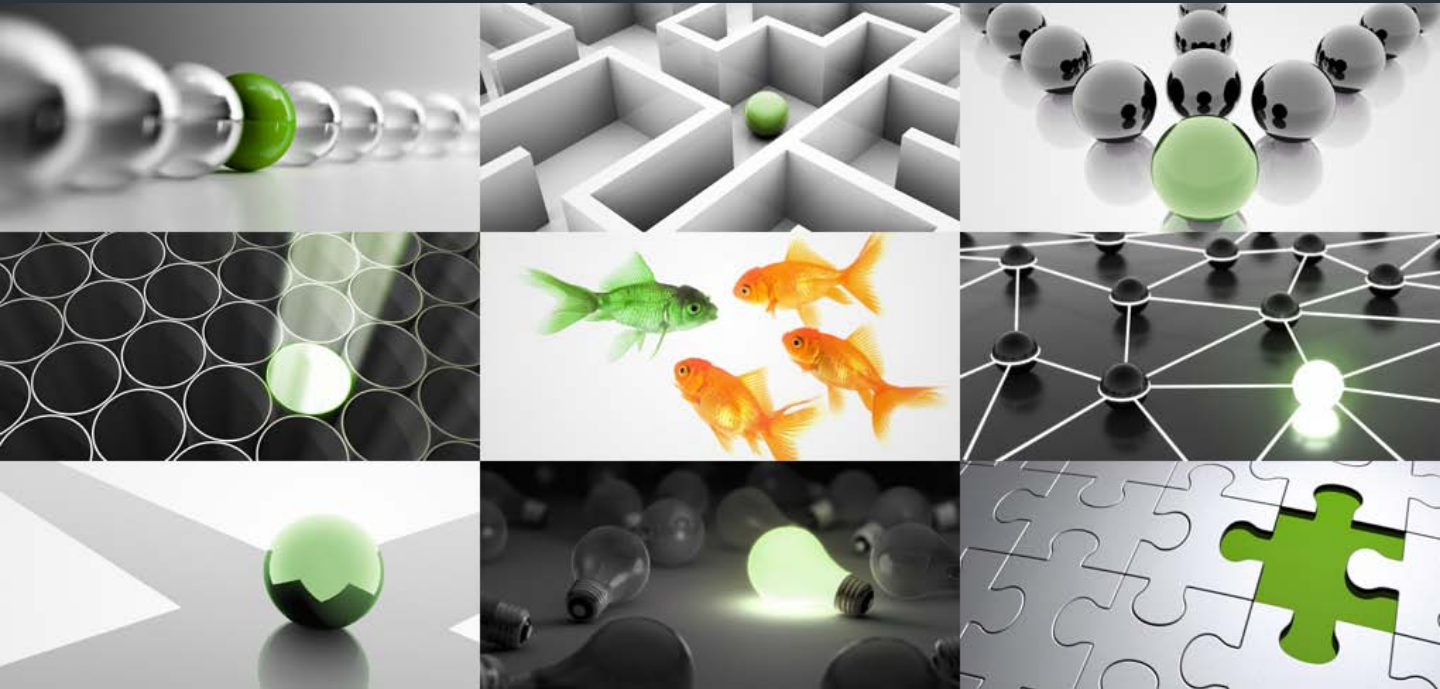


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# Rialto White Paper: Strategic HR: Performance

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*Winners of the  
Outstanding Organisation of the Year (SME) 2010  
and finalists of 'Management Team of the Year'  
at the recent CMI National Management  
& Leadership Awards.*



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***When Jack Welch handed over the reins of GE, the business press filled to bursting point with analyses of his success.***

***Most commentators agreed that his strategy of remorselessly pursuing excellence, and rooting out underperformance among his people, lay at the heart of his success.***

# 1. Focus shift: Performance Management

**The downturn in the global economy dramatically impacted HR leaders forcing them to switch gears overnight and re-evaluate, re-energise and transform themselves into significant players in the organisational strategy and decision-making process to assist companies in riding out the storm.**

Priorities quickly changed: from hiring to firing, resigning to retaining and promoting to placating.

This has resulted in a much greater focus on performance management – 72% of organisations are putting greater emphasis on performance management and the CIPD reports that demand for information and support on performance management has intensified with the economic downturn.

