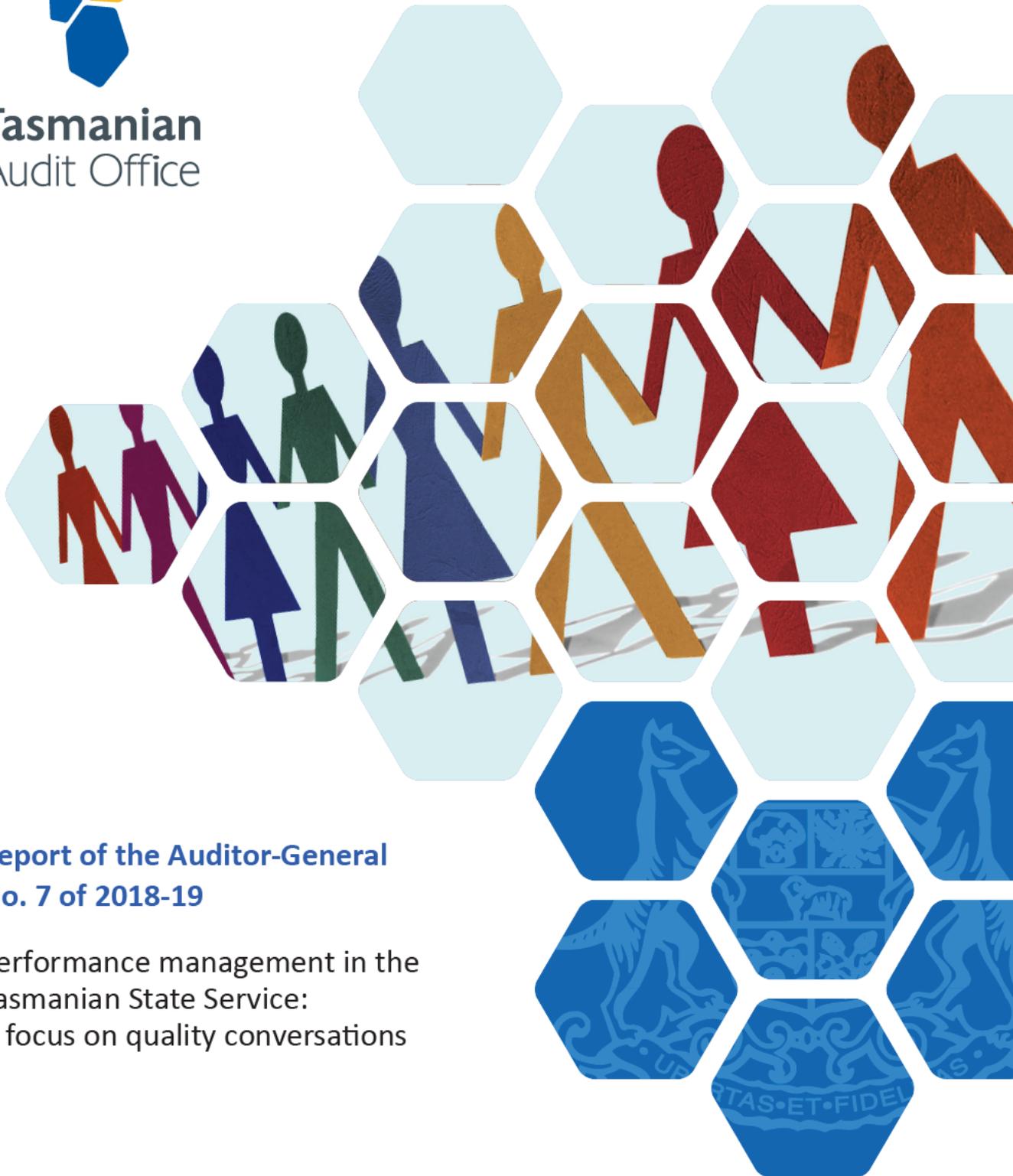




**Tasmanian**  
Audit Office



**Report of the Auditor-General  
No. 7 of 2018-19**

Performance management in the  
Tasmanian State Service:  
A focus on quality conversations

March 2019

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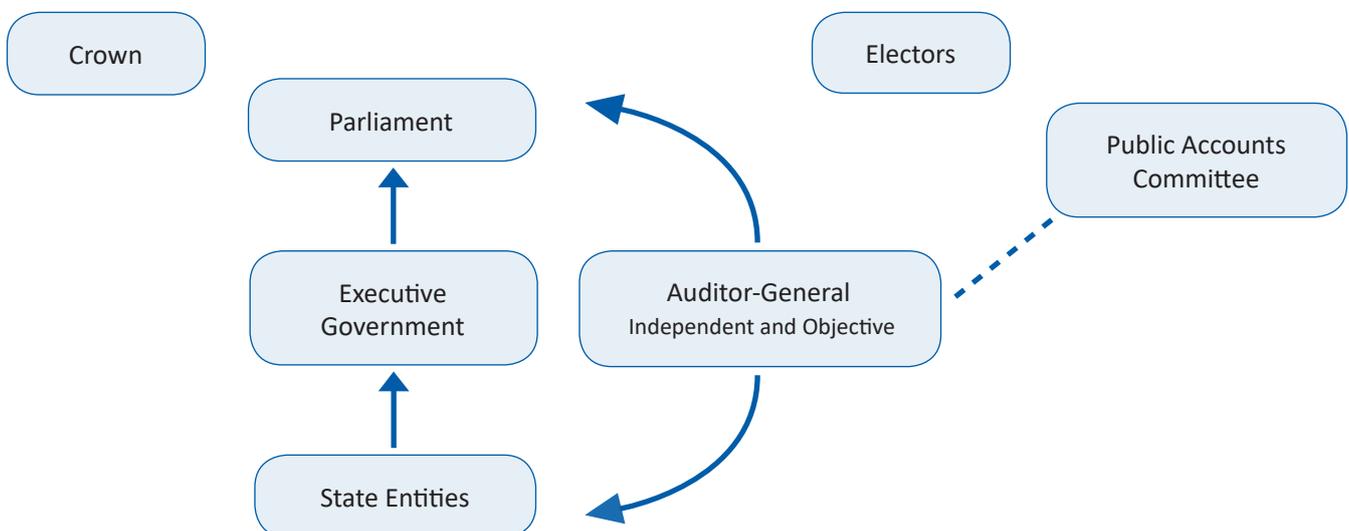
We can also carry out investigations but only relating to public money or to public property. In addition, the Auditor-General is now responsible for state service employer investigations.

Performance and compliance audits are reported separately and at different times of the year, whereas outcomes from financial statement audits are included in one of the regular volumes of the Auditor-General's reports to the Parliament normally tabled in May and November each year.

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The Auditor-General's role as Parliament's auditor is unique.





**TASMANIA**

**2019  
PARLIAMENT OF TASMANIA**

**Report of the Auditor-General  
No. 7 of 2018-19**

**Performance management in the Tasmanian State Service:  
A focus on quality conversations**

**March 2019**

Presented to both Houses of Parliament pursuant to  
Section 30(1) of the *Audit Act 2008*

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19 March 2019

President  
Legislative Council  
HOBART

Speaker  
House of Assembly  
HOBART

Dear Mr President  
Dear Ms Speaker

## REPORT OF THE AUDITOR-GENERAL

### **No. 7 of 2018-19: Performance management in the Tasmanian State Service: A focus on quality conversations**

This report has been prepared to examine elements of the performance and exercise of the Employer's functions under the *State Service Act 2000* pursuant to section 23(g) of the *Audit Act 2008*.

The objective of the audit was to evaluate the effectiveness of performance management in the Tasmanian State Service with a specific focus on the effectiveness of performance and development conversations between managers (including supervisors) and employees that form the basis for providing and receiving feedback.

Yours sincerely



Rod Whitehead  
**Auditor-General**

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## FOREWORD

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The Tasmanian State Service relies on its workforce to carry out a broad spectrum of public duties and responsibilities. While ultimate accountability for performance rests with the relevant Ministers and agency heads, it is only through the collective and individual contribution of each employee that the Tasmanian State Service can effectively fulfil its role.

The management of performance should be both a retrospective and future focused activity. There is a shared accountability between managers and employees. Each employee and work team needs to be provided with regular and constructive feedback, opportunities to learn and improve and future goals to achieve. This should be in the context of both legislative and agency-specific objectives, conduct, values and behaviours that not only provides for what is to be achieved but how it will be achieved.

Managers and supervisors also need to be equipped with the right tools to provide them with the confidence to lead those critical performance and development conversations that sit at the heart of an effective performance management framework.

For these reasons, I have chosen to focus on the quality of performance and development conversations for this review, in the broader context of managing performance in the Tasmanian State Service.



Rod Whitehead

**Auditor-General**

19 March 2019

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# AUDITOR-GENERAL'S INDEPENDENT ASSURANCE REPORT

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This independent assurance report is addressed to the President of the Legislative Council and the Speaker of the House of Assembly. It relates to my performance audit (audit) on the effectiveness of performance management in the Tasmanian State Service.

## AUDIT OBJECTIVE

The objective of the audit was to evaluate the effectiveness of performance management in the Tasmanian State Service with a specific focus on the effectiveness of performance and development conversations between managers (including supervisors) and employees that form the basis for providing and receiving feedback.

## AUDIT SCOPE

The audit scope included the performance management framework established and activities undertaken to manage performance of teams and individual employees in the following agencies:

- Department of Education
- Department of Health (previously Department of Health and Human Services prior to 1 July 2018), excluding the Tasmanian Health Service
- Department of Communities Tasmania (previously Department of Health and Human Services and Department of Premier and Cabinet [for Communities Sport and Recreation and Silverdome] prior to 1 July 2018)
- Department of Premier and Cabinet
- Department of Justice.

In undertaking our audit, we did not focus on compliance against *'Employment Direction 26 - Managing Performance in the State Service'* (ED 26) and instead concentrated on the quality of performance conversations. The audit scope also excluded the framework established and activities undertaken relating to the ongoing management of underperformance.

## AUDIT APPROACH

The audit was conducted in accordance with Australian Standard on Assurance Engagements ASAE 3500 *Performance Engagements* issued by the Australian Auditing and Assurance Standards Board, for the purpose of expressing a reasonable assurance conclusion.

