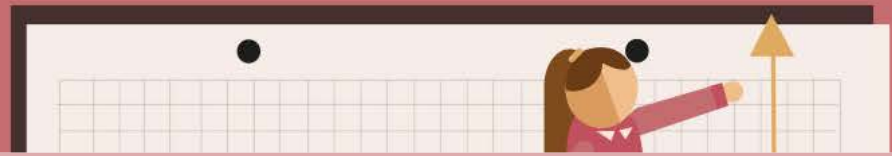# Principles of Developing, Managing and Leading Individuals and Teams to Achieve Success

Lesson 6

Managing Team Performance

Performance management cycle and performance objectives

Quantitative and qualitative measures of performance

Capability processes and disciplinary procedures

Performance Management

As a team manager, one of your key roles is to monitor and manage both individual and team performance. This is commonly referred to as 'performance management'.

The CIPD defines performance management as "a process which contributes to the effective management of individuals and teams in order to achieve high levels of organisational performance."
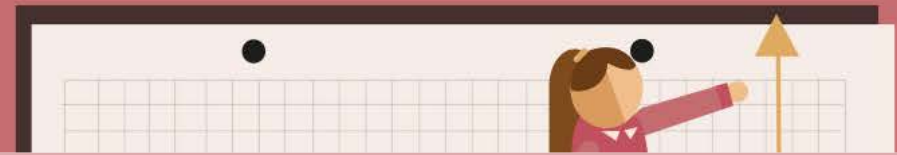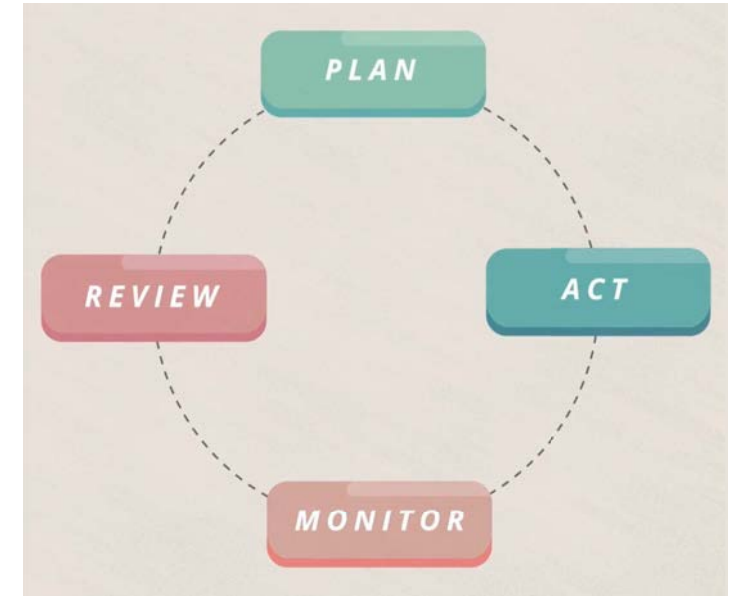
Performance Management Cycle

The performance management process is usually illustrated as a cycle. This emphasises that it's a continuous process rather than a single event.

The cycle is usually made up of 4 parts:
- Plan
- Act
- Monitor
- Review

Let's look at each of the stages in a little more detail.

Planning

At the start of the process the manager sits down with their team members to Plan their future objectives. These will be used as a reference point to monitor their performance, and to help guide any development activities they might need.

The manager may agree objectives for the team as a whole, as well as with each individual member.

Let's say, for example, that you manage a sales team. You set your team an objective to increase company sales by 10% over the next 6 months. Meanwhile, you might agree an individual objective for one of the team's members to secure sales with at least three new customers.

Using SMART Objectives

Managers often use a framework to help ensure these objectives properly align with the company's overall mission and its strategic goals - as per the Golden Thread model that we looked at in lesson 4.

The best known of these frameworks is the SMART model. According to the SMART model, objectives are more effective when they are:

- Specific
- Measurable
- Achievable
- Relevant
- Time-bound

Using SMART Objectives (cont.)

Specific means the objectives should be precise and not overly complex.

Measurable means they should be capable of either quantitative or qualitative assessment.

Achievable means they should be realistic to attain.

Relevant means they should align with the overall goals of the organisation.

Time-bound means they should have a specified deadline.

Acting and Monitoring

Once individual or team objectives have been set, the next two stages of the cycle happen simultaneously.

During the Act phase of the performance management process, the team and its members follow their agreed plans, making sure they focus on achieving their specific objectives.

At the same time, the manager Monitors the team and takes any corrective action that might be needed to ensure they stay on track to meet their goals.

Review

The final stage is Review: this is a formal opportunity for the manager to look back at the achievements of the team and each of its individual members.

In a traditional performance management process, this kind of formal review typically takes place once or twice a year, and focuses on performance over the whole period to date. The results are then recorded, and fed into the next plan - which starts the cycle all over again.