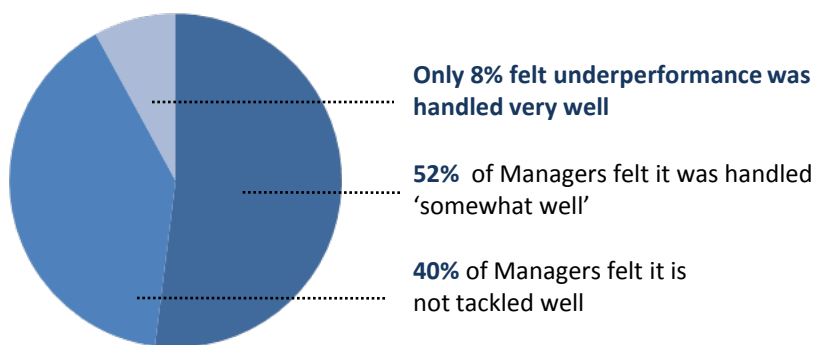
This comes as HR leaders seek to ensure that a lean workforce maximises its efficiency whilst being motivated and engaged despite uncertainty and potentially less opportunity for promotion and career advancement in the short to medium term.

With little or no recruitment, there is limited new talent to nurture and so HR is tasked with identifying, developing and retaining high performers, whilst realising that underperformance can no longer be tolerated. It needs to be improved or managed out.

Simply put, the increased importance of performance management is designed to ensure that the best people feel valued and the cost of underperformance is removed quickly from the business.

## 2. Effects of Poor Performance Management

How well is underperformance handled by organisations?



Poor management of underperformance affects engagement across the organisation. Statistics show that managers from organisations that dealt effectively with underperformance had more positive views of both their leadership and the HR function.

They rated their leaders higher and felt that HR added more value and was more influential, proactive, strategic, credible and customer focused than those in organisations where tackling underperformance was not as effective.

There are various barriers to tackling underperformance. Only around half of all managers feel truly confident in doing so. In most organisations, lower-level managers are afraid to talk openly about problems that may be blocking effectiveness and performance. Around 40% of managers feel that procedures are too complicated and another 29% feel that support from HR is not as good as they might expect.

Source: Roffey Park Survey

In the past, this has manifested itself in managers ignoring underperformers and allocating tasks to colleagues or doing it themselves but in these pressured times there is no longer the resource or the slack in the system to do this.

Tackling underperformance means challenging the behaviour of people at all levels and this requires a confident approach, a clear set of procedures and appropriate culture.

Coaching and mentoring are most influential in increasing managers' confidence in dealing with poor performance. More than 63% of managers who had participated in coaching or mentoring said that they were very confident in dealing with underperformance, compared to half of those who had not.

### 3. Identifying Underperformance

As well as not performing tasks effectively and failing to reach goals and objectives, underperforming employees may demonstrate the following behaviours:

<b>Spend excessive time on simple tasks</b>
<b>Seem tense</b>
<b>Become disorganised</b>
<b>Play politics</b>
<b>Show inconsistent results</b>
<b>Avoid/deny problems</b>
<b>Blame others</b>



## 4. Root Causes of Underperformance

Poor performance is often caused by one or more of the following factors:

- Talent/skill – every job requires some level of talent and skills. Low performance is often the result of a skill deficiency which has not been fully identified.
- Ability to learn/perform - everyone has a different learning curve but often organisations have a one dimensional learning track which doesn't produce a uniform effect - before high performance can appear, the learning component must happen.
- Understanding of role/responsibilities – some employees may simply not be clear in terms of what they should be doing and what is expected of them.
- Burnout/motivation – too much work or work that is no longer challenging or interesting quickly lead to poor performance.
- Anxiety/confidence – uncertainty about their role, the department or the organisation can cause disengagement and impact on performance.
- Systemic anxiety - negative feelings are compounded as colleagues interact causing a prevailing mood of anxiety, which gradually dominates. Negative thoughts and feelings predominate while more positive views become subtly excluded or difficult to express.

- Personal issues - often the most troubling for a manager to identify and address as this could be a range of problems and there may be sensitivity about it, plus a reluctance to discuss or even recognise its impact on workplace performance.
- Other reasons include: lack of recognition; depression; survivor syndrome – guilt at job losses of others and scepticism about the organisations prospects.

Often, the reasons are multiple and complex and need careful handling to identify. Research by McKinsey & Co has shown that empowering managers to make decisions, anticipate problems, and coach their direct reports generates higher productivity and other benefits including prompt identification of issues such as poorly performing individuals.

***Doing work that is interesting, exciting, and a learning experience is a key personal driver.***

***Experience teaches that identification with the organisation or project is the most important motive for employees to dedicate themselves actively to the organisational/project objectives and to maximise their human resource potential.***

## 5. Implementing Effective Performance Management

Implemented correctly, performance management is a powerful tool to focus activity and effort, hence enhancing overall business performance. Implemented badly it can disengage staff, foster unproductive activities, waste effort and misdirect rewards.

Performance management is a process, not an event. It operates as a continuous cycle and the process needs to support productive, organisation wide conversations about barriers to performance

As it is all-pervasive, it needs structures to support it and these should provide a framework to help people operate, and to help them to help others to operate. But it should not be a rigid system; there needs to be a reasonable degree of flexibility over how individuals operate.