The audit involved a three phased approach to data collection to inform the audit findings and subsequent recommendation:

- conducting a desktop review of performance management and other relevant strategies, policies, processes, tools and templates
- conducting a whole-of-agency survey to understand current performance management frameworks, with a focus on the quality of performance and development conversations within each agency on a large scale (the survey population covered approximately half of the existing Tasmanian State Service workforce)
- discussing the current performance management framework, processes and practices, with a focus on the quality of performance and development conversations, with relevant staff through interviews and focus groups.

## MANAGEMENT RESPONSIBILITY

The legal framework for performance management in the Tasmanian State Service is set out under the *State Service Act 2000* and through ED 26.

It provides, inter alia:

- Heads of agencies are accountable for developing and implementing effective performance management arrangements in their agency, including its integration with government and agency planning, policies, programs and priorities; the support of communication and information to clarify employee participation; and training and development for managers.
- Managers and supervisors are obliged to prepare for the discussion and support employees in their endeavours to achieve performance requirements. In doing so, they should be consistent, fair and objective.
- Employees have an obligation and responsibility to engage in the process, undertake agreed development and be accountable for that performance.

## AUDITOR-GENERAL'S RESPONSIBILITY

In the context of this audit, my responsibility was to express a reasonable assurance conclusion on the effectiveness of the current performance management framework in the Tasmanian State Service, with a focus on the quality of performance and development conversations.

## FINDINGS AND RECOMMENDATION

Findings against the audit criteria used to assess the effectiveness of performance management are summarised below and further details regarding the audit criteria are contained in Appendix 1. For most findings in the report, I have provided possible agency responses and key considerations for implementation (see Appendix 2).

Findings	
<b>Criterion 1</b>	<b>Is there a shared understanding between managers and employees on the purpose of performance and development conversations?</b>
1.1	Do managers and employees understand the purpose and principles of performance management? <ul style="list-style-type: none"><li>• A disconnect existed between managers and employees over the purpose of performance management and the emphasis on either how outcomes are achieved, or what outcomes are achieved.</li><li>• Agency policies and other documentation do not address the value of ongoing conversations.</li><li>• Managing performance and managing development viewed as distinct exercises.</li><li>• Perception by employees that performance management means managing underperformance.</li></ul>
1.2	Do managers and employees understand what success looks like for themselves, the team and the agency? <ul style="list-style-type: none"><li>• Employees are typically motivated by:<ul style="list-style-type: none"><li>o their ability to contribute to the community</li><li>o the opportunity to learn new skills</li><li>o their ability to take ownership in their role.</li></ul></li><li>• Organisations have the opportunity to leverage this motivation better by embedding the connectivity between agency purpose and individual and team goals in documentation.</li></ul>
1.3	What is the balance between assessing values and behaviours as opposed to capabilities when giving feedback? <ul style="list-style-type: none"><li>• Performance and development guidance materials that articulated agency values or behaviours were not widely evident.</li><li>• However, 62% of survey respondents agreed that performance assessment does consider behaviours and capabilities.</li></ul>

## Findings

### 1.4 Do managers and employees share an understanding of what differentiates performance that meets expectations and outstanding performance?

- Limited evidence guidance materials directed managers and employees to define performance in terms of what 'meeting expectations' versus 'outstanding' looks like.
- Employees seeking better guidance to know what outstanding means for them in their role.

## Criterion 2 Are managers and employees equipped to engage in performance and development conversations?

### 2.1 Do managers and employees have sufficient skills, capabilities and experience required to hold effective conversations?

- Agencies generally not assessing quality of performance conversations, rather than ascertaining they took place.
- Lack of technology to support performance process cited as a key reason quality assessments not taking place.
- There was a disconnect between the managers' and employees' view of the effectiveness of the performance and development conversation, with managers having a higher rate of confidence.
- Perceptions from the survey, focus groups and interviews showed conversations were most effective where there was both an opportunity to give and receive feedback.

### 2.2 What learning and development programs and resources are available to support managers and employees in performance and development conversations?

- Access to training courses could be limited, particularly in regional locations.
- Training materials were developed separately by agencies and therefore were not consistent.
- Although there were a range of training materials provided, there was generally low engagement.

## Criterion 3 Is there shared ownership and accountability for the performance management process?

### 3.1 Is feedback considered and applied by employees to support their development?

- Two key foundational elements are in place to enable feedback to be considered and applied by employees:
  - o both employees and managers feel ownership over the performance management process
  - o around two thirds of employees surveyed said they felt confident seeking feedback for themselves and for their team.

### 3.2 Are performance and development conversations tailored to the personal development needs and workplace of the employee?

- 29% of employees experience personalisation in their performance assessment.
- 40% of employees agreed conversations considered the specific environment in which they work.

## Findings

### 3.3 To what extent are behaviours and achievements recognised and/or rewarded?

- Performance outcomes cannot always be relied on to determine salary progression due to:
  - perceptions of unfairness
  - rigid focus on templates
  - methodology not supportive of a personal approach
  - inability to influence tangible outcomes.
- Limited evidence of formal rewards and recognition programs for employee achievements.

### 3.4 Do performance and development conversations result in agreed actions that are delivered upon?

- Although it was generally found conversations do result in agreed actions, the follow-up of those actions was not considered effective.

## Criterion 4 Do employees and managers engage in quality performance and development conversations?

### 4.1 Do both employees and managers perceive performance and development conversations to be a fair and meaningful process?

- There was mixed evidence of explicit reference to fairness within agency performance and development policies.
- It was difficult to measure fairness of outcomes due to the paper-based nature of many performance management systems.
- 61% of employees stated leaders value performance and development conversations.
- Lack of time and capacity to engage in meaningful conversations was cited by half of both employees and managers.

### 4.2 Is there an environment of open, two-way communication and ongoing constructive two-way feedback?

- Two-way feedback was not embedded in the performance and development process.

### 4.3 Are there mechanisms/processes in place to have conversations about team performance?

- 39% of employees agreed their teams had regular conversations about improving performance.

## Criterion 5 Are the principles and foundational elements of the broader performance management framework effective?

### 5.1 Does the broader performance management framework drive the desired outcomes?

- Significant emphasis was placed on the compliance of 'holding' performance and development conversations.
- The most frequent response to barriers to effective performance and development conversations was 'the focus is on compliance rather than employee development'.

### 5.2 When and how frequently do performance and development conversations occur?

- Managers believe performance and development conversations are occurring more frequently than employees do.
- 80% of employees agreed conversations were occurring more than annually.
- There was a difference in perception between managers and employees in what constitutes a performance and development conversation.

## Findings

### 5.3 To what degree is the performance management system flexible to specific and changing needs?

- The emphasis on the compliance elements of the process leads to less flexibility to adapt to changing needs.

### 5.4 How does performance management inform learning and development opportunities?

- Feedback from the survey and focus groups indicated both managers and employees see learning and development as a 'win-win', that increases both engagement and performance.
- There was inconsistency across and within agencies in the ability of employees to participate in learning and development.
- A primary reason cited was budgetary constraints.

### 5.5 How are the barriers to effective performance management identified, mitigated and monitored?

- No evidence was found of activities to monitor the effectiveness of the performance and development process.
- Major barriers identified were:
  - o time/capacity
  - o technology
  - o accessibility
  - o prioritisation.

While agencies are at differing levels of maturity in their performance management processes, agency management, managers and employees all demonstrated a commitment to improving the quality of performance and development conversations. Despite differing and complex operating environments, common themes emerged both within and across agencies that demonstrated there are a range of opportunities that can be made at both Tasmanian State Service guidance level, as well as through agency-specific activities, that will enhance the performance management experience for managers and employees alike.

For these reasons, I have only made one overarching recommendation in my report.

## Recommendation

It is recommended that each agency undertakes a self-assessment against the possible agency responses listed in this report, to establish a clear understanding of the extent to which activities are already being undertaken within the agency, as well as whether that response is appropriate for their needs. Once the self-assessment is complete, agencies should each develop a plan for implementation that links to their own level of organisational maturity and complexity and takes into account their resourcing priorities.

When reviewing the possible agency responses to this audit, it will become clear that some may be able to be implemented relatively quickly, while others may require consideration against a longer-term cultural change strategy. Once the self-assessed baseline maturity level has been established, agencies should then make an assessment of the expected level of effort required to implement each response, in order to appropriately prioritise. This will allow each agency's finite resources to be put to use in a manner which can deliver maximum positive impact.

Taken together, the possible agency responses (and key considerations for implementation) at Appendix 2 can be read as a blueprint or roadmap for each agency to mature its performance and development framework to:

- provide a balance of emphasis between both the technical (capabilities) and personal (values and behaviours) skills of employees and teams
- equip both managers and employees with the necessary tools to engage confidently in quality conversations
- foster a common understanding between employees and managers of personal, team and agency goals
- understand and enhance employee motivation through better linkages to agency purpose and strategy
- transition from a compliance exercise to quality two-way conversations, with shared accountability, that take place at regular intervals.

### **SUBMISSIONS AND COMMENTS RECEIVED**

In accordance with Section 30(2) of the *Audit Act 2008*, a summary of findings was provided to the Employer as well as Heads of Agency for in-scope agencies, with a request for submissions or comments. Responses, or a fair summary of them, are included in Appendix 3.

### **AUDITOR-GENERAL'S CONCLUSION**

It is my conclusion that foundational elements are in place for agencies to conduct performance and development conversations. The framework is partially effective but requires a greater investment by agencies in policies, training, technology and quality review to remove current barriers to achieving more effective performance and development conversations.