Informal Chats

However, there is a growing trend for employers to move away from this kind of rigid annual structure. Instead, managers are increasingly having more informal chats with team members about their performance on a more regular basis.

In 2015, for example, technology company IBM stopped using its 'traditional' model of annual performance review meetings between managers and employees. It replaced them with a new online programme, involving quarterly formal feedback conversations, along with continuous informal feedback throughout the year.

Ongoing Conversations

Encouraging these kinds of regular, ongoing conversations can help ensure team members stay focused on their objectives.

So rather than just agreeing them with their manager and then filing them away for a year, team members should always have their objectives at the forefront of their minds - and their goals can be updated and amended to make sure they stay relevant.

Performance Objectives

Performance objectives are often expressed as quantitative - or numeric - goals. For example, a team manager might have the goal of reducing sickness absence in their team by 5% over the next 6 months.

These measures use numbers to make it clear what has to be accomplished and to make it easy for managers to assess progress.

Targets and Benchmarks

Quantitative measures of performance can generally be broken down into two broad categories:

- Targets
- Benchmarks

Targets clearly set out a quantifiable result, expressed in absolute terms, that should be achieved by a specific date or over a set period of time. For example, a sales team could be asked to achieve £100,000 worth of sales in Q2.
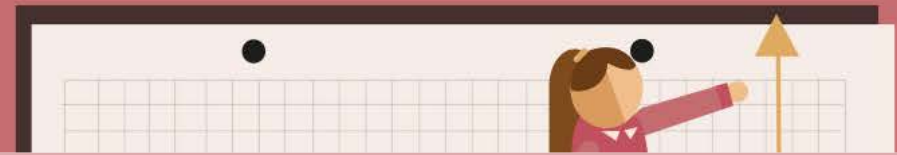
Benchmarks are a more relative type of target - they provide a point of comparison against which to assess performance.

Benchmarks

A benchmark could relate to an individual or team's past performance - for example, to 'achieve more sales in Q2 than you achieved in Q1'.

It could also use a comparison within the organisation - for example, 'Team A' could be asked to achieve more sales in Q2 than 'Team B'. Or it could relate to an external competitor - so, the sales team at Pepsi could be asked to achieve more sales in Q2 than Coca-Cola.
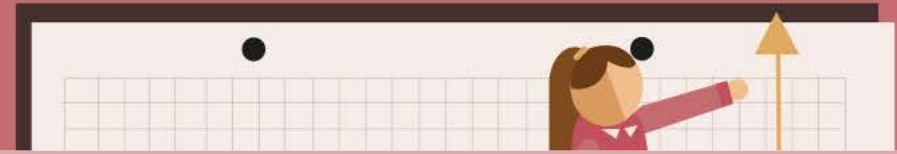
KPIs

When several quantifiable measures are used to monitor performance, they are referred to as KPIs - or Key Performance Indicators. These set out various metrics that relate to a team's success - such as sales, profit, customer service ratings and error rates.

KPIs may have targets or benchmarks attached to them - or they may simply be monitored to check for trends over time. The key is to ensure that the chosen KPIs closely align with the organisation's overall strategic and operational plans and that they are monitored regularly - ideally in real-time. A good KPI should act as a compass to check that the organisation is moving in the right direction.

Your job as a manager is to interpret the KPIs at your disposal and use them to diagnose any potential performance problems within your team and take corrective action if needed.

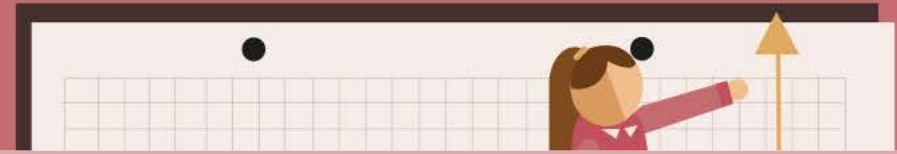You'll also need to determine which KPIs are most important to your team's objectives right now.

KPIs - Example

Paul Yarwood, the former CEO of data reporting company Hubble, compares the use of KPIs to driving a car:

"As a driver, your objective is to reach a certain place at a certain time. To help you get there, you have your view through the windscreen, your SatNav, a rear view mirror and a dashboard."

"The SatNav is a useful KPI, because it tells you how you are doing right now and how far you have to go. But you can ignore your mileage data, as that just tells you how far you've come already - however, this information would be useful if you were scheduling a service."
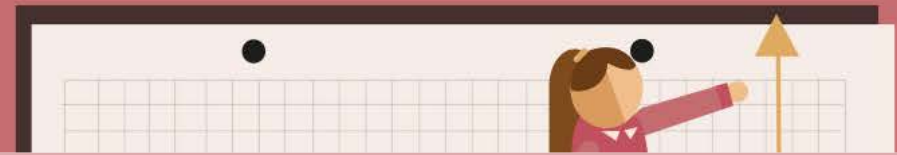
KPIs - Example (cont.)