An understanding of corporate strategy and goals provides the starting point, followed by agreement on performance and development priorities. There is a broad consensus amongst HR professionals that performance appraisal, objective-setting, regular feedback, regular reviews and assessment of development needs are the cornerstones of performance management.

For a performance framework, however, they must include:

- Assertive feedback
- Hands-on coaching
- Performance measures
- Clear-cut consequences for non-performance.

The process should:

- Involve employees
- Measure what matters
- Take a 360-degree view
- Set the stakes and clear expectations

A truly aligned team is vocal about its concerns, they spend the time to work out their differences and when they do actually align, they are ready to move forward with the power of each individual's 100% commitment to a clear objective.

Evaluation is usually in the form of business scorecards, KPIs or engagement. Individual and organisational performance need to be measured to provide a comprehensive evaluation of performance management. In a recent CIPD survey, when HR leaders were asked how performance management should be evaluated and what success criteria used, individual performance and organisational performance came top, at 89% and 88% respectively citing this as the key measure of the success of performance management.

### **Links to other HR processes**

When asked what other HR processes should link to performance management, HR leaders thought learning and development should come first at 85% with career development, coaching and mentoring and succession planning follow quickly behind, with talent management cited by 65% of respondents.

### Rialto Case Study

SymphonyIRI Group recognised the need to revitalise their business capability through a step change in performance of managers and employees.

Rialto identified two significant factors that were obstructing organisational performance:

- A lack of current clarity of job roles – square pegs/round holes.
- Managers were not geared up or sufficiently skilled to have productive performance conversations.

A number of innovative employee performance models were utilised, which enabled employees to self assess performance and line managers to identify performance history and potential. Managers were also developed to enhance their leadership style and adopt an improved coaching and mentoring style of team and individual leadership.

Every employee was given a choice to raise their performance within the organisation and align with the emerging new world.

Rialto worked in partnership with the leadership team and HR to achieve the following performance management results:

- Skill alignment processes were implemented - enabling clarity of roles resulting in a leaner, flatter structure.
- Managers received 1:1 coaching to prepare them for empowering conversations.
- A fit for purpose performance excellence framework was developed, which included the launch of 'Action Plan for Success' which employees are measured against regularly.
- Rialto developed a communication strategy which increased employment engagement throughout the organisation.

## 6. Engagement

Employee engagement is a critical building block in the creation of a successful organisation and performance management is seen by many as a key vehicle for building engagement. This is particularly evident in studies showing that performance management is an enabler for more positive relationships between individuals and their managers.

Performance management affects engagement in terms of both management of underperformers as well as development of high performing individuals, teams and ultimately organisations.

Gallup Research has found that the poor performance of disengaged employees can actually 'infect' their co-workers and drag down an entire company's morale and culture. Many managers fail to realise the tremendous impact that poor performance of a few employees has on the entire company's operations.

Employees become frustrated with management who are really not managing. People want management to care about performance. If somebody's not working productively, it's a real detriment to everyone's performance.

Consequently, when companies do address poor performance, employee engagement and productivity increase. 73% of employees who think their company is doing a good job of addressing poor performers identify themselves as 'favourably engaged' at work. HR leaders are recommended to communicate clearly to make lagging employees understand that performance is taken seriously, offer training and coaching support.

Generally it is felt that if people have clarity around their role and understand how this contributes to organisational objectives, they are more likely to be committed to what they are doing.

Organisations must look for ways to simultaneously retain their highest performers and promote productivity among all employees. Updating and upgrading ineffective performance management policies is a practical and often simple way to accomplish this goal. When implemented and developed correctly, a performance management system can drive engagement, morale, and, ultimately, profitability.

### **Specific ways in which HR professionals can help**

- Coaching and supporting management
- Identifying those who are struggling and where possible, coaching them to gain insight and behave more effectively.
- Providing an outlet for leaders to offload their own negative emotions, whether distress, anxiety, anger or guilt.

## 7. Conclusion

### The HR Leaders Opportunity

HR has the opportunity to create a compelling strategy that drives employee engagement and is aligned to organisational goals –how people are managed is a key factor in overall business performance.

Whilst the current economic difficulties will eventually ease, the bedrock of performance management, a trend which took shape in the 90's, will continue and HR leaders who can implement a strong and successful performance management strategy will be well placed when the clouds clear.



Rialto specialises in unique change management and transformation solutions which deliver exceptional results. We provide a range of services and interventions associated with the entire people agenda

**Our services include:**

Improving Business Performance

Transforming the Performance Culture

Executive and Leadership Coaching

Outplacement for Senior Executives

Outplacement and Career Transition

Executive Search

Interim Management

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