Rod Whitehead

**Auditor-General**

19 March 2019

## CONTEXT

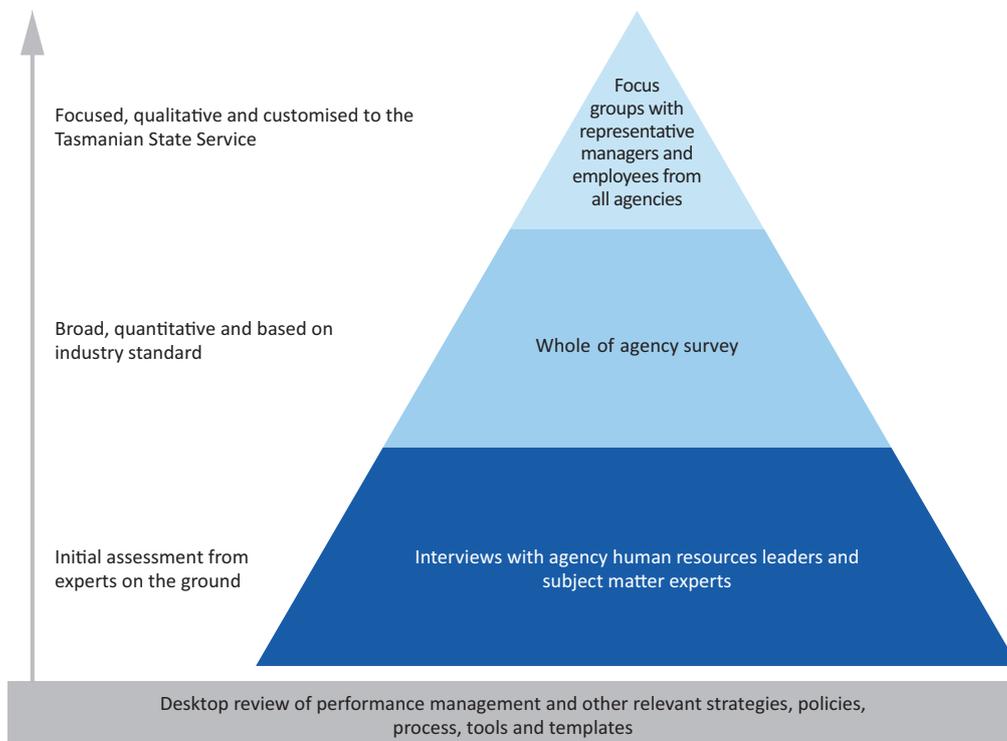
### FOCUS ON PERFORMANCE AND DEVELOPMENT CONVERSATIONS

The focus of this audit was on the quality of conversations, rather than the structural and procedural elements of performance management within the Tasmanian State Service. This approach builds upon previous research<sup>1</sup> findings on performance management effectiveness in the Australian Public Service, in which it was observed performance management frameworks can be technically sound from a policy and system design perspective, but without meaningful performance conversations, all other aspects of an organisation's performance management process will be less than effective.

Currently the foundation policy document for all Tasmanian State Service agencies is ED 26<sup>2</sup>, which is currently under review. The existing document uses the nomenclature 'Performance Management' to refer to the entire spectrum of performance, learning and development activities. The Tasmanian State Service now want to emphasise the joint focus on both performance and development, and conversations in particular, given previous findings.

We used a systematic research approach to evaluate the effectiveness of performance and development conversations in the Tasmanian State Service (see Figure 1). Commencing broadly, we conducted a desktop review of performance management and other relevant strategies, policies, processes, tools and templates from across all agencies. We also interviewed human resources leaders or subject matter experts from each agency, which was followed by a whole-of-agency survey to understand current performance management frameworks, with a focus on the quality of performance and development conversations, using standard question items and industry themes. After reviewing the information gathered from these activities, we determined areas for further investigation and organised focus groups with representative managers and employees. The combined qualitative and quantitative approach allowed us to extract rich information, including perspectives on performance and development activities, how managers and employees engage in conversations, as well as suggestions for improvement.

Figure 1. Research approach used by this audit



- 1 PwC. (April 2016). A positive conversation: Performance management in the public sector. Sourced from <https://www.pwc.com.au/pdf/performancemanagement.pdf>
- 2 State Service Management Office. *Employment Direction 26 - Managing Performance in the State Service*. Retrieved from [http://www.dpac.tas.gov.au/divisions/ssmo/employment\\_directions](http://www.dpac.tas.gov.au/divisions/ssmo/employment_directions)

## DETAILED FINDINGS

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### 1. IS THERE A SHARED UNDERSTANDING BETWEEN MANAGERS AND EMPLOYEES ON THE PURPOSE OF PERFORMANCE AND DEVELOPMENT CONVERSATIONS?

In this Section we examine whether the purpose of performance and development conversations is clearly and consistently understood by managers and employees, and the extent to which staff understand what 'success' looks like for their role when assessed in this context.

We will address the following questions in turn:

- Do managers and employees understand the purpose and principles of performance management?
- Do managers and employees understand what success looks like for themselves, the team and the agency?
- What is the balance between assessing values and behaviours as opposed to capabilities when giving feedback?
- Do managers and employees share an understanding of what differentiates performance that meets expectations and outstanding performance?

#### 1.1 Do managers and employees understand the purpose and principles of performance management?

We found agency policies set the foundation for how staff understand the purpose and principles of performance and development activities. Policy documentation typically covered the following areas:

- expectations of responsibility over performance and development processes
- the establishment, assessment and recognition of performance, behaviours, and capabilities
- the manner in which performance management is expected to promote performance that contributes to the achievement of agency objectives.

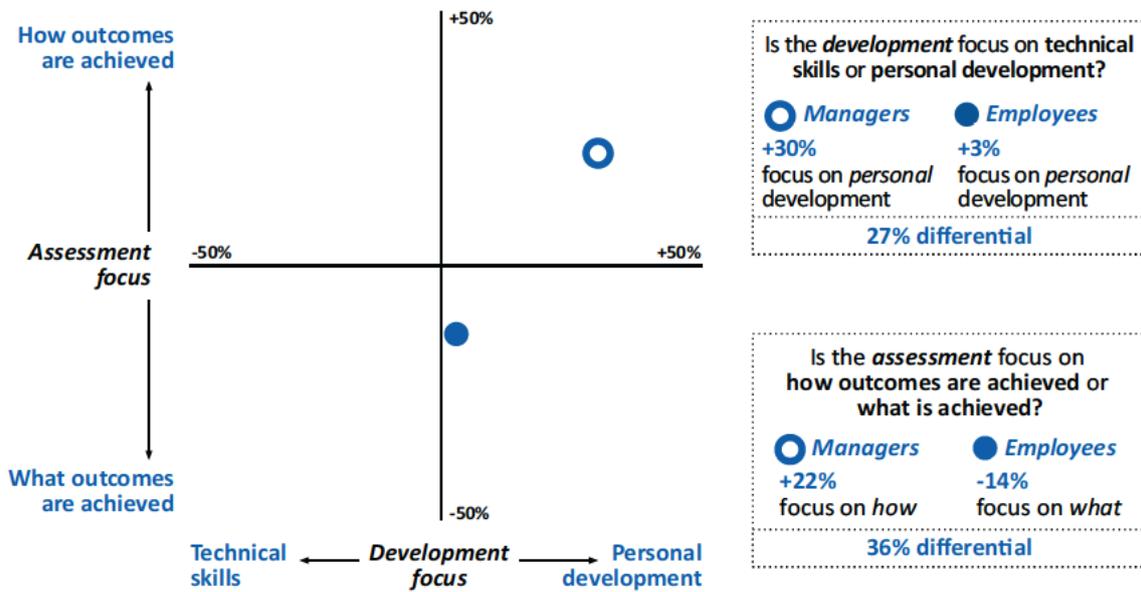
However, agency policies and documentation did not focus on the role of ongoing conversations. Two of the five agencies had policies that explicitly referenced the importance of relationship building and communication when describing the principles of their performance management approach. One agency was found to consistently include a specific focus on 'conversations' throughout their performance management policies and documentation.

Results of the employee survey shed some light on how employees and managers perceive performance and development conversations. The survey employed a performance and development matrix which looks at how staff perceive conversations along two dimensions: 'Performance Focus' (*how* outcomes are achieved versus *what* outcomes are achieved) and 'Development Focus' (technical skills versus personal development). There was an overall trend for the development aspect of conversations having a personal focus, however there was disparity between managers and employees. Managers were 27% more likely to perceive a focus on personal development (that is, communication and leadership) over technical aspects of a role. With regards to performance assessment aspects of conversations, managers were 36% more likely to perceive a focus on how outcomes are achieved (that is, displaying agency values) as opposed to what outcomes are achieved (Figure 2).

Focus groups provided an opportunity for managers and employees to explain their view and make suggestions as to what they would like to see more of. Both sets of participants told us performance and development conversations should focus on both outcomes and behaviours to be effective. Employees said they would like to see the focus of conversations shift towards both personal and career development, with an emphasis on developing transferable skills and lifelong learning.

Figure 2. Focus of performance and development conversations matrix

Predominant focus of performance and development conversations:



**Development focus:** “Do performance and development conversations focus more on developing technical skills or personal development (e.g. communication or leadership skills)?”

**Assessment focus:** “Do performance and development conversations focus more on the outcomes you achieve, or how you achieve them (e.g. were you team player, did you embody the agency values)?”

Overall, we found employees in the Tasmanian State Service had a tendency to view the purpose of ‘managing performance’ and ‘managing development’ as distinctly different exercises. Although agency policy documentation does not formally differentiate between these concepts, we heard from employees in focus groups ‘managing performance’ was often understood to relate to addressing poor or underperformance, while ‘managing development’ was understood to refer to opportunities provided to employees to enhance their skills and capabilities. Interviewees told us many employees believe performance management exists to ‘pick at performance’, and development opportunities were not always discussed at the same time.

It was found agency policies require managers to hold performance and development conversations with their employees at least annually, with regular feedback conversations taking place throughout the year. Yet, employees and managers had the perspective that regular or informal feedback was often not connected to the annual process. Even where agencies had increased the emphasis on the importance of conversations throughout the performance and development process, there is evidently a sense of ambiguity amongst staff regarding the link between regular catch ups and the formal requirements.

### Employee feedback and insights

There is some confusion regarding the intended purpose of conversations, with the goals of ‘managing performance’ and ‘managing development’ shown to be separate and often in conflict with each other.

Many participants use the terminology ‘performance management’ exclusively in the negative sense, with a perception that these conversations should be used only to manage underperformance.