"If you see a traffic camera ahead, suddenly the data from the speedometer becomes key. If you see a sign saying "last fuel for 100 miles" then the fuel gauge is suddenly key - while a flashing blue light in the rear view mirror will immediately change all your priorities."

When managing a sales team, for example, your primary focus may be on achieving your sales target. But if you suddenly find that sickness absence rates have increased, you may need to change your focus - at least in the short-term - to improving attendance.
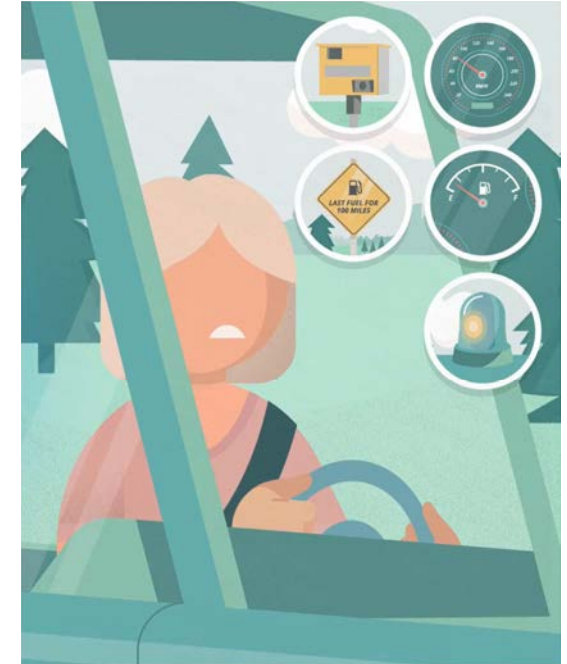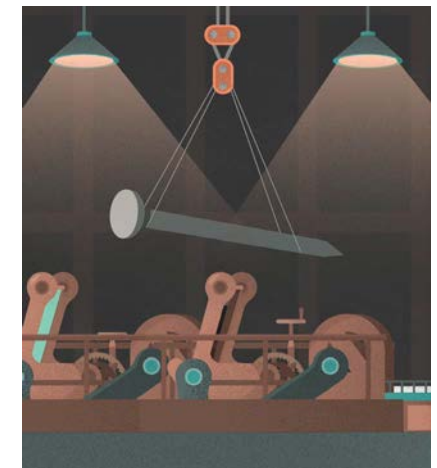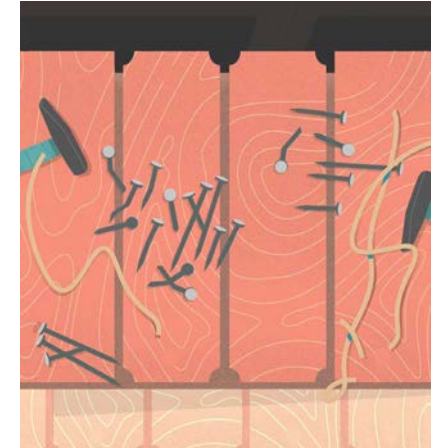
Goodhart's Law

While numerical goals are accessible and easy to understand, there is some debate about relying on them too much to manage performance. Goodhart's Law, named after British economist Charles Goodhart, states that: "When a measure becomes a target, it ceases to be a good measure."

But what does this mean exactly?

The best-known example of the principle involved nail production factories in the Soviet Union. When workers were set targets measured by the number of nails made, they produced thousands of tiny useless nails. When the target was measured by weight output, they produced a few, giant nails.

Goodhart's Law (cont.)

While this example may seem extreme, it shows that when a measure of performance is limited to meeting a simple quantitative target, it can be abused to the point of no longer being useful.

We can illustrate this principle in a more familiar context. Imagine you're a manager in a call centre where customer service agents are given a target: to close 12 complaint cases per week. In order to achieve this, some workers may rush to close cases before they've been fully investigated, resulting in targets being met, but performance being compromised.

To prevent this, you can pair numerical goals with measures of quality.

Measuring Quality

In some situations, it's just not possible to assess someone using numbers - many jobs have important qualitative aspects and managers need to take this into account when deciding how well an individual or team is performing.

For example, it can be difficult to come up with a way to quantify teamwork, communication, decision-making, leadership and initiative - so instead, you can measure their quality.

TEAMWORK

COMMUNICATION

DECISION-MAKING

LEADERSHIP

INITIATIVE

Quality

Appraisals and Performance Reviews

To measure these kinds of intangible qualities, managers tend to use an 'appraisal' or 'performance review'.

Traditionally, these take place once a year and give managers an opportunity to sit down with their team members and discuss their performance over the past 12 months - although as we discussed earlier, many organisations are now moving away from this kind of annual arrangement.

Appraisals and Performance Reviews (cont.)

