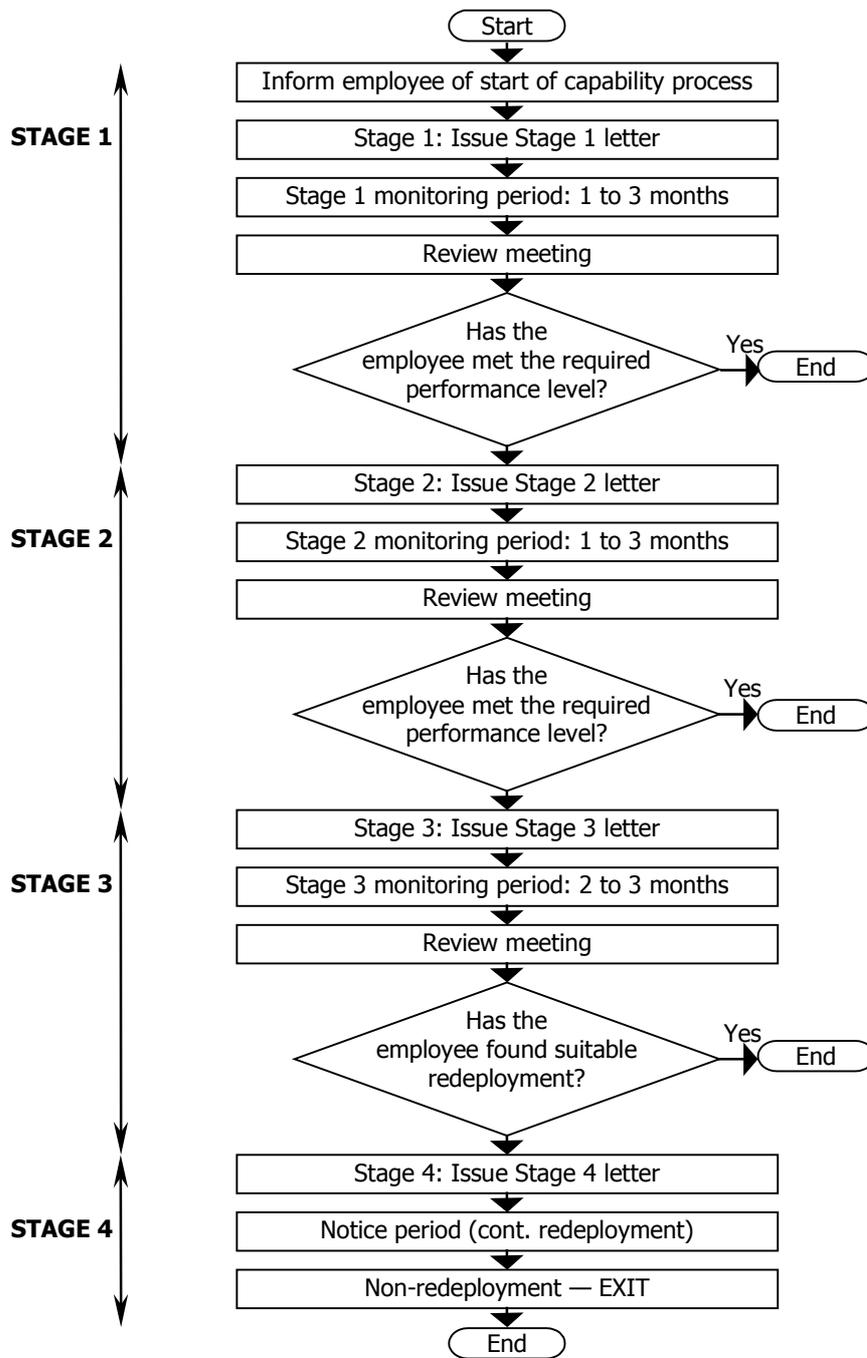
All the organisations in our study have, or had recently, introduced or reviewed their capability policy. The capability process followed was clearly illustrated by one of our case studies as a series of steps (see Figure 4.2). We reviewed these policies and procedures using the following criteria to assess their effectiveness:

- how clear the process was
- number of warnings
- improvement periods
- roles and responsibilities of key players
- user-friendly and practical single source of guidance
- use of positive guidance, as well as formal procedure
- communication and dissemination
- integration into mainstream training (*eg* induction, management training *etc.*).

Our brief trawl of six policies/manager guidelines revealed that:

- All policies score for clarity, numbers of warnings, the key players involved, being fairly user-friendly and communication to staff (either via staff handbook or Intranet or both).
- Numbers of warnings vary from one to three and whether there is one informal stage.

Figure 4.2: The capability process



Source: IES, 2004, adapted from the manufacturing organisation

- The recommended minimum length for each period of improvement is not always included, but when it is, three months is the usual period.
- The extent to which the policy is couched in more positive terms (eg endeavouring to support staff, identification of other factors, such as sickness, action plans) is fairly limited, as is the extent to which it is integrated into mainstream training.

Separating poor performance from conduct

The Service provided by the central government department had reviewed its policy and separated it from disciplinary issues. It spells out the content of the discussion with the jobholder and the need to consider the reasons for poor performance; to identify the performance shortfall and to agree the action to be taken. The reasons when staff may be eligible for compensation are also included namely: domestic responsibilities where the job holder (JH) has made every effort to alleviate the problem but management has been unable to; introduction of new working practices: where a previously competent JH has failed to adapt despite training; promotion: when a JH is promoted beyond capabilities; management tolerance: where a pattern of poor performance has been allowed to develop unchecked over a number of years.