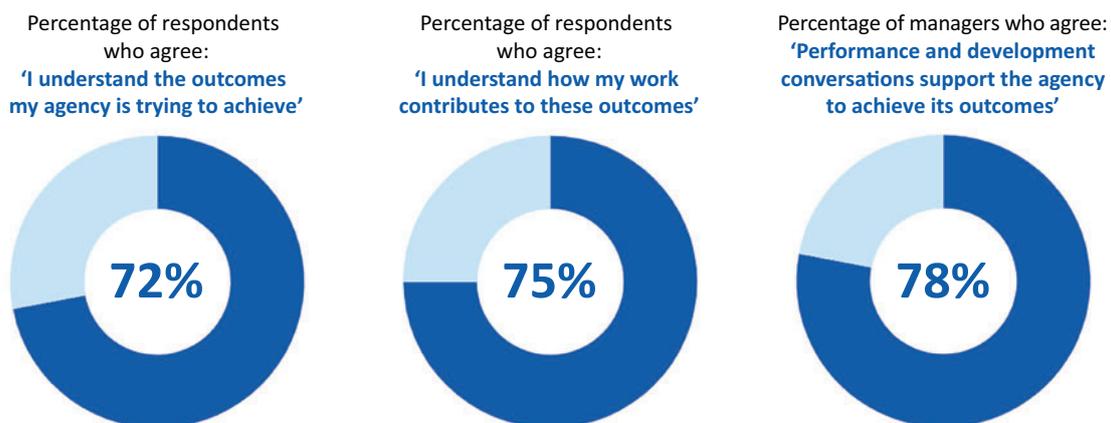
## Possible agency responses

1. Agency policies more clearly align performance and development activities with organisational and people strategies.  
**Key considerations for implementation:**  
Agencies purposefully:
  - clarify an employee development focus, and the balance between *technical* and *personal* aspects
  - clarify a performance assessment focus, and the balance between what outcomes are achieved and how outcomes are achieved (with reference to agency values).
2. Agencies build a 'growth mindset'<sup>3</sup> environment where performance and development are viewed holistically by employees and managers.  
**Key considerations for implementation:**  
A growth mindset can be achieved through two layers:
  - Organisation: ensure that development of people is embedded in organisational values, supported in employee development activities, and reflected in career progression opportunities
  - Policy: review the terminology and definitions used to describe performance and development policies and associated activities. For example, it may be helpful to refer simply to 'Performance' rather than 'Performance and Development', while 'Performance and Development Agreement' might simply be referred to as 'Goal Setting' or 'My Objectives'.

## 1.2 Do managers and employees understand what success looks like for themselves, the team and the agency?

We found all agency policies explicitly document the requirement for performance and development activities to establish a link between individual goals and the goals of their business unit. The results from the employee survey reinforced this intention, showing that employees generally understand the outcomes their agency is trying to achieve and how their work contributes to these outcomes (see Figure 3). Managers also believe performance and development conversations support their agencies' ability to achieve their strategic objectives (see Figure 3).

Figure 3. Survey results



3 Growth Mindset: The belief that talents can be developed (through hard work, good strategies, and input from others), which in turn creates a love of learning and builds resilience. Source: Carol Dweck, 'Mindset: The new psychology of success', Random House, 2006

The interviews yielded mixed feedback on performance alignment, with several interviewees reporting the linkage between performance and development activities and organisational strategic planning was a strength while others said there was room for improvement. Overall interviewees agreed communications and practices could be improved to draw a clearer line of sight between individual and agency objectives.

Organisations can leverage individual motivation for personal development and improved performance when there is a strong connection between individual performance and organisational outcomes. We found alignment between individual and agency performance is articulated in policy and understood by staff. Still, there is an opportunity for agencies to realise the benefits by further embedding the individual-agency connection in performance and development activities, templates, and promotion in internal communications.

On a team level, we found the relevant policies of most agencies explicitly referred to the considerations of individual impact on team performance, together with an expectation that contribution to team outcomes should be included in conversations between employees and managers. There is evidence team outcomes could be better connected to individual and broader organisational goals, and more strongly emphasised within teams themselves. This will be further explored in Section 4 of this Chapter, with specific reference to the audit question ‘Are there mechanisms/processes in place to have conversations about team performance?’

We found, through both survey results and direct feedback, that employees are typically motivated by their ability to contribute to the community, the opportunity to learn and develop new skills, and their ability to take ownership in their role (see Figure 4).

Figure 4. Survey results



Research<sup>4</sup> on the connection between organisational purpose and organisational performance demonstrates that connecting employees to a sense of purpose (in other words, why you do things, not what you do) can help to inspire them to bring energy, creativity and commitment to their roles, increasing engagement and satisfaction. Connecting employees to the external purpose of their organisation can be an effective source of building pride and emotional energy in the objectives of an organisation.<sup>5</sup>

While earlier findings speak to the connection between individual and agency objectives; it was found managers and employees had limited visibility of the specific outcomes achieved as a result of their contribution. There is opportunity to link performance and development plans to both organisational outcomes (what the agency achieves) and also organisational purpose (why they set out to achieve it). To motivate employees, outcomes need to be measured and shared with employees to create the connection.

***‘People like working for the Tasmanian State Service because they like making a difference for Tasmania’***

4 Robert E. Quinn and Anjan V. Thakor, ‘Creating a Purpose Driven Organization’, *Harvard Business Review*, July-August 2018  
 5 George Serafeim and Claudine Gartenberg, ‘The type of purpose that makes companies more profitable’, *Harvard Business Review*, 21 October 2018

## Possible agency response

3. That agencies be clear on their organisational purpose, including community outcomes, to create a link to employee purpose. Link outcomes to performance and development activities, strategies, key performance indicators, and actively communicate through available channels.

### Key considerations for implementation:

Organisational purpose linkages can be considered at the following levels:

- Organisation:
  - o establish a formal link between individual and organisational purpose through policies and the objective setting process. For example, employees may be required to illustrate how their individual objectives contribute to the fulfilment of organisational purpose and how this is aligned to their own individual goals
  - o measure organisational and team performance against organisational objectives and communicate achievements to employees. Agencies could provide tools and dashboards that enable managers and employees to track the external and organisational progress and assess their contribution to this progress.
- Managers:
  - o be clear in expectations of managers, that they are required to help their employees to draw the link to their personal performance and organisational performance, and then measure performance against this
  - o develop and enable managers to have conversations with employees to link organisational and personal purpose
  - o update promotion and recruitment criteria to highlight the capabilities outlined above, that is, in thinking strategically, motivating teams and individuals, and the ability to build rapport with team members.
- Employees:
  - o be clear in expectations of employees to own and shape individual objectives aligned to the purpose of the organisation
  - o provide employees with appropriate training in the performance and development process, and provide scenarios and examples of what goals aligned to organisational purpose could look like.

### 1.3 What is the balance between assessing values and behaviours as opposed to capabilities when giving feedback?

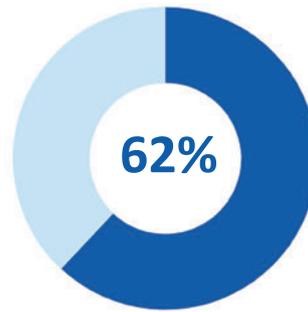
Within agency policies, we found mixed evidence of the requirement to consider values, behaviours and capabilities in performance and development activities.

Interview participants told us that although organisational values were well understood, templates designed to focus on behaviours were not always used. Some recognised the importance of values and behaviours in performance assessment, but didn't feel as confident or as capable as they would like to integrate these aspects into conversations.

Despite this, there was a perception amongst most surveyed staff that performance assessment does consider behaviours and capabilities, with 62% of survey respondents agreeing this was the case (Figure 5).

Figure 5. Survey results

Percentage of respondents who agree:  
**'My performance assessment  
considers both my behaviours  
and capabilities'**



Ideally, capabilities are articulated as observable skills and behaviours that can be practiced, developed, and measured, for example, along a maturity spectrum, from 'emerging' through to 'role modelling'. Effective capability frameworks enable fair and meaningful performance assessment and act as a roadmap for goal-setting and development planning. With regards to assessing capability maturity, we found limited evidence of any clearly defined standards or frameworks. Where capabilities had been explicitly documented, the review found the definitions and benchmarks for the employee were not clear.

#### Possible agency response

4. Agencies articulate expected capabilities, expected behaviours and agency values, and emphasise these aspects in performance and development conversations.

##### Key considerations for implementation:

In particular, agencies:

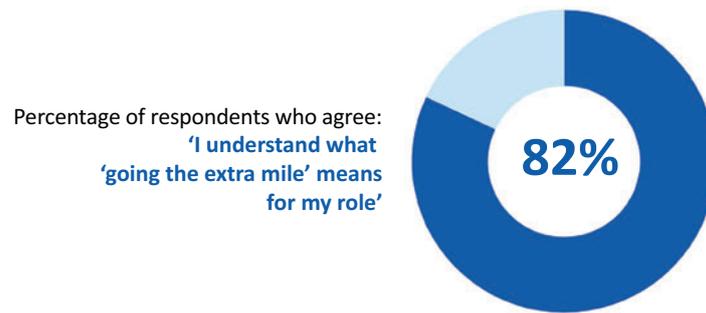
- explain clear standards for expected maturity of employee capabilities, for example, along a spectrum, from 'emerging', 'as expected' through to 'role modelling', with expected maturity connected to an individual's experience and development pathway
- explain clear behaviours employees are expected to demonstrate in line with agency values
- support managers to develop skills required to effectively consider and utilise behaviour and value focused tools in performance and development conversations.

### 1.4 Do managers and employees share an understanding of what differentiates performance that meets expectations and outstanding performance?

In the absence of clear behaviour, capability and performance benchmarks, performance measurement can be challenging for managers, while employees can struggle to know what to strive towards and even perceive performance assessment to be unimportant.

We found limited evidence performance and development templates and other guiding materials directed managers and employees to define goals and objectives using benchmarks of 'good' and 'great' performance. Where direction was provided, expectations for high performance tended to refer to basic expectations such as punctuality or compliance with agency policy. This calls into question what employees had in mind when 82% of those surveyed said they understood what it meant to 'go the extra mile' for their role (see Figure 6).

Figure 6. Survey results



Focus group participants and interviewees expressed they wanted better distinction between performance that 'meets expectations' and 'outstanding' performance. They suggested there was an opportunity to refine performance and development templates to establish meaningful goals using clear definitions and benchmarks, and there was room to improve the manner in which agency policies, templates and supporting materials enabled a shared understanding of how performance is differentiated.

#### Possible agency response

5. Agencies review and, if necessary, revise their goal and objective setting processes and establish clear performance criteria.

**Key considerations for implementation:**

In particular, agencies:

- define 'good' and 'great' performance in goal and objective setting guidelines
- support employees and managers to differentiate performance consistently in goal setting and performance measurement. Examples could be provided to illustrate the difference.

## 2. ARE MANAGERS AND EMPLOYEES EQUIPPED TO ENGAGE IN PERFORMANCE AND DEVELOPMENT CONVERSATIONS?

In this Section we evaluate whether managers and employees are adequately skilled, experienced, and supported to develop the capabilities required to engage in effective performance and development conversations.