Regardless of when they take place, these meetings often take the form of 'top down appraisals'. They involve the manager giving their views and opinions on the employee's performance and setting performance objectives for the following year, with no input from the employee.

However, because qualitative measures are, by their very nature, subjective, employees can sometimes feel these assessments are unfair as they're based only on the opinion of their manager.
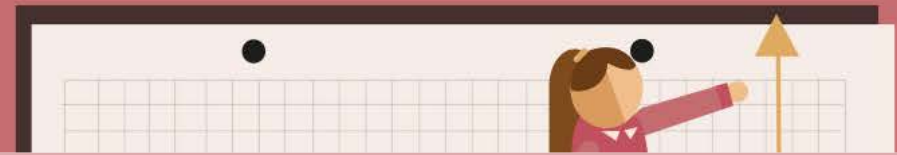
Self-appraisals

This problem can be minimised if an employee is allowed to tell their side of the story through a 'self-appraisal'.

This usually involves them completing a self-assessment form where they highlight their achievements over the past year and suggest future objectives. This forms the basis for the appraisal meeting. Because both parties contribute their thoughts, the process is sometimes called 180-degree feedback.
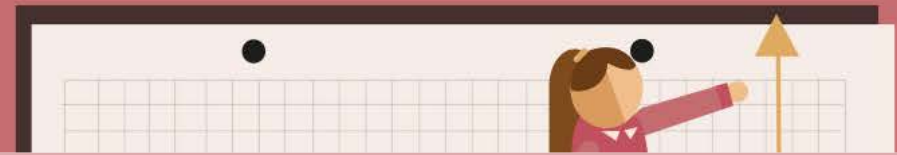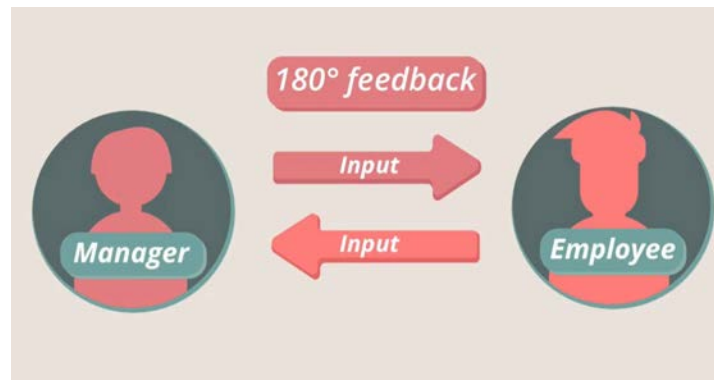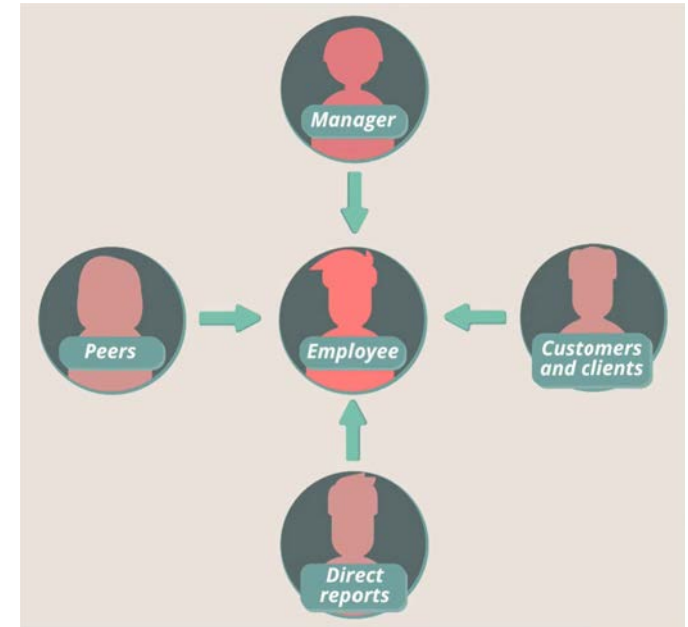
360 Degree Feedback

Some organisations go further, employing a process known as 360-degree feedback to get a more fully rounded view of the employee's performance. This is done by asking for feedback from everyone who works directly with the employee - above them, alongside them, and below them. It may also involve asking people outside the organisation, like customers and clients, for their views.

Academic Peter Ward defines 360-degree feedback as, 'the systematic collection and feedback of performance data on an individual or group, derived from a number of stakeholders.'

360 Degree Feedback (cont.)

It doesn't have to be an elaborate process.

For example, media company Netflix has an annual 360-degree feedback process that lets employees give written feedback to anyone they choose within the company. As a minimum, people are encouraged to give feedback to their team members, manager, and – if they have others reporting to them – their direct reports.

