

# FARM BUSINESS FACT SHEET

## How to make performance reviews work for your business and your employees



PHOTO: ISTOCK

### KEY POINTS

Performance reviews are like ‘taking the pulse’ of your business; the results show the health of your employees’ relationships, wellbeing and general performance. If you want performance reviews to have a positive impact on your business, there are four things to consider.

#### 1. Start planning early

- Ensure that everyone has a position description (PD).
- Consider evaluating behaviours, not just tasks.
- Establish basic company human resource (HR) and work health and safety (WHS) policies to set the goalposts.

#### 2. Follow a simple, consistent process

- Keep an eye on performance year-round by having regular, informal catchups.
- Once a year, undertake a more formalised, documented review.
  - The employee and manager separately fill in a simple performance review form.
  - Talk about the results, differences in opinions, feedback and development areas in a meeting.
  - Schedule an informal follow-up meeting to track progress and revise goals.
- Reward/recognise/train/counsel employees year-round.

#### 3. Consider the legal implications by:

- following equal opportunity and fairness principles;
- avoiding subjective biases;
- having clear, objective performance standards;
- using transparent and open communication; and
- keeping the correct records.

#### 4. Have the capability and confidence to handle difficult conversations.

## INTRODUCTION

The performance review process has two goals:

1. to provide employees with recognition, feedback and development; and
2. to help achieve the business's goals and objectives.

Contrary to some beliefs, employees do want to know what they should continue, start and stop doing. Imagine if you had food remnants on your chin – would you want someone to tell you, or ignore it and cause you more embarrassment later? It might be uncomfortable for both parties initially, however, transparency and communication often lead to much better outcomes.

### Performance review benefits for employees include:

- increased confidence, self-worth, job satisfaction, commitment and motivation;
- opportunities to reassess work goals, career goals and future progression; and
- opportunities to ask managers for more/less support, discuss any grievances or problems in the workplace and provide reasons for underperformance.

### Performance review benefits for managers include:

- improved individual and team performance through identifying what is working well, what are staff members' development/training needs and what the future goals are;
- alignment of the individual, team, group and organisational goals and objectives;
- understanding the expectations of individuals and teams; and
- discussing and investigating any grievances or problems to minimise damage.

### Performance review benefits for the business include:

- fostering an open culture where employees feel heard and valued;
- enabling continuous improvement and learning from mistakes;
- employees becoming more aware of organisational goals and values and how their contribution affects organisational success;
- better employee relationships with managers;
- identification of training needs and opportunities for improvement; and
- encouraging managers to hone their leadership, motivation and communication skills.

## BEST PRACTICE PERFORMANCE REVIEWS TO DELIVER SIGNIFICANT POSITIVE EFFECTS FOR YOUR BUSINESS

### 1. Start planning early

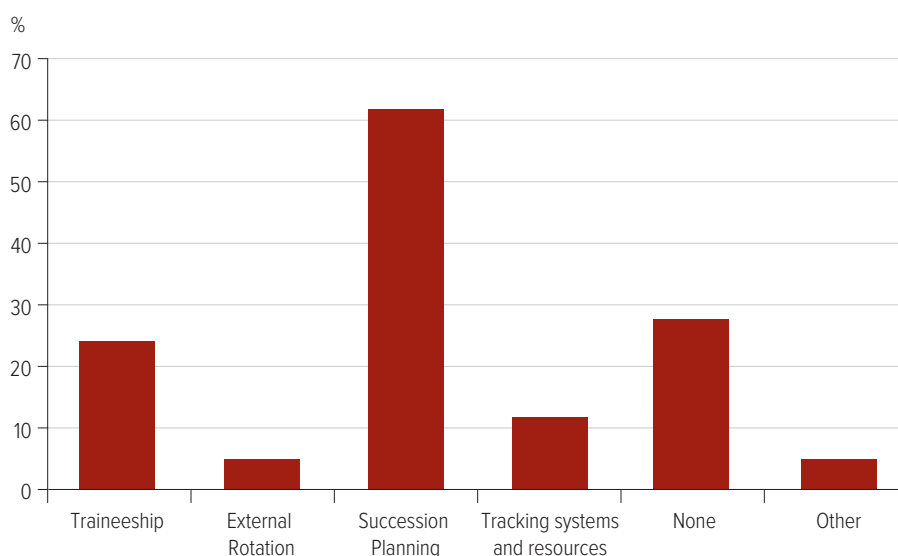
- Ensure everyone has a simple position description (PD) in their employment contract outlining their role, tasks, accountabilities and qualifications. The PD is the 'agreed standard' between the employer and the employee – use it to measure an employee's actions, results and responsibilities throughout the year.

- Holding employees to behavioural standards is just as important as their responsibility for tasks. Review employees on how they do their job, not just what they do. The behavioural competencies required of each employee should also be included in their PD.
- Company policies set additional 'agreed standards' for employees to follow. It is important to have some key HR and WHS policies in place to frame the company's goalposts (for example, appropriate workplace behaviour, drugs and alcohol, social media and internet, fatigue, termination, etc.).