We have specifically considered the following questions:

- Do managers and employees have sufficient skills, capabilities and experience required to hold effective conversations?
- What learning and development programs and resources are available to support managers and employees in performance and development conversations?

### 2.1 Do managers and employees have sufficient skills, capabilities and experience required to hold effective conversations?

We found agencies were not frequently assessing the quality of performance and development conversations. For example employee surveys already used by agencies were not used to find out how performance conversations impacted employees. We also heard during agency interviews that the lack of technology to support the performance and development process and complexity within each agency also contributed to the inability to assess the quality of conversations. This represents an opportunity for future improvement.<sup>6</sup>

In lieu of any data that might arise from those activities, we examined the general confidence and perceived effectiveness of conversations from the perspective of employees and managers.

We found 77% of managers felt confident leading performance and development conversations with their team (see Figure 7), and 42% felt conversations were effective. This is in contrast to employee perception, with only 28% saying they believed conversations to be effective. In focus groups, employees expressed their experience of conversations significantly depended on the skillfulness of their managers, and many managers do not have the required skills to hold effective conversations that genuinely support their development.

Despite less than desirable confidence in their managers, employees still considered conversations to be valuable. We uncovered an interesting contradiction: many more employees agreed conversations were 'useful' than those who agreed conversations were 'effective' (see Figure 7). This is a positive finding in that it shows staff believe in the power (that is, usefulness) of performance and development conversations: indeed, 62% of survey respondents agreed performance and development conversations helped them to identify ways of improvement. However, it suggests staff don't currently see this power as being fully realised (that is, effectiveness).

This finding suggests there is engagement in performance and development activities, but highlights opportunity for improvement. To identify those opportunities, we examined what features were most valuable in performance and development conversations. The employee survey asked 'when performance management works well, what makes the difference', and the most common response was 'opportunities to give and receive feedback' (selected by 38% of respondents). Respondents mostly agreed feedback is relevant and constructive (61%), however that feedback is not received regularly enough (only 36% of the time).

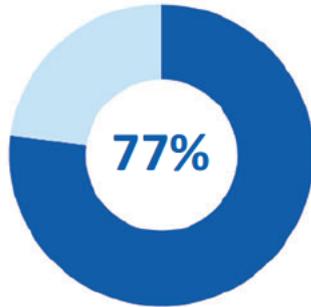
In focus groups with employees, the opportunity to give and/or get specific, constructive feedback was the most commonly cited feature of a 'great' performance and development conversation, as opposed to a merely 'acceptable' conversation. In particular, employees emphasised they would like to see an increased focus on strength-based (positive) feedback, citing 'a little goes a long way'.

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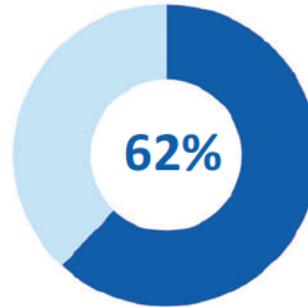
<sup>6</sup> David Rock and Beth Jones, 'Want to kill your performance rankings? Here's how to ensure success', *Strategy+Business*, 9 October 2017

Figure 7. Survey results

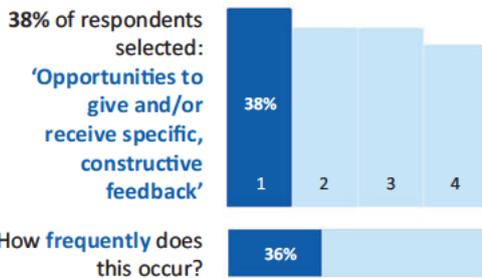
Percentage of managers who agree:  
‘I am confident leading performance and development conversations with my team’



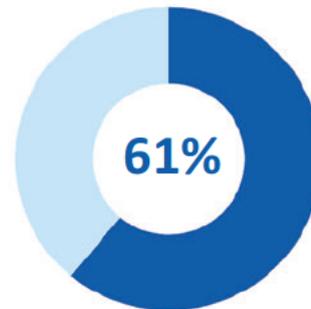
Percentage of respondents who agree:  
‘Performance and development conversations help me to identify ways I can improve’



When performance management works well, what makes the difference?



Percentage of respondents who agree:  
‘The feedback I received is relevant and constructive’



59%  
of respondents agree that  
‘performance and development conversations with my manager are useful’

Assessment of effectiveness is low with only a few employees and less than half of managers agreeing that ‘these conversations are effective’



### Employee feedback and insights

Employees value meaningful constructive feedback that helps improve their performance. But many believe that their managers are not skilled or equipped to provide it. Simple feedback such as ‘you’re doing great’ is not helpful.

Many employees told us that they did not believe their managers possessed the required skills to hold effective conversations or to genuinely be able to support their development. 40% of employees believed their managers were not taught how to lead conversations.

Managers did not regard the provision of constructive feedback to be as critical for a ‘great’ conversation. This discrepancy may contribute to the incongruence observed between manager self-reported confidence and the perceived capability of managers in the eyes of employees. It could also be related to challenges managers have in providing constructive feedback. Managers frequently told us that low levels of employee resilience and failure to take ownership over poor

performance has been a barrier to providing constructive feedback. As will be discussed in later sections, the capacity and time available for managers and employees to hold conversations may also impede the effectiveness of conversations and feedback quality.

Overall, these findings highlight the importance of all staff, and managers in particular, developing the capability to provide and receive meaningful feedback in such a way that constructively supports individual performance and development conversations.

### Possible agency responses

6. Agencies implement simple online tools to track and report on the quality of performance and development conversations, that is, accessible and straightforward feedback tools.
7. Agencies review training that is available to managers and employees to support the development of skills and capabilities required to give and receive constructive feedback, and to hold difficult or challenging conversations.

#### Key considerations for implementation:

In particular, agencies:

- ensure that sufficient training is made available
- ensure that the training provided to managers and employees to give actionable feedback (for example, phrased in behavioural terms, can be observed and measured) is effective and accessible.

8. Agencies enhance the ability of managers and employees to seek, receive and act upon constructive feedback.

#### Key considerations for implementation:

Enhancements can be made through:

- defining the attribute of a personal development mindset in the employee capability framework, and recruit the same
- ensuring employees and managers are able to access training to develop the skills and behaviours associated with a desire for personal development and improvement
- ensuring that templates and resources also support the provision of actionable feedback, and that processes are in place to follow up on how recipients apply feedback, for example, through further feedback or self-evaluation.

## 2.2 What learning and development programs and resources are available to support managers and employees in performance and development conversations?

As the nature of work evolves, it is predicted roles will become increasingly flexible and agile while the pace at which supply and demand for particular skills evolves is expected to increase. As a result, it is predicted people will increasingly choose employers based on their organisational approach to learning.<sup>7</sup> All of these factors point towards the need for organisations to ensure their approach to learning and development is effective and accessible.

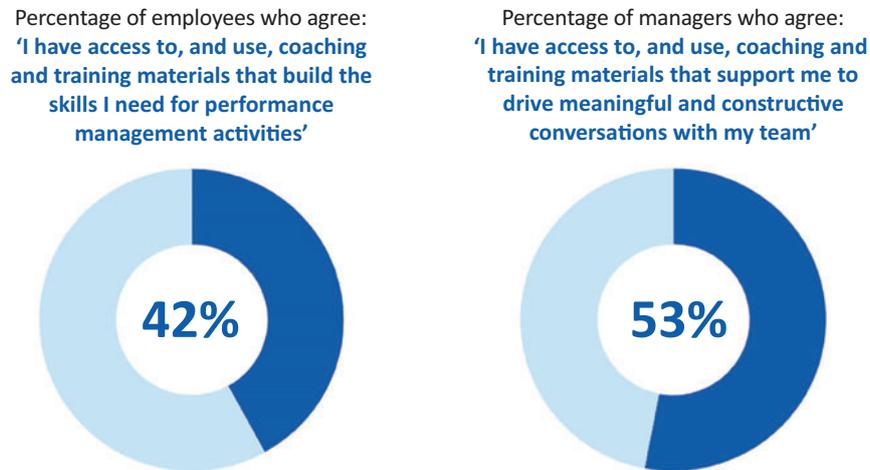
We found both managers and employees are provided with access to a number of training and development programs, however, engagement with the programs is lower than desired.

SSMO provides all Tasmanian State Service employees with access to training, such as leadership and manager workshops, as well as training programs to help employees plan for their performance and development discussions. Despite the availability of these programs, we found perceived ability to access these materials was very low for both managers and employees (see Figure 8). In addition, several managers told us they believe the learning resources made available to them were not provided on a consistent basis (including difficulties accessing training from regional locations). Where manager induction training had been provided, a lack of automatic enrolment was reported to result in some new managers missing out on valuable learning opportunities.

7 Lynda Gratton, 'How leaders face the future of work', MITSloan Management Review, 19 March 2018

Managers and employees who accessed appropriate training said it was valuable in supporting the development of skills and capabilities for holding effective conversations (for example, training provided to have difficult conversations effectively). This finding suggests agencies have a foundation upon which to build a contemporary learning and development practice.

Figure 8. Survey results



### Employee and manager feedback and insights

There is a perception that the resources made available to managers is not consistent within and across agencies. There is room for improvement of manager training, particularly with regard to holding effective difficult conversations or managing conflict.

Regional availability of learning and development has been highlighted as a potential issue, with a sense that many programs are not available in northern areas, or that consideration is not given to attend when travel is required due to capacity issues.

Where training has been provided to build manager's skills in holding effective conversations it is frequently perceived to be very valuable.

### Possible agency responses

9. Agencies review:
  - learning preferences
  - the delivery and format of learning and development, for example, can it be accessed off-site, or from a mobile device.
10. Agencies review the communication and engagement of learning and development, and look for mechanisms to increase attendance such as manager visibility for not attending booked training.

### 3. IS THERE SHARED OWNERSHIP AND ACCOUNTABILITY FOR THE PERFORMANCE MANAGEMENT PROCESS?

In this Section we evaluate whether managers and employees have a shared sense of ownership and accountability across performance and development activities.

In reviewing this theme, we have considered the following questions:

- Is feedback considered and applied by employees to support their development?
- Are performance and development conversations tailored to the personal development needs and workplace of the employee?
- To what extent are behaviours and achievements recognised and/or rewarded?
- Do performance and development conversations result in agreed actions that are delivered upon?