The key to 360-degree feedback is to gather views and opinions from a wide range of people. Compared to a more traditional top-down or 180-degree appraisal process, 360-degree feedback offers a broader viewpoint - and it may therefore be seen as more objective. This should lead to greater acceptance of the results.

The qualitative feedback received in these kinds of performance reviews can also provide more insight than simple quantitative measures - and can be more useful when it comes to changing employee behaviour.

360 Degree Feedback (cont.)

The CIPD suggests that an important feature of 360-degree feedback is its:

'capacity to challenge recipients' perceptions of their skills and performance, and to provide the motivation to change.'

This mainly occurs by highlighting differences between how an employee sees themselves and how others view them. It may also help employees make connections between aspects of their behaviour and performance that they might be unable to see themselves.
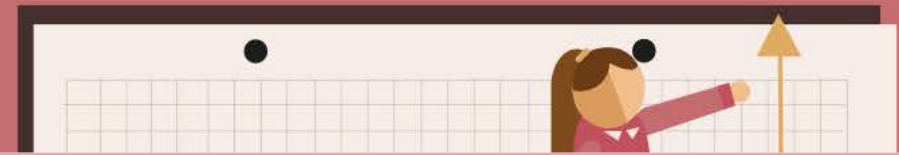
360 Degree Feedback - Example

Let's look at how this might work in practice.

Mei is the manager of a small gym and she looks after a team of six people. She believes her approach to delegating tasks to each of her team members works well, because she explains what is needed in detail at her team meetings. However, feedback from several of her team members suggests that Mei continues to work on the tasks herself, and when her reports ask for guidance she is often too busy to accommodate them.

360 Degree Feedback - Example (cont.)

When she reads this feedback, Mei sees a connection between the lack of support she is giving and the size of her workload. Once she sees this pattern repeating itself in several comments, she commits to scheduling more meetings with her team members and to delegate her tasks more effectively.

While 360-degree feedback can be a powerful tool for managing performance, it's not without its challenges. It can be time-consuming to collect the data needed. And it also relies on having a company culture where people feel comfortable enough to give open and honest feedback about their managers and colleagues.
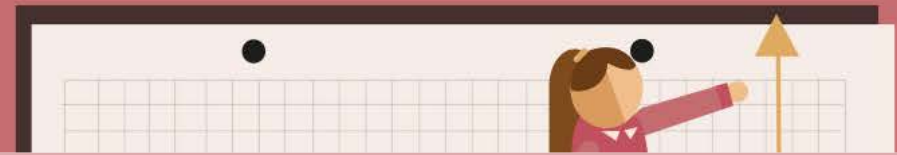
Managing Poor Performance

When managers are faced with poor performance from their team members, they need to manage it and try to bring about an improvement.

Before they take any action, the manager should first establish why the individual's performance is unsatisfactory.

First, they should look at themselves. Is there anything in the way they manage the team that could have contributed to poor performance?

Have they made their expectations clear, for example? Have they provided the necessary resources and training? Are the workloads they give their team members too high?

If the manager is satisfied that any underperformance is not due to them, they need to investigate the reasons behind the problem.

Conduct vs Capability

The government's Advisory, Conciliation and Arbitration Service, or ACAS, suggests managers should first meet with an underperforming employee to determine if the issue is due to either conduct or capability.

Conduct refers to an employee's behaviour at work. If they are simply not applying themselves to the job or are calling in sick when they're not genuinely ill, this is a conduct issue.

Capability is about an employee's ability to do their job. They may simply not have the skills needed to perform their role to the required standard. Or they may be unable to perform because of illness or injury.
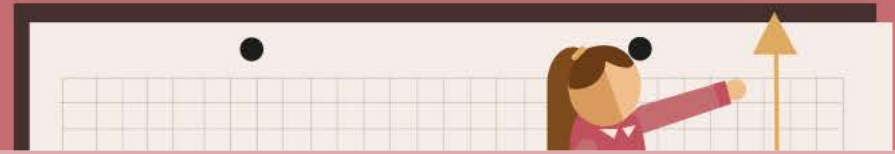
Performance Improvement Plan

It's advisable to try and solve both conduct and capability problems informally if possible, by agreeing what improvements need to be made and setting out any support that might be offered.

One way of doing this is to implement a 'performance improvement plan', or PIP.

This is an action plan, agreed between the manager and team member, that sets out exactly what both parties will do to try and turn the underperformance around.

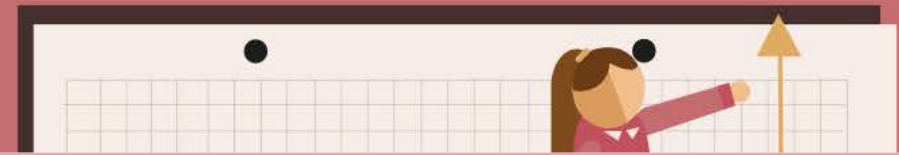Let's look at how a PIP might work in practice.

