

# **Employee Relations and Wellbeing**

**Lecture Title:**

**Performance Management and Employee Relations**



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**Masters in  
Human Resources Management**

# **Learning Objectives**

- **Analyze the impact of performance systems on employee relations (ER) and perceptions of fairness.**
- **Develop fair and transparent performance review processes.**
- **Apply best practices in giving feedback and managing underperformance.**



# Group Discussion

**Why do you think that  
Performance Management and  
Employee Relations are  
strategically significant?**



# **Strategic Significance of Performance Management and Employee Relations**

- **Directly impact organizational performance and goal alignment**
- **Drive employee engagement, motivation, and retention**
- **Influence perceptions of fairness and trust in the workplace**
- **Support organizational change and agility**
- **Reduce legal and compliance risks**
- **Shape employer brand and talent attraction**
- **Enhance overall organizational culture and employee commitment**
- **Improve productivity and accountability**



# Foundations of PM and ER

| Concept                            | Definition / Explanation                                                                                                                                              | Relevance                                                                                           |
|------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------|
| <b>Performance Management (PM)</b> | <b>A systematic process to improve organizational performance by developing individuals' performance through goal-setting, monitoring, feedback, and development.</b> | <b>Ensures alignment between individual contributions and strategic objectives.</b>                 |
| <b>Employee Relations (ER)</b>     | <b>The policies, practices, and systems organizations use to manage relationships between employers and employees.</b>                                                | <b>Strong ER promotes engagement, reduces conflict, and maintains legal and ethical compliance.</b> |
| <b>Fairness</b>                    | <b>Employees' perception that processes (procedural), outcomes (distributive), and interpersonal treatment (interactional) are just.</b>                              | <b>Perceived fairness influences motivation, trust, commitment, and overall ER.</b>                 |

# Theoretical Frameworks

| <b>Theory / Model</b>                           | <b>Explanation</b>                                                                                                                              | <b>Application in PM &amp; ER</b>                                                                |
|-------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------|
| <b>Equity Theory (Adams)</b>                    | <b>Employees compare their input-output ratio to others; perceived imbalance leads to dissatisfaction.</b>                                      | <b>Ensures fairness in rewards, recognition, and promotions.</b>                                 |
| <b>Procedural Justice (Leventhal)</b>           | <b>Fairness of processes (consistency, transparency, opportunity to voice opinions) affects employee satisfaction more than outcomes alone.</b> | <b>Design performance appraisal processes, grievance mechanisms, and promotions.</b>             |
| <b>Psychological Contract</b>                   | <b>Unwritten expectations between employee and employer; breach leads to disengagement.</b>                                                     | <b>Guides trust-building, career development, and performance feedback practices.</b>            |
| <b>Goal-Setting Theory (Locke &amp; Latham)</b> | <b>Specific, challenging goals enhance performance; feedback is critical.</b>                                                                   | <b>Align individual objectives with organizational goals; informs performance review design.</b> |

# **Importance of PM & ER in Today's Workplace**

- Performance Management is not just about evaluation, it's about engagement, growth, and culture.**
- Employee Relations is deeply influenced by how fairly employees perceive these systems.**
- Current trends:**
  - Rise of data-driven performance analytics.**
  - Hybrid/remote work challenges for PM.**
  - Increased legal scrutiny and employee voice in fairness**



# Group Discussion

**“Think about the most memorable performance review or feedback experience you’ve had (as an employee, manager, or even a peer). What made it memorable—fairness, delivery, process, or something else?”**



# **Common Pitfalls In Performance Management & How It Affects Employee Relations**

| <b>Pitfall</b>                                   | <b>Impact on ER</b>                          |
|--------------------------------------------------|----------------------------------------------|
| <b>Inconsistent application of reviews</b>       | <b>Perceived favoritism, decreased trust</b> |
| <b>Lack of transparency in criteria</b>          | <b>Employee disengagement, low morale</b>    |
| <b>Overemphasis on metrics (e.g., KPIs only)</b> | <b>Burnout, lack of creativity</b>           |
| <b>Manager bias in ratings</b>                   | <b>Damaged relationships, turnover</b>       |
| <b>Absence of regular feedback</b>               | <b>Confusion, performance stagnation</b>     |
| <b>Failure to link reviews to development</b>    | <b>Resentment, reduced engagement</b>        |

# Group Study Discussions

**Refer to the following case studies and discuss the following questions:**

- **What went right or wrong in the PM system described?**
- **What theories (Equity Theory, Procedural Justice, Goal-Setting Theory, etc.) explain employee reactions?**
- **If you were the HR Director, what 2–3 changes would you implement?**



# **Case Study 1: - Adobe's “Check-In” Culture**

**Adobe abolished annual performance reviews in favor of regular, informal “check-ins.”**

**Managers and employees now meet quarterly to review progress, set short-term goals, and discuss development needs. Feedback is two-way, and managers are trained to have coaching-style conversations rather than rating-focused evaluations.**

## **Impact:**

- **Employee engagement rose significantly**
- **Voluntary turnover dropped by 30%**
- **Employees reported feeling heard, trusted, and invested in**



# **Case Study 2: - Forced Ranking at a Tech Giant**

**A large tech company implemented a forced ranking system, requiring managers to rank employees on a bell curve. A fixed percentage were labeled as “low performers” regardless of absolute performance.**