#### 3.1 Is feedback considered and applied by employees to support their development?

A sense of mutual ownership over the performance and development processes by managers and employees is both an indication, and a critical enabler of, engagement with these activities. We found the performance and development policies of all agencies included a requirement for joint responsibility over the process by managers and employees. Some agencies were found to emphasise the role of managers to ‘drive’ the process with employees required to ‘actively participate and contribute’. Our research showed that employees possess a sense of ownership over the process, with 72% of those surveyed agreeing ‘I am responsible for my performance management’ (Figure 9).

Figure 9. Survey results



When managers were asked to indicate the features of a ‘great’ performance and development conversation in focus groups, the most frequently reported input was a mutual contribution from both the manager and the employee. Both managers and employees acknowledged the importance of mutually agreed outcomes, with both parties telling us, in focus groups, that performance and development conversations were most useful when they resulted in a mutual and shared understanding of goals and objectives. As will be discussed later in this Report, this theme is connected to the ability for conversations to result in two way feedback between managers and employees.

We also investigated the extent to which employees seek and apply feedback. We found 64% of employees felt comfortable asking their managers for feedback, while 69% of managers also believed their teams were comfortable asking for feedback. Employees strongly agreed they act on feedback when it is provided, a sentiment matched with agreement from managers, and 71% of employees agreed they consider their performance objectives in their day to day work (Figure 9). Our results indicate the foundations for engagement in effective performance and development conversations are present across agencies (for example, employees are willing to take ownership over the process and they feel comfortable asking for feedback), providing significant opportunity to develop maturity in the skills and capabilities required to effectively provide and receive meaningful feedback.

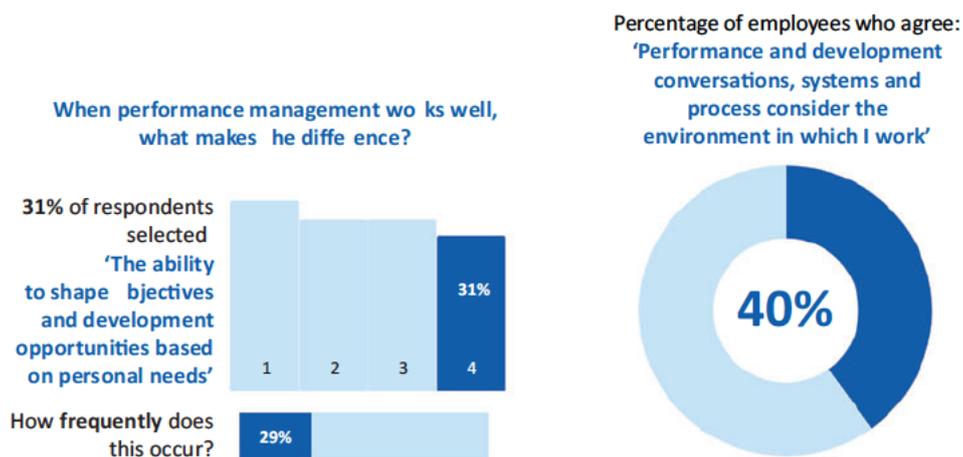
Possible agency responses 6, 7 and 8 adequately cover this sub-criteria.

### 3.2 Are performance and development conversations tailored to the personal development needs and workplace of the employee?

We identified there is room to improve the extent to which performance and development conversations were tailored to the personal needs of employees. The survey found the ability to shape objectives based on personal needs was one of the strongest contributing factors to performance management working well. Similarly, in focus groups managers told us outcomes of effective conversations considered individual employee aspirations, motivations and needs (both personal and professional). Managers believed this personalisation was a key requirement for driving conversational effectiveness because not all employees share the same sense of ambition, development drive and motivations.

Despite this strong connection between personalisation and effectiveness, we found staff only experience personalisation in their performance assessment and development planning conversations 29% of the time, and only 40% of employees agreed that conversations considered the specific environment in which they work (Figure 10). Indeed, we found limited explicit reference, support or encouragement in agency policies to personalisation within performance and development processes. In contrast, employees said they frequently considered their own development needs when setting performance objectives, this could indicate that whilst they considered their own needs, the ability to realise them is more limited. Employees told us during the audit that inflexibility of the performance and development process was a barrier to personalisation.

Figure 10. Survey Results



Where employees shared that they were not clearly motivated by career development opportunities (for example, they may be motivated by achieving mastery over their current responsibilities), we were told performance and development structures, including forms and templates, lead them to feel a constant pressure to progress even when this is not what they want, and this made them feel undervalued or unrecognised.

As we will discuss in Section 4, managers also reported feeling they often lacked the ability to influence the performance and development process or outcomes. This was compounded by a perception from employees that there was a lack of willingness and capability to deviate from the 'prescribed' conversation.

#### Possible agency response

11. Agencies ensure that performance and development policies provide sufficient flexibility to tailor conversations to the personal needs and motivations of employees.

##### Key considerations for implementation:

Flexibility can be considered at the following levels:

- Organisation:
  - review relevant policies to reinforce the expectation that managers and employees collaborate to tailor their performance conversations to the employee's needs and ways of working
  - review forms and templates to ensure that they provide sufficient flexibility to personalise conversations, while continuing to drive performance
  - consider separating the tools used to support meaningful and personally relevant conversations (for example, conversation guides), with the prescribed requirement to record conversation objectives, outcomes and actions.
- Managers:
  - review the extent to which managers possess or are supported to develop the capabilities required to understand the individual needs and drives of their employees, and address any gaps that are identified.
- Employees:
  - give employees the opportunity to provide input into the process that works best for them, including the ability to influence the frequency and style in which conversations take place, with regard to the requirements of their individual workplace.

### 3.3 To what extent are behaviours and achievements recognised and/or rewarded?

Just over half of surveyed employees agreed they were recognised for their efforts, a job well done, or for improving performance (Figure 11). It is unclear from the audit whether an employee's perception of excellent performance is matched with the organisation's view of outstanding contribution. Notwithstanding this observation, where this gap is genuine and exists, there is risk to agencies that a lack of recognition of great performance (or inability to recognise) will contribute to a cycle of poor motivation and poor performance, and undermine achievement of agency outcomes.

Figure 11. Survey results



We found agency policies stipulate salary progression is based on performance assessment, as defined by outcomes from the formal performance and development process. We found however, through both employee and agency interview feedback, that performance outcomes cannot be relied upon to determine salary progression as they are not completed consistently, and the manual nature of the process within each agency meant it was not practical or possible to ensure all managers and employees complied with this requirement.

Fewer than half of employees agreed the process for measuring and assessing performance was fair (Figure 11). We found a lack of ability to differentiate the tangible outcomes within the performance and development process was contributing to perceptions of unfairness. Managers told us they are frustrated by the rigid focus of performance and development templates, which reduces the ability to recognise great performance or manage poor performance. Managers said the format is not supportive of a more personal approach nor does it provide much opportunity for to give feedback or influence tangible outcomes from conversations. At worst, some managers told us the process itself ‘makes no difference’, and had completely disengaged with the process.

This inability to influence tangible outcomes during the performance and development process was also echoed during agency interviews, where we were told formal reward and recognition is often perceived to be difficult because of the nature of public service. Relevant research<sup>8</sup> highlights organisational performance can be improved more effectively and sustainably by ‘managing for people’ than ‘managing for results’. This suggests there is an opportunity to alleviate frustration and disengagement associated with the inability to deliver tangible outcomes by focusing on the human aspects of conversations.

We further found that while agency policies highlight employee salary progression, there was limited evidence of any additional formal reward or recognition programs for employee achievements. Given the intrinsic employee motivations to ‘go the extra mile’ identified in Section 1, this represents an opportunity for improvement for agencies.

#### Possible agency responses

12. Agencies encourage the use of low cost and non-monetary forms of reward and recognition.

**Key considerations for implementation:**

Such non-monetary rewards and recognition include:

- peer recognition
- opportunities to celebrate success
- linking performance to agency and community outcomes.

13. Agencies make use of existing inter-agency forums within the Tasmanian State Service as a way to share and receive feedback regarding which reward and recognition initiatives have been found to work well.

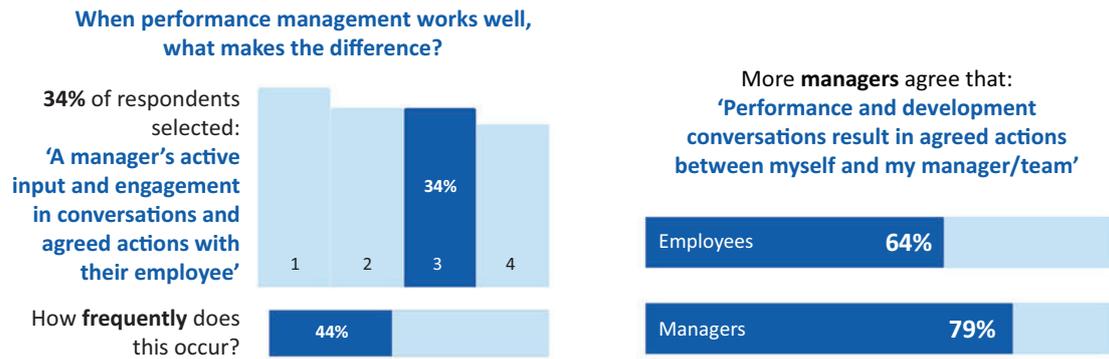
### 3.4 Do performance and development conversations result in agreed actions that are delivered upon?

We found agency performance and development policies indicate the performance and development process should be viewed as an ‘agreement’ that should be ‘signed off’ by both managers and employees. Many employees agreed conversations resulted in agreed actions between themselves and their manager, with even more managers agreeing with this statement (Figure 12). Both managers and employees were found to be aligned in acknowledging the importance of ending conversations with agreed actions, outcomes, and clear timeframes for action especially when paired with managers’ active input and engagement. However, this was seen to occur less than half of the time (Figure 12).

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8 Thomas Limberg and Ludo Van der Heyden, ‘Why fairness matters’, *International Commerce Review*, December 2007

Figure 12. Survey results



### Employee feedback and insights

Employees told us that the experience was perceived to be poor as a result of feeling that conversation outcomes often do not change, regardless of changes in performance.

Many employees told us during focus groups that they would like to see an increased focus on strength based/positive feedback, citing that 'a little bit of praise goes a long way'.

There was a perception amongst employees and managers that conversation outcomes did not change despite improvements or deterioration of individual performance, and this undermined the effectiveness of the performance management process. At worst, the process was described by some respondents as ineffective as a result of the irregularity with which previously documented outcomes are considered in subsequent conversations. Employees told us they would like to see an increase in the clarity of actions and outcomes that result from conversations, including an increased commitment from managers to follow up on their actions.