Performance Improvement Plan - Example

Sophie works as a guide at a large zoo. She has been with the zoo for five years, and has proven to be a capable and reliable performer.

But over the past three months, she has had a high rate of absence from work. Concerns have also been raised about her performance, including coming into work late and showing an unhelpful attitude.
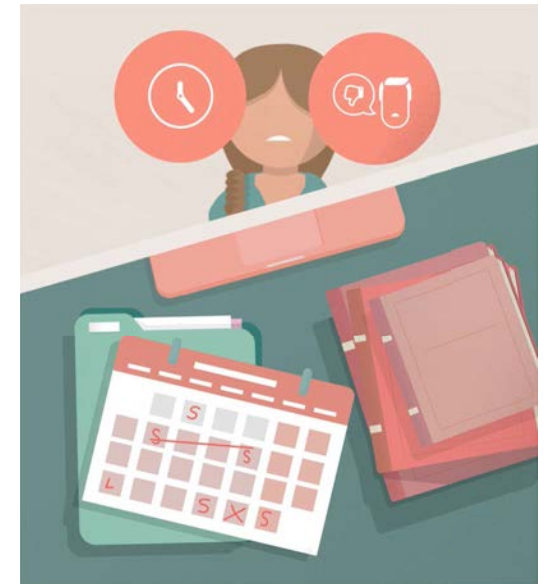
Performance Improvement Plan - Example (cont.)

Her manager, Ravi, has collected evidence of this from her attendance records and visitor feedback forms and he's concerned about this sudden drop in performance. So he sets up a meeting with Sophie to explore what might be behind the problem.

Sophie explains that she is struggling with some new tasks that have recently been added to her role, such as selling merchandise to visitors and creating content for the zoo's social media sites. She has not asked for help as she didn't want to appear foolish, having worked in the job for so long.
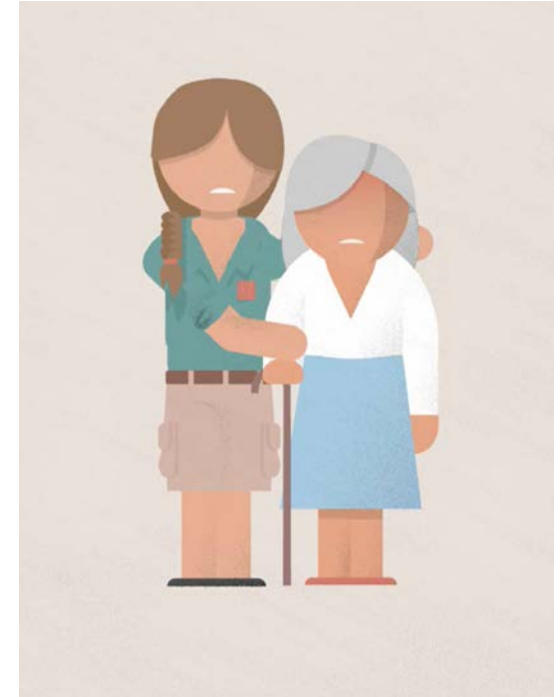
Performance Improvement Plan - Example (cont.)

Meanwhile, HR tells Ravi that for the past few months Sophie has been the main carer for her elderly mother, whose health has deteriorated and who now requires more support. Sophie is often unable to leave for work until more help arrives.

Taking all the evidence together, Ravi concludes that the pressure of the additional tasks and her mother's situation have created intense stress for Sophie, resulting in poor timekeeping and problems with maintaining a professional demeanor.

Performance Improvement Plan - Example (cont.)

Ravi must now determine what action to take. It's important that this is agreed with Sophie and not imposed on her. The plan must be realistic and, once agreed, it should be followed systematically.

Ravi must consider the gap between Sophie's current and expected performance. In other words, what level of change will she need to make? And how can the company help her achieve this?

Ravi decides the following actions might be suitable:

- Training will be arranged to assist Sophie with the new tasks that have been added to her role.
- She will be offered a flexible working schedule until she's able to find permanent arrangements for her mother's care.
- Sophie will be encouraged to use the firm's employee referral network, whose mental health specialists can offer her professional support.

Performance Improvement Plan - Example (cont.)

Once the plan is activated, Sophie's work and attendance will be monitored for 3 months to check she is making improvements. A review meeting will be scheduled at the end of the period.

If, at this point, Sophie's performance has reached the required level, Ravi may close the PIP. If her performance has not improved, he may choose to continue the PIP - either by extending the current actions or identifying new ones.

Or he may decide that more formal action is required - in the form of a disciplinary process.