### 2. Follow a simple, consistent process

- Keep an eye on performance year-round by having regular, informal catch-ups; for example, in the car, at the local bakery over a coffee and cake, or whatever works for you.
- Always discuss unsatisfactory performance as it arises – do not wait for the performance review. Like the food-remnants-on-the-chin analogy, this gives the employee an immediate opportunity to improve their performance.
- Once a year, undertake a more formalised, documented review where:
  - the employee and manager separately fill in a simple performance review form. This lets the employee self-assess their areas of improvement,

FIGURE 1 Career advancement strategies in Australian agribusinesses.



SOURCE: RIMFIRE RESOURCES AGRIBUSINESS HR REVIEW 2018

and tell the manager what they would like the manager to start or stop doing;

- the employee and manager talk about the results, differences in opinions, feedback and development areas face-to-face; and
- an informal follow-up meeting is scheduled in six months to track progress and revise goals.

- Reward/recognise/train/counsel employees year-round. According to the 2018 Agribusiness HR Review, most Australian agribusinesses use succession planning (62.1 per cent) and traineeships (24.1 per cent) as career advancement strategies (Figure 1).

### 3. Consider the legal implications

Businesses should be able to defend their decisions to promote, transfer, demote or terminate employees should they ever come under scrutiny. Some important legal considerations to ensure the performance review process is objective, transparent and equally applied to all individuals include:

- following equal opportunity and fairness principles of equity, respect, justice and stewardship;
- avoiding subjective biases such as the:
  - halo effect – e.g. if the manager went to a particular school, grading colleagues from that school higher than others

- horns effect – e.g. if the manager does not like a certain football team, grading colleagues who like that football team lower
- central tendency – e.g. when a manager has not properly observed employee behaviour/results and scores everyone in the middle (not being able/wanting to justify high and low scores)
- relationship effect – e.g. a manager is related to an employee and scores them higher/lower for that reason
- recency effect – e.g. a manager scores an employee badly for a recent mistake, forgetting the employee was a high performer for the rest of the year;
- having clear, objective performance standards that are measurable and accurate (not trait-based, vague or ambiguous). Some guidelines include that standards:
  - must reflect the performance of the individual, not the team or the business
  - should be an absolute measure of performance, not indicative of probable performance
  - should be within the employee's control to influence their performance
  - should be free from measurement contamination. The measured result should be accurate;
- using transparent and open communication; and
- keeping the correct records.

### 4. Have the capability and confidence to handle difficult conversations

Discussing poor performance is difficult for both managers and employees and it is common for employees to react badly to news of unsatisfactory performance. Some tips to ensure the performance review stays controlled include:

- if they disagree/reject feedback on poor performance:
  - ensure feedback is timely, specific and contains actual examples
  - allow them time to digest the feedback;
- if they become aggressive or make threats:
  - stay calm and rational
  - take a break to give them time to calm down
  - allow the employee to explain why they are angry and ask questions
  - terminate the discussion if health or safety is at risk and reschedule;
- if they become emotional:
  - allow them to collect themselves/ wait until they are ready to speak before continuing
  - do not become angry or defensive
  - avoid ending the meeting; and
- if they walk out:
  - write to them to request another meeting (continued avoidance of attending a meeting could be grounds for a formal written warning).



## CONCLUSION

Many managers avoid them and most employees dread them, but performance reviews are an essential part of your working life; the question is how to handle them. Managers should remember four key things to make the performance review process easier and more productive.

- 1 Start planning early – have position descriptions, behavioural competencies and company policies in place.
- 2 Follow a simple, consistent performance review process, including regular informal chats and an annual formal meeting that is documented.
- 3 Consider the legal implications by setting clear performance standards and avoiding discrimination and bias.
- 4 Be prepared to have difficult conversations.



PHOTO: EVAN COLLIS

## FREQUENTLY ASKED QUESTIONS

### Q: How can we ensure useful performance targets are created?

**A:** To measure actual performance against planned performance, the performance targets must be SMART (i.e. specific, measurable, achievable, realistic and time-bound).

### Q: How much time should managers plan for the performance review process?

**A:** A good rule of thumb is approximately two to three hours per employee.

### Q: How can I be honest in my self-assessment without sounding arrogant or shooting myself in the foot?

**A:** Do not be shy to emphasise your achievements. Acknowledge your mistakes using language such as “This is what I’ve learned/want to work on” rather than “This is what I did wrong”.

## USEFUL RESOURCES

**Positive staff are more productive:** <https://grdc.com.au/resources-and-publications/groundcover/ground-cover-supplements/gcs107/positive-staff-are-more-productive>

**Are you a good labour manager?:** [www.grdc.com.au/GRDC-FS-GoodLabourManager](http://www.grdc.com.au/GRDC-FS-GoodLabourManager)

**A guide to communication for farm families:** <https://grdc.com.au/resources-and-publications/all-publications/bookshop/2011/01/a-guide-to-communication-for-farm-families>

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