### Possible agency response

14. Agencies review existing forms and templates and implement a more simple system that supports performance and development objectives and outcomes to be agreed upon, recorded and followed up in a transparent and timely manner.

## 4. DO EMPLOYEES AND MANAGERS ENGAGE IN QUALITY PERFORMANCE AND DEVELOPMENT CONVERSATIONS?

In this Section we further evaluate aspects that contribute to the quality of performance and development conversations between managers and employees.

We considered the following questions in particular:

- Do both employees and managers perceive performance and development conversations to be a fair and meaningful process?
- Is there an environment of open, two-way communication and ongoing constructive two-way feedback?
- Are there mechanisms/processes in place to have conversations about team performance?

### 4.1 Do both employees and managers perceive performance and development conversations to be a fair and meaningful process?

As discussed in Section 2, there was confidence amongst staff that performance and development conversations were 'useful' but less confidence that they were 'effective'. One factor that was found to impact conversational effectiveness were perceptions of procedural fairness. As highlighted in Section 3, less than half of employees agreed the process for measuring and assessing performance was fair (Figure 11). Research<sup>9,10</sup> has demonstrated performance improvement can be linked to perceptions of procedural fairness, safety and belonging, and high levels of trust leads to positive outcomes for individuals and organisations. Individuals that work for organisations with high levels of trust are more likely to be engaged in their work, productive, and likely to stay in their jobs. When a process is perceived to be fair, employees are more likely to be accepting of the outcomes, regardless of whether the outcome is positive or negative.<sup>11</sup>

We found mixed evidence of explicit reference to fairness within agency performance and development policies, and where this was found to be present it was often mentioned in relation to managing underperformance only. We heard from some interviewees that the process was associated with fear, both in terms of the impact that a negative outcome might have for employees and their jobs, and even as soon as the performance and development conversation was scheduled.

We found the ability to measure the fairness of outcomes from performance and development activities was restricted by the manual and paper-based systems all agencies had in place to document conversations and benchmark outcomes. As previously identified, perceptions of fairness could be linked to a perceived lack of variability in outcomes from the performance and development process. We heard feedback during agency interviews how the process can often be perceived to be detrimental when employees see members of their team performing well or poorly over time, without any reward or consequence.

We found performance and development activities did focus on the potential tangible outcomes or extrinsic rewards associated with performance, but managers doubted their ability to influence tangible outcomes as a result of performance and development discussions (for example, career progression, development opportunities, rewards and recognition). The combination of a focus on tangible outcomes and a lack of genuine ability to influence these, is likely to be a contributing factor to perceptions of a lack of fairness.

Perceived levels of fairness were also found to be connected to the employee's perceptions of the value their managers place in performance and development conversations. We found 39% of employees believe their managers do not convey that they value conversations frequently (Figure 13), and simple signals of manager value are often reported to be lacking.

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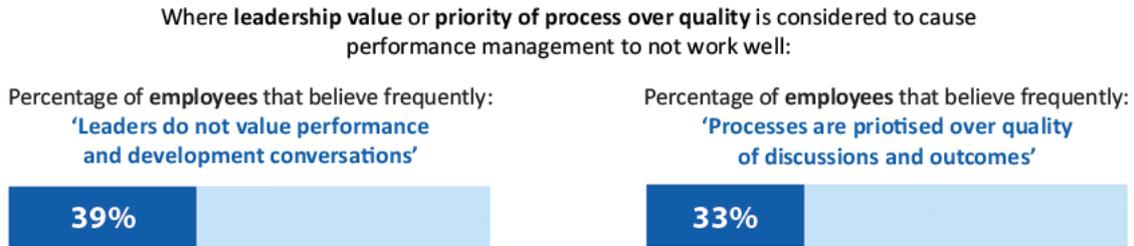
9 Thomas Limberg and Ludo Van der Heyden, 'Why fairness matters', *International Commerce Review*, December 2007

10 Paul Zak, 'The trust factor: The science of creating high-performance companies', 2017

11 W. Chan Kim and Renée Mauborgne, 'Fair process, managing in the knowledge economy', *Harvard Business Review*, January 2003

Feedback provided during the audit highlights one of the most important foundational elements required for a conversation to be seen as acceptable is for employees to feel the conversation is valued by their manager, with a positive attitude and a sense of enthusiasm. Employees told us they would like to feel their manager genuinely cares and was willing to support them, and they were being listened to and heard.

**Figure 13. Survey results**

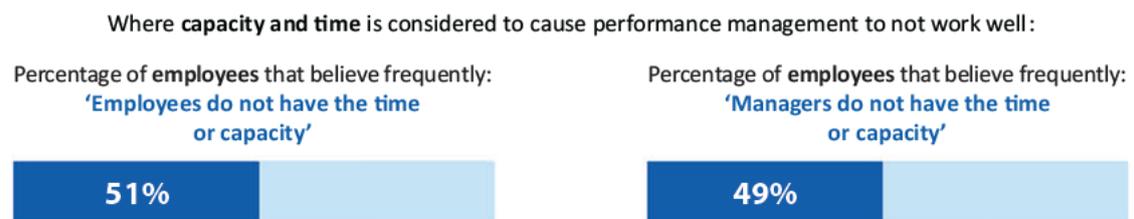


We heard from both employees and managers they were often driven to hold performance and development conversations out of necessity to 'tick a box' rather than out of genuine interest in employee progress (see Figure 12), which could be a contributing factor to an erosion of trust. Many told us the requirement to comply with what they believe are 'lengthy administrative' obligations associated with performance and development activities was often cited as an issue, in conjunction with constraints of time and capacity to hold meaningful conversations.

***'People understand their role and responsibility with respect to performance management, but they may not fulfil it because they don't have time.'***

The survey found reported time and capacity constraints of managers and employees was one of the largest factors contributing to perceptions of performance management not working well, with half of those who endorsed this saying that it impacted conversation quality 'frequently' (Figure 14). In conjunction with this, we also heard from employees during focus groups that when conversations worked well, it was often due to believing their manager had adequately prepared for a discussion, and were actively engaged in following up actions and outcomes. This again highlights the importance of sufficient capacity and time for conversations.

**Figure 14. Survey results**



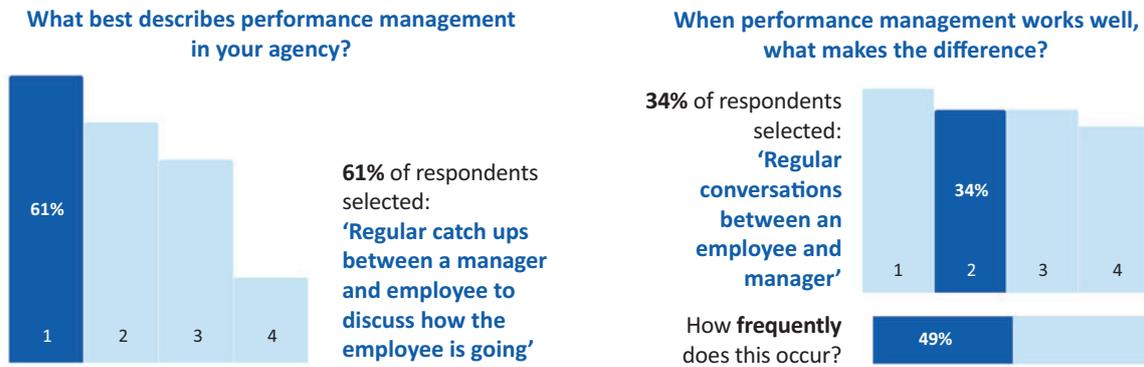
**Employee and agency feedback and insights**

Agencies have told us that performance and development conversion outcomes in some agencies cannot be accurately relied upon as a basis for determining salary or career progression because there is no way to guarantee fairness or objectivity of outcomes.

Employees told us that their managers are able to send them simple signals that they value the conversations and the process. Frequent examples were shared however, of rescheduling, ending conversations before conclusions are reached, and outcomes not being documented or shared.

When asked which phrase best described performance management, we found 61% of survey respondents selected ‘regular catch ups between a manager and employee to discuss how the employee is going’ (Figure 15). This description was the most commonly selected response for all but one agency. This theme was complemented by the additional finding that ‘regular conversations between an employee and manager’ was a commonly selected key feature of effective performance conversations (Figure 15). These findings reflect a mutual recognition from both employees and managers that building relationships and establishing rapport was a critical factor in supporting meaningful conversations.

Figure 15. Survey results



We also found mixed evidence of agency policies explicitly referring to the importance of building rapport or establishing meaningful relationships between managers and employees to support and enable meaningful conversations. Where the importance of building rapport was cited in policies, we found there was room to improve the extent to which this is embedded throughout related materials.

We heard from managers who believe they have been able to succeed at providing meaningful constructive feedback that challenges their employees, many emphasising the importance of establishing deep relationships and rapport with their employees as a critical contributing factor to their success. This perception from managers is also supported by research<sup>12</sup> which shows that successful leaders ‘engage with employees in a way that resembles an ordinary person-to-person conversation more than it does a series of commands from on high’.

Despite the reported positive impact, ‘regular conversations between an employee and manager’, were only found to be seen as being ‘frequent’ by approximately half of individuals surveyed. During focus groups we heard from both managers and employees they believe approaching performance and development conversations as an ‘event’ (that must be complied with) can detract from their ability to build rapport.

12 Boris Groysberg and Michael Slind, ‘Leadership is a Conversation’, *Harvard Business Review*, June 2012

## Possible agency responses

15. Agencies review the barriers and impediments to building trust in performance and development activities, with the aim of increasing levels of perceived fairness of the process.<sup>13</sup>

**Key considerations for implementation:**

Agencies ensure:

- employees are invited to provide input and seek clarification during decision making
- results and outcomes are communicated, clarifying the rationale behind decision making
- expectations are set throughout the performance and development process, including clarification of what is and is not possible.

16. Agencies seek to understand and address the root causes of a lack of sufficient employee capacity and time to prepare for, participate in, and follow up on performance and development conversations.

**Key considerations for implementation:**

Specifically, agencies:

- review and analyse the required time to adequately fulfil the requirements of their performance and development process to determine whether such expectations are reasonable and efficient, including setting guidelines for the number of direct reports for which any individual manager is reasonably expected to be accountable
- identify ways to introduce real time feedback moments and to make this a part of the regular way of working within the Tasmanian State service, but without resorting to simply introducing additional process.