Disciplinary Procedures

Unlike other areas of performance management, which are guided by an organisation's own policies, disciplinary procedures are regulated by statute.
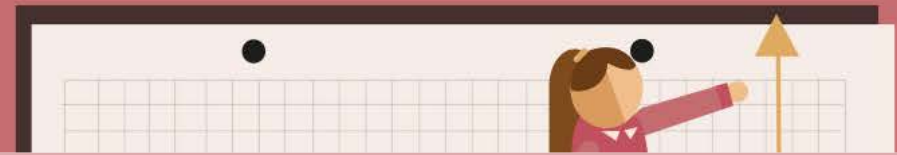
The Employment Act 2008 is the key legislation in this area. The Act mandates that employers and employees do all they can to resolve disciplinary and grievance issues themselves. If they can't do this, they may have to resort to an Employment Tribunal. This option is available to employees with at least two years' continuous service.

ACAS Code of Practice

ACAS has a Code of Practice on disciplinary and grievance procedures. This is part of the Employment Act and has been designed to help employers and employees deal fairly and reasonably with discipline in the workplace.

The Code sets out principles for how an employer and employee should behave in the case of a formal dispute. It isn't legally binding, but its application would be considered by an Employment Tribunal when deciding the fairness of an employee's treatment. Although employers don't need to follow an exact process, failure to implement the code at all would place them at a disadvantage if the dispute escalated to a Tribunal.
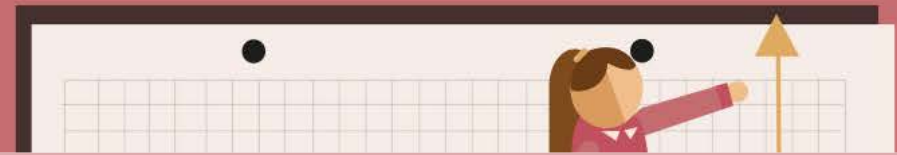
ACAS Code of Practice (cont.)

The ACAS Code of Practice sets out 4 stages of the process, allowing time for employee improvements at each stage. Depending on the severity of the problem, and how the employee responds, the interventions get progressively more serious.

At each stage, the manager must follow a fair process - including investigation and presentation of evidence. Employees should also be given the opportunity to answer the case against them at a disciplinary hearing. And they have a statutory right to be accompanied to any meeting by a colleague or an official, such as a trade union representative.
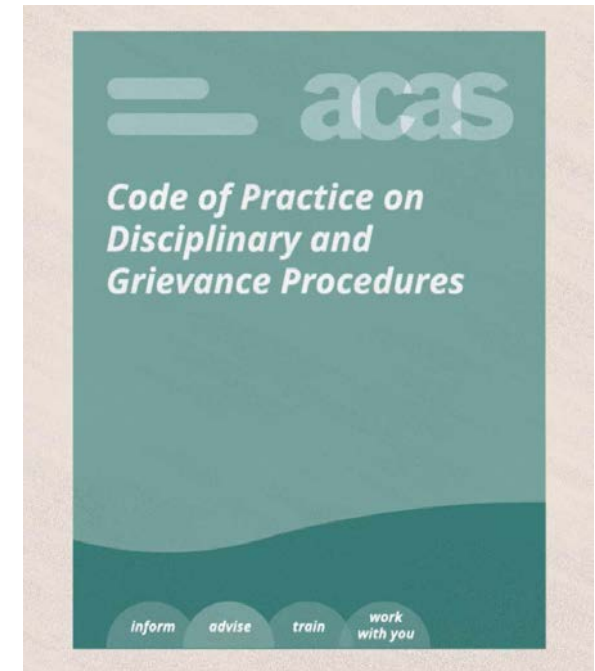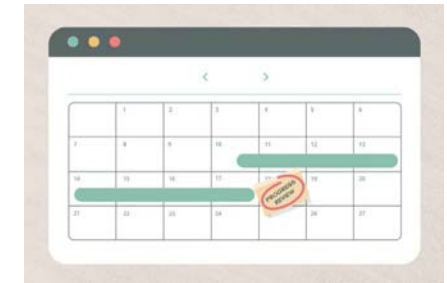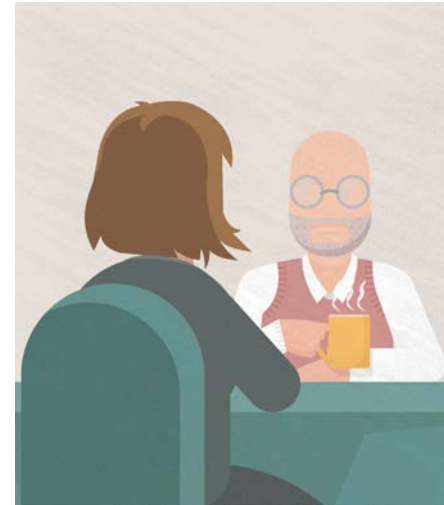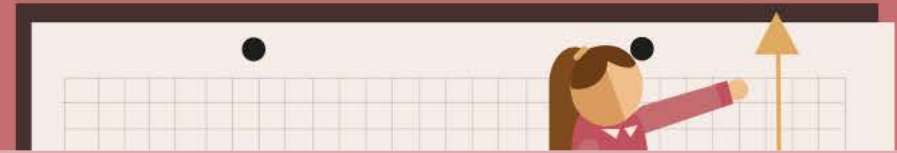
Warnings

For many issues, the first stage in the process will be an informal or verbal warning. This should reiterate the standard expected of the individual, and the consequences of continued non-compliance. It's useful to include a timeframe for improvement, and a date to review progress.

