



## Management Support Unit (MSU)

### Annual Performance Review: Information Sheet No 19

#### An Overview of Human Resources Management

This information sheet is the one of a suite of four resources that aims to assist managers in the critical task of human resources (HR) management. While HR management is an important responsibility in any organisation, it takes on an even sharper focus in the community services sector. It is only through the capacities of our most valuable resource – our staff members – that we are able to achieve our primary objectives. Our people are our ‘tools of trade’. It is therefore essential that careful attention is paid to this aspect of organisational management:

#### Resources

The following NCOSS information sheets and resources are available on this topic:

(They can be found at [www.ncoss.org.au/component](http://www.ncoss.org.au/component))

#### *Information Sheets:*

1. Recruitment – Good Practice (Information Sheet No 15)
2. Managing Staff Performance (Information Sheet 18)
3. Annual Performance Review (Information Sheet No 19 – this resource)
4. Addressing Poor Performance (information Sheet No 20)

*Management Support Online (MSO):*  
Performance Management and Staff Development

*Sample Documents/Templates/Directories:*  
Performance Appraisal Process – sample

## Understanding the Performance Review

The purpose of this information sheet is to assist managers to conduct a review that has value and benefit to both employees and the organisation. For many employees the concept of an annual Performance Review (or Appraisal) conjures up a feeling of dread. Too often their experience is a brief, annual event in which they are given cursory feedback that may be confined to what they are doing wrong!

First it is important to clarify the difference between performance management which refers to the ongoing process of supervision and developing staff, and the review process, which generally takes place annually. The NCOSS Information Sheet No 18: Managing Staff Performance describes a multi-faceted process designed to optimise the employee's performance, enhance their development and achieve results. As part of this process, the Performance Review is an overall review of prior work that has been undertaken in the preceding 12 months. It focuses on new learning and provides a basis for work planning and professional development for the year ahead.

### What is a Performance Review?

A Performance Review is a 'formalized, systematic assessment and discussion of an employee's performance, potential and desire for development and training (Cole, 2005, 424)'.

Reviews help to avoid emotional judgments based on incomplete knowledge and transform these into a tool for motivating, reviewing and planning. They provide the opportunity for the employee and manager alike to stand back from the day to day tasks and review the employee's performance, potential and development needs as a whole. They offer a chance to give credit where it is due and highlight areas where further attention is needed, as well as an opportunity to look at future career needs and opportunities.

### Guidelines for Conducting Effective Performance Reviews

The following guidelines will help to ensure that the Review process is a positive one for employees and the organisation:

- **Ensure the review is part of a broad process of performance management** – it is never effective to conduct a review if there is no context of ongoing communication and trust.
- **Ensure that the organisation has a policy** governing Performance Reviews and that this is communicated effectively to staff members.
- **Ensure that the performance review system in place is one that is valued.** If managers and/or employees consider the process to be a waste of time, it will be!
- **Ensure there is the opportunity for the employee to give feedback to the manager** – communication should never be one way. It is

important that the process provides a structured opportunity for the employee to give feedback to their manager and for the manager to remain open.

- **Consider whether to include peer review as part of the process.** It may be useful when reviewing managers to obtain feedback from those they supervise.
- **Remember that the goal of the review is to maximize the performance of the employee.** To achieve the goal of enhancing performance, it is important that the review is constructive, positive and that it ends with clear future actions and directions.
- **Ensure the policy is applied consistently across the organisation**  
This means that all staff, including the CEO, need to undergo a review. Exceptions are inequitable and can breed resentment.

## Methods of Review

A variety of methods can be used to review employees. Some approaches include a competency rating method in which employees are asked open-ended questions in relation to a list of duties they are expected to perform. These expectations can be identified in the job description and work plans, which define key result areas or measures of success.

Other methods use rating scales in which employees are ranked (e.g. with ratings such as unsatisfactory, needs improvement, meets requirements, exceeds requirements and outstanding or numerically from 1 – 5) on a list of standard competencies. These competencies may include job knowledge, professional skills, communication, judgment, adaptability, cost consciousness, values and ethics, management skills, leadership and teamwork – depending on the type of role.

Some alternative processes include peer review or 360 degree review in which employees and other stakeholders provide feedback about their colleagues. The balanced scorecard method (a performance management tool to execute and evaluate the organisational strategy using a combination of measures including service provision, financial measures, internal processes and learning or growth) and associated methodologies allow all individuals to be rated against a comprehensive list of values, attributes and qualities that the organisation considers to be critical to its success.

Many organisations use a combination of these methods. Each organisation needs to research the options and select one that makes sense in terms of its culture and values and that is easily understood and used. A method that facilitates clear and open discussion between employees and managers and builds understanding is essential.

A good review process should have the capacity to highlight problems both with individual performance and within the organisation.

## **Planning and Leading a Performance Review Discussion**

To implement an effective review, the manager needs to have good communication and inter-personal skills combined with a systematic review approach to guide him/her through the discussion.