The capability procedure is also the means to document performance issues, which is the key to being able to act. However, evidence also needs to be collected earlier on as part of the appraisal process. Most organisations should clearly spell out the link, or the difference, between their capability and disciplinary procedures as the boundary is often blurred.

4.2.1 Redeployment

Most of our case studies have a redeployment process, although some are more explicit than others are. In the case of the manufacturing organisation, it has extended the process into providing employees with much support to find suitable jobs, either inside or outside the organisation. Employers need to review their redeployment process carefully to avoid any unnecessary stigma for employees. In our experience, employees end up on the redeployment register for all sorts of reasons, not all of which are due to poor performance. Employees who are not terminated are deemed to be of value to the organisation albeit in a different, and perhaps less demanding, role.

4.3 Are line managers equipped to deal with it?

Many managers ignore the problem – hoping it will go away and then get angry when it resurfaces. Others, with wider spans of control, may not notice there is a problem. Interviewees gave not mutually exclusive but colourful reasons for managers not dealing with performance issues.

Why line managers don't act?

- don't spot there is a problem
- afraid of dealing with it
- 'bury head in the sand'
- don't know how to
- no time
- not accountable
- fear it reflects on own performance
- poor performers themselves
- don't realise mechanism in place to deal with it
- moving on

4.3.1 Managers need to be trained ...

Managers were provided with much guidance but often expressed the wish to discuss performance issues in more depth. Some of the training packages introduced by employers were thorough.

Training line managers to use the capability process

The manufacturing organisation provides managers with a 10-stage process including:

- a business communication
- pre-briefing by manager
- pre-work and three-skills practice workshops (day-to-day performance, information gathering and recording, simulated scenarios)
- observed real life performance discussions
- process evaluation.

4.3.2 ... should get support from their organisation ...

The manufacturing organisation gave its managers a lot of credibility and recognition for dealing with a performance issue. The overall process, which involved senior management assessing and communicating both potential and performance level, also supported them. HR was seen as a good source of support by some, particularly in articulating the guidance and pre-empting issues as well as getting informal support.

4.3.3 ... should be good at spotting problems ...

Thus identifying true poor performance involves the following sequence:

Table 4. 1: Identifying true poor performance

Sequence	Response
Is there a performance problem?	check control & willingness; other factors
Is it at an acceptable level?	check against standards and competencies and criticality factor
Whose problem is it?	determine whether manager or individual
What is the most appropriate response?	training, new manager, action plan improve or remove

Source: IES, 2004

4.3.4 ... and take action early

The most common message emerging from the study is the need for managers to deal with issues early rather than let them get worse. We would like to offer them a mnemonic as an illustration

Figure 4.3: Turning on the taps: encouraging line managers to deal with poor performance

- T** **timely** and early
- A** **appropriate** management style and response
- P** keep it **private**
- S** make it **specific** to performance and factual

Source: IES

of good practice. In most cases, dealing with poor performance is a bit like turning on the taps (Figure 4.3 above).

4.4 Termination of employment

When all avenues have been explored without success, there may be no alternative than to exit the employee. Termination should not come as a surprise to the employee if adequate and honest feedback has been given throughout the improvement process. Most employers were providing support to employees such as outplacement and help to find other employment. Individual severance packages were also being used, although information on these was obviously not widely available.

Several approaches to dealing with poor performance emerged from this chapter. The most important dimension, however, is whether employers want to improve or remove the employee. Strategic choices will be influenced by the organisational culture, its beliefs in employees' values, and the effectiveness of its employee policies and practices.

5. Tackling Poor Performance: The Strategic Choices

Ultimately the approaches depend on the organisations deciding what they are really trying to do with poor performance.

- Do they weed out small numbers of staff who are incompetent or abuse the system (absolute measures)?
- Do they redefine performance or assess performance to effect a radical culture change (relative measures)?
- Do they want to improve performance using a more developmental approach?

5.1 Weeding out small numbers

The definite advantage of weeding out small numbers of persistently poor performers is that this group has a big impact on the rest of the workforce, in terms of giving the message the organisation is serious about poor performance.

- It is easiest when clear performance targets can be set as in more prescribed roles and clearly measured outputs – more difficult with more complex and less defined roles (*eg* harder for managers).
- It is easier to tackle abuse (*eg* Internet shopping at work) than lack of capability.
- It needs a clear procedure and thoroughly documenting
- Care should be taken about sickness absence where it could be better handled by occupational health.

- Different cultural assumptions about working practices, language skills and values need to be checked for minority groups.

5.2 Losing the worst, keeping the best

This is clearly in vogue in the United States. The forced ranking approach is often about ratcheting up organisational performance by getting rid of the lowest performers – often average rather than poor. It is becoming trendy within the UK public sector. The expected result is that the whole organisational performance will be raised.

- This assumes that the organisation not performing is down to individuals. This is a tricky argument that may result in senior management passing the buck to middle managers.
- Ford's experience demonstrates that it can be legally difficult to defend. Is being average grounds for dismissal?
- The evidence of performance in forced ranking may not be hard evidence; assessment centres measure skills not outputs.
- Works on the assumption that 'once a poor performer always a poor performer', *ie* need to give people a chance to change.
- Could be discriminating against long-serving staff who are likely to be older.
- There is a danger that organisations may recruit more people who may not be better.

5.3 Improving performance

It may be better not to call this poor performance since it is often about re-energising people, improving their skills and communication. However, in order to encourage line managers to deal with improving performance, this should be part of their objective and they should be measured on its delivery. It should be a clear process, which needs to be firm and focus on specific aspects of improvement and needs to be distinguished from development and focused on the current job to avoid raising expectations -- in particular of unions. This approach would work if organisations would adopt a collaborative approach, where senior managers work with colleagues to support the line to maximise the contribution of all.

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