If sufficient improvement is not made, the process will move on to the second stage. This is a formal written warning. This warning is recorded and will generally remain on the employee's record for 3 to 6 months.
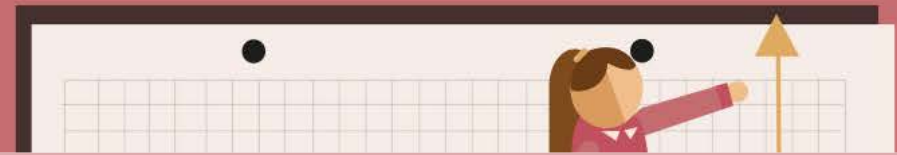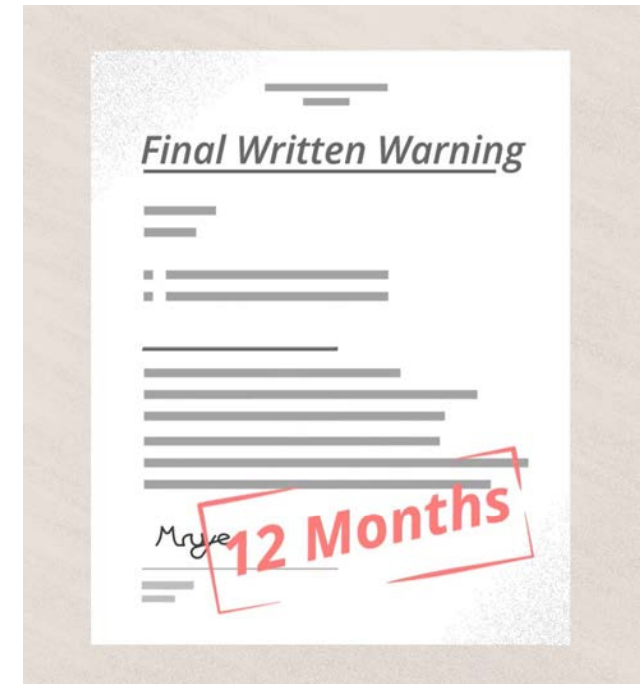
Warnings (cont.)

If the individual does not improve while the warning is active, the case will escalate to the next level - the final written warning.

However, this can only proceed if the employee has had sufficient time to improve, and the employer's plan of action was reasonable. The final written warning will generally remain on the employee's record for 12 months.

Final Stages

Failure to adhere to the employer's reasonable demands within the given timeframe will move the process to the final stage, which is dismissal or action short of dismissal, such as demotion, suspension or transfer to another part of the organisation.

If the employee feels the decision was wrong, they have the right to appeal it. This must be enabled without delay, and managed by someone within the organisation not involved in the previous decision. The rules are similar to the disciplinary hearing - the employer must be informed of the grounds for appeal in writing, and the employee is entitled to bring a companion to the hearing.
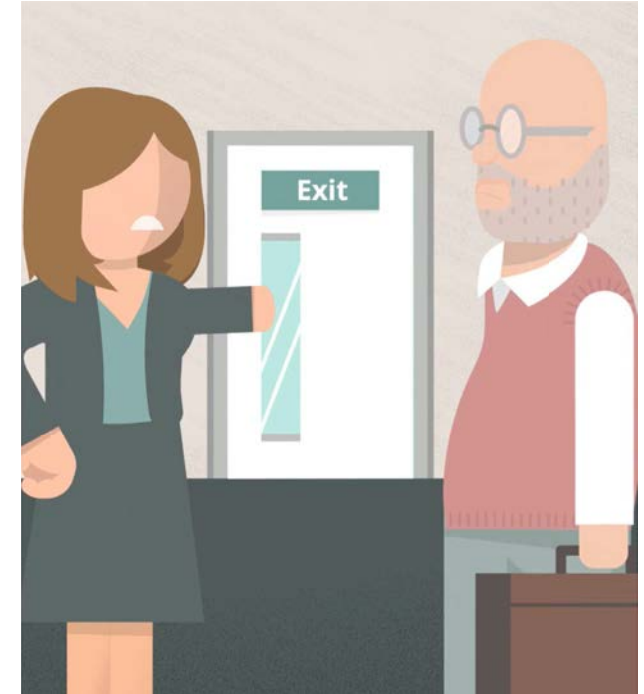
Recap

In this lesson, you have learned about:

- Performance management cycle and performance objectives
- Quantitative and qualitative measures of performance
- Capability processes and disciplinary procedures