**Preparing** for the review requires the manager to think carefully about the feedback to be given and the best way of doing it, focusing both on areas that have been done well and those requiring improvement. The aim should be to assist the employee to learn. Remember that there is little point in a formal review if ongoing support, development and feedback have not occurred throughout the previous year. The review should take place in a quiet, relaxed and private environment where there are no interruptions.

**Conducting** the review includes creating a positive climate for the discussion, completing the review and concluding with a summary of the content and recommendations. The performance review will both evaluate what has taken place since the previous review and look forward by planning for future work and needs. The review should also include an analysis of the employee's training needs. Make sure the employee has had the opportunity to ask any questions or raise any issues of concern and agree on the next steps to be taken.

**Preparing a Personal Development Plan:** Every review process should result in a written development or support agreement. This document should include identified areas for development, together with strategies to address them. The agreement also needs to clarify responsibilities for actions and time frames. The development plan may include opportunities for training and development, coaching, participation in new projects, or potentially changes in role – each of these linked to the outcomes of the performance review. This agreement should be signed by both parties and reviewed regularly – perhaps quarterly – to ensure that the development process is on track.

**Training and Development:** Given that recruitment and staff turnover are very expensive for organisations, it is wise to invest in training and development so that individual and organisational capacities are enhanced and internal promotion is possible. The opportunity to undergo training is frequently a major incentive for employees and thereby assists with staff retention. Therefore, a specific training budget is essential for all organisations.

**Follow up from the Review.** Ensure that commitments are kept and maintain ongoing communication and regular feedback. Refer to the progress of the Personal Development Plan at each subsequent supervision session. If the review has raised issues of concern, it may be necessary to assess the employee's progress more frequently to ensure the issues are being resolved.

## References

Cole, Kris, 2005, Management Theory and Practice, Pearson, Prentice Hall, Frenchs Forest, NSW.

Management Support Online, Performance Management and Development:  
<http://www.ncoss.org.au/component>

NCOSS Sample Performance Review Template:  
[Performance Appraisal - Sample](#)

NCOSS Policy and Procedures Manual for Management and Governance:  
[Policy and Procedures Manual](#), 61 - 71.

## Useful links

### 1. Performance Reviews

The NSW Department of Industrial Relations offers some useful information on Performance Review:

[www.industrialrelations.nsw.gov.au/resources/managing\\_performance.pdf](http://www.industrialrelations.nsw.gov.au/resources/managing_performance.pdf)

Performance.com is an internet based resource that assists managers to write reviews:

<https://www.performancereview.com/pfasp/about.asp>

Hays recruitment offers specialist resources and guidance to employers:

<http://www.hays.com.au/resources/appraisals.aspx>

Cognology offers a range of tools to assist with effective performance management: [http://www.cognology.com.au/performance\\_management.htm](http://www.cognology.com.au/performance_management.htm)

The About .Com Career Planning following link is helpful for both for managers wanting to explore alternative review processes and employees wanting to prepare for a review:

<http://careerplanning.about.com/od/performancereview/a/reviews.htm>

The Australian National Research Centre on AOD Workforce Development has developed the following resource specifically for the D&A field but it has wider applicability in the community services sector:

[www.nceta.flinders.edu.au/pdf/TIPS/08-Perf\\_Appraisal.pdf](http://www.nceta.flinders.edu.au/pdf/TIPS/08-Perf_Appraisal.pdf)

### 2. Training and Development Resources

The NCOSS website includes a listing of current and relevant training:

<http://www.ncoss.org.au/content/view/954/156/>

The Centre for Community Welfare Training offers an extensive annual calendar of course and can also customize training for your organisation:  
[http://www.acwa.asn.au/about\\_ccwt.html](http://www.acwa.asn.au/about_ccwt.html)

The Community Services and Health Industry Skills Council develops training packages for the sector: [http://www.cshisc.com.au/load\\_page.asp?ID=23](http://www.cshisc.com.au/load_page.asp?ID=23)

NSW Community Services and Health Industry Training Advisory Body - the resource hub for community service and health industry training in NSW:  
<http://www.csh-itab.com.au/>

Training.com.au provides comprehensive information about of vocational education, training, products and services in Australia:  
<http://www.training.com.au/>

The Federal Department of Education, Employment and Workplace relations offers a wide range of information for both employers and employees:  
[http://www.dest.gov.au/sectors/training\\_skills/audience\\_segments/for\\_employers.htm](http://www.dest.gov.au/sectors/training_skills/audience_segments/for_employers.htm)

Australian Apprenticeships: For details about apprenticeships and incentives to employers refer to: <http://www.australianapprenticeships.gov.au/>

The NSW Department of Education and Training provides comprehensive information about training and funding available to employers:  
<https://www.det.nsw.edu.au/trainingindustry/index.htm>