## **Impact:**

- Toxic internal competition emerged.**
- Collaboration plummeted as employees hoarded information.**
- High performers left, citing unfair treatment.**
- The company eventually scrapped the system due to morale issues and reputational harm.**



## **Case Study 3: - “Annual Review Shock” in a Mid-Size Firm**

**A mid-sized consulting firm relied solely on annual reviews to evaluate performance, with little to no interim feedback. Employees received ratings with little explanation, and raises or promotions were tied directly to these ratings.**

### **Impact:**

- Employees were blindsided by critical feedback at year-end.**
- Many felt demotivated, perceiving favoritism in promotions.**
- High turnover followed, and client satisfaction dipped as talent left.**





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# Group Discussion

**Why are fairness and  
transparency critical to PM  
success?**



# **Transparency is Key**

- **Transparency builds trust:** Employees understand what's expected of them, how they'll be evaluated, and why certain decisions are made.
- **Morale and Engagement:** When employees see a clear connection between performance, recognition, and rewards, they are more likely to engage.
- **Psychological Safety:** Transparency reduces fear and creates an environment where employees feel safe to speak up and ask for support.
- **Example:** Companies that publicly share performance criteria often see higher confidence in leadership.



# **Fairness is Essential**

**Bias Reduction:** Fair systems use clear, objective criteria, reducing manager bias or favoritism.

**Legal & Ethical Protection:** Fair documentation and processes protect organizations from legal disputes.

**Employee Loyalty:** Fair treatment fosters trust, retention, and a sense of belonging, reducing turnover.

**Research consistently shows that procedural justice (fair process) matters more to employees than even outcomes (pay or promotions).**



# **Should Performance Management be Punitive or Developmental?**

- Modern PM isn't about "rank and yank" or fear-driven ratings.**
- Today's systems emphasize growth, coaching, and regular feedback.**
- Organizations that adopt continuous performance management see stronger alignment between employee goals and organizational strategy.**



# Best Practices for Fair & Transparent PM Systems



**Clear and aligned performance criteria**



**Continuous feedback, not just annual reviews**



**Employee involvement in goal setting**



**Calibration sessions to ensure fairness**



**360° feedback for holistic insights**



**Strong documentation and transparency**



**Link PM to engagement and retention**



# **Clear and Aligned Performance Criteria**

**Performance expectations should be explicit, measurable, and directly connected to organizational objectives so employees clearly understand what success looks like.**

- **Set SMART goals tied to organizational objectives**
- **Define role-specific standards and expectations**
- **Ensure clarity and consistency across similar roles**

## **Why It Matters:**

- **Reduces bias and confusion**
- **Builds trust and accountability**
- **Shows employees how their work impacts business success**



# **Continuous Feedback**

**Design a performance management approach focused on regular, ongoing conversations between managers and employees to drive growth, engagement, and accountability.**

- **Replace annual reviews with regular check-ins**
- **Give real-time, developmental feedback**
- **Encourage two-way dialogue for growth and course correction**

## **Why It Matters:**

- **Boosts engagement and trust**
- **Helps employees feel valued and supported**
- **Reduces anxiety around yearly reviews**



# Employee Involvement in Goal Setting

**Involve employees in the performance management process through shared decision-making, feedback, and ownership of their goals.**

- **Include self-assessments and collaborative goal-setting**
- **Foster two-way communication between employees and managers**
- **Build ownership, engagement, and accountability**

## **Why It Matters:**

- **Enhances motivation and autonomy**
- **Creates fairness and transparency**
- **Strengthens manager-employee relationships**



# Calibrate Sessions to Ensure Fairness

**Create a structured process where managers meet to review and adjust performance ratings to ensure consistency, fairness, and alignment across teams.**

- **Review ratings across teams for consistency and fairness**
- **Reduce bias, favoritism, and rating inflation**
- **Support accurate talent assessment and decisions**

## **Why It Matters:**

- **Builds credibility in the performance management system.**
- **Supports fair promotions, pay decisions, and development planning.**
- **Strengthens alignment between individual, team, and organizational goals**



# 360° feedback for holistic insights

**A performance evaluation method that collects feedback from multiple sources—peers, managers, subordinates, and sometimes customers—for a holistic view of employee performance.**

- **Collect input from peers, managers, subordinates and possibly customers**
- **Combine with self-assessment for a holistic view**
- **Ensure feedback is constructive, unbiased, and developmental**

## **Why It Matters:**

- **Builds a complete picture of performance beyond manager perception**
- **Encourages self-awareness and leadership development**
- **Promotes a feedback culture across teams**



# Strong Documentation & Transparency

**Instill a practice of accurately recording performance data, evaluations, and decisions while ensuring employees clearly understand processes, criteria, and outcomes.**

- Record goals, feedback, and ratings for accountability**
- Clearly communicate processes, criteria, and outcomes**
- Builds trust and legal/ethical protection**

## **Why It Matters:**

- Prevents misunderstandings and bias claims.**
- Strengthens fairness, credibility, and engagement.**
- Provides data to support talent management decisions**



# Link PM to Engagement & Retention

**A well-designed performance management (PM) system directly supports employee motivation, trust, and loyalty, helping organizations retain top talent.**

- Recognition and growth discussions boost morale and loyalty**
- Fair, transparent PM builds trust and psychological safety**
- Engaged employees are motivated, productive, and likely to stay**

## **Why It Matters:**

- Improves talent retention and succession planning.**
- Strengthens organizational culture and collaboration.**
- Aligns individual success with business growth.**



**THANK YOU!**



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