17. Agencies look to highlight the critical importance of building connection between employees and their managers throughout performance and development policies and processes.

**Key considerations for implementation:**

In particular, agencies review:

- training provided to managers and employees to build the skills to enable effective conversations to take place and increase the awareness of building fairness into the process<sup>14</sup>
- the types of interactions that are encouraged between managers and employees, and the balance between formal and informal interaction
- the way in which managers are equipped to understand and own an organisation's messaging to employees and teams. In particular, on strategy and purpose, key performance indicators and performance.

13 W. Chan Kim and Renee Mauborgne, 'Fair process: Managing in the knowledge economy', *Harvard Business Review*, January 2003

14 Bryan Hancock, Elizabeth Hioe, and Bill Schaninger, 'The fairness factor in performance management', *McKinsey Quarterly*, April 2018

## 4.2 Is there an environment of open, two-way communication and ongoing constructive two-way feedback?

We found the ability to give and receive two-way feedback was frequently cited during focus groups as a feature of performance and development conversations that contributed to an excellent experience, for both managers and employees. Managers agreed they both seek and act upon feedback from their teams, however we found no evidence that balanced or symmetrical two-way feedback is embedded within the performance and development policies of any agency. While the concept of ‘two way discussions’ was found in policies, this was not formally extended to support the ability for employees to provide direct feedback to their managers about either performance or the performance and development process itself.

It has been suggested<sup>15</sup> that vulnerability (such as managers being open to receiving feedback from their employees) can lead to increased levels of trust, which was explored earlier as a key enabler of effective performance management. During the audit we heard where employees and managers had participated in ongoing two-way feedback, experiences had been very positive.

We also heard from many employees that they would like to see an increase in the opportunity to provide upward feedback to their manager, however they have previously been unable to do so from either lack of opportunity, or fear of reprisal. Managers frequently told us of their desire to receive more regular feedback on their own performance from their employees. Those who had experienced balanced two-way feedback generally perceived this to add value to their effectiveness as managers.

### Employee and manager feedback and insights

Employees told us that they believe many managers are not adept at receiving feedback, preventing awareness of areas of improvement and contributing to a reluctance to provide upwards feedback. We also heard about not sharing feedback due to a lack of opportunity or fear of reprisal.

Managers also told us that they would like to receive more regular feedback from their employees, and those who have experienced upwards feedback believe it helps to improve their effectiveness as managers.

Managers told us that building rapport and deepening relationships with employees is particularly helpful when it comes to holding difficult conversations, improving the quality of constructive feedback, and increasing the recognition of feedback by employees.

### Possible agency response

18. Agencies consider introducing balanced two-way feedback throughout the performance and development process.

#### Key considerations for implementation:

Where agencies believe this will be appropriate and beneficial (within their individual cultural contexts), then training and support be provided to:

- employees to build capabilities to effectively provide their manager with feedback
- managers to build capabilities to effectively receive and implement this feedback.

## 4.3 Are there mechanisms/processes in place to have conversations about team performance?

As noted in Section 1, we found the relevant policies of most agencies explicitly referred to the considerations of individual impact on team performance, together with an expectation that contribution to team outcomes should be included in conversations between employees and managers. It was also found that one of the strongest motivating factors for agency employees to ‘go the extra mile’ was their ability to help out their teams (Figure 4). However, we found only 39% of employees agreed their teams have regular conversations about improving performance (Figure 16).

15 Daniel Coyle, ‘The Culture Code: The Secrets of Highly Successful Groups’, 2018

Figure 16. Survey results



Research<sup>16,17</sup> has long demonstrated the importance of effective teaming in driving superior organisational performance. The importance of leadership in nurturing and fostering effective teaming has also been well established<sup>18</sup>. Teams require leaders that can set meaningful goals that are linked to the team's purpose, inspire confidence in their team members, promote continual development of skills, and build trust. While these are critical skills of team leaders, recent research also highlights the importance of simultaneously supporting the unique drives, motivations, and purpose of individuals in the pursuit of achieving effective collaboration. While teams are critical for bringing the right mix of skills to solve important problems, bringing out the best of each individual within each team can be transformational for organisational performance.

The implication of these findings and research is there is an opportunity to improve the extent to which managers hold performance and development conversations that balance the needs of both individuals and teams.

#### Possible agency responses

19. Agencies clarify the expected balance between team and individual when setting objectives and assessing performance.
20. Agencies review the extent to which managers and leaders are supported to develop the skills necessary to bring teams together.

#### Key considerations for implementation:

Support would include how managers:

- work with their teams to bring out of the best of each individual, not just to work cohesively with each other but to challenge and stretch one another in a constructive way when required
- are supported and equipped to form teams that possess the right mix of skills and capabilities required to achieve intended outcomes.

16 Jon R. Katzenbach and Douglas K. Smith, 'The wisdom of teams : creating the high-performance organization', *Harvard Business School Press*, 1993

17 'Developing and Sustaining High-Performance Work Teams', *Society for Human Resource Management*, 2015

18 Heidi K. Gardner, 'Getting your stars to collaborate', *Harvard Business Review*, January 2017

## 5. ARE THE PRINCIPLES AND FOUNDATIONAL ELEMENTS OF THE BROADER PERFORMANCE MANAGEMENT FRAMEWORK EFFECTIVE?

In this Section we evaluate whether the principles and foundational elements of the broader performance management framework are effective, with a particular focus on the impact these elements have on conversational effectiveness.

We have specifically considered the following questions:

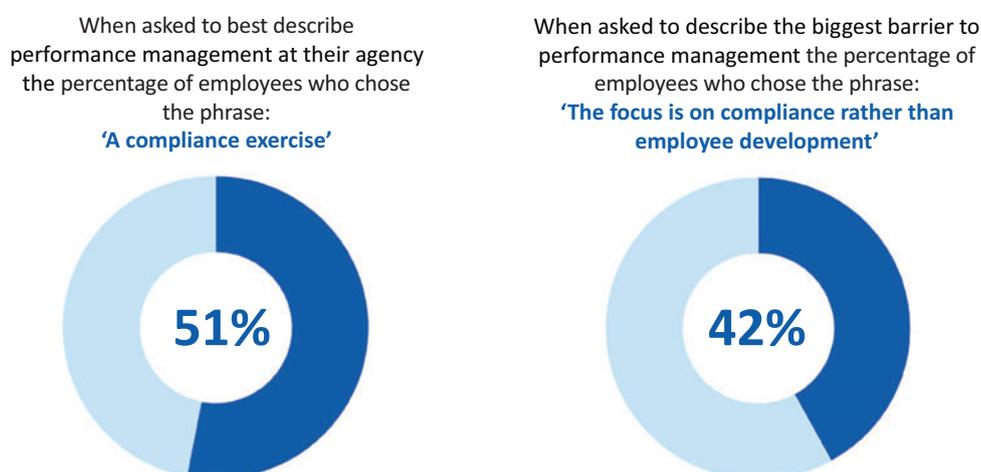
- Does the broader performance management framework drive the desired outcomes?
- When and how frequently do performance and development conversations occur?
- To what degree is the performance management system flexible to specific and changing needs?
- How does performance management inform learning and development opportunities?
- How are barriers to effective performance management identified, mitigated and monitored?

### 5.1 Does the broader performance management framework drive the desired outcomes?

We found the broader performance management framework places significant emphasis on the compliance of 'holding' performance and development conversations, above and beyond the quality of the conversations themselves. While earlier sections have noted that foundational elements for positive engagement in the performance and development process are in place, the focus on compliance appears to significantly and negatively impact both employee and people leader experiences and satisfaction with the conversation process.

When asked which phrase best described performance management, over half of employees selected 'a compliance exercise' (Figure 17). In one agency, this was the most frequently selected response. We further found when performance management was perceived to not work well, 42% of survey respondents said the biggest barrier was 'the focus is on compliance rather than employee development', and this impacted conversations 42% of the time (Figure 17).

Figure 17. Survey results



We heard during agency interviews that performance and development conversations were frequently seen as simply a 'process to be followed', with the focus seeming to be on 'filling in a piece of paper' rather than engaging in genuine conversations about an individual's performance, development needs, career aspirations, or support required to improve working experience in the Tasmanian State Service.

***'People get caught up with the process. The process becomes the outcome instead of the outcome itself'***

Several further related findings were identified. We heard from employees that they frequently perceive their managers to have a tendency to focus on short term activities and tasks, while employees themselves would prefer to see a shift in focus towards longer term aspects such as impact and outcome.

This perception appears to be closely linked to concerns mentioned earlier regarding the capacity constraints of managers and employees to dedicate sufficient time required to: prepare for; hold; and; follow up on performance and development conversations. We heard from both managers and employees during the audit that where capacity constraints existed, they were believed to contribute to the compliance focus because the tasks associated with filling in the required forms and templates would be prioritised over holding meaningful conversations with each and every employee. Additionally, only 20% of employees felt the human resources systems in place made these activities easier to manage (Figure 18).

Figure 18. Survey results



We have already reported managers' concerns regarding their perceived inability to provide 'tangible' outcomes on the back of holding performance and development conversations, for both strong and poor performers alike. It is worth reiterating this finding within the context of the broader performance management framework. Managers expressed frustration that the performance management process, including forms and templates, was not aligned to what they are empowered to influence. Meanwhile, we found employees feel a lack of empowerment to progress their careers in the Tasmanian State Service (see Figure 19). This sentiment was echoed during agency interviews, where staff emphasised agencies are limited in terms of rewards and recognition available to their employees when they do a great job.

Figure 19. Survey results



The purpose of performance and development management in the Tasmanian State Service is to improve employee performance, develop and reward talent to advance organisational objectives. However, our findings indicated performance and development activities were viewed as a compliance activity that had minimal bearing on development activities and career progression.

**Employee and manager feedback and insights**

<p>Employees and managers told us that the prescriptive requirement to complete templates can drive a focus on compliance over building genuine relationships which allow needs to be understood and performance to be improved.</p>	<p>Employees told us that the structure and focus surrounding conversations means that there is a constant perceived pressure to progress careers, even when this is not what individual employees want, leading to feeling undervalued and unreconciled.</p>	<p>Managers told us that they are frustrated because the process does not align with what they are empowered to influence. For many managers, the process is perceived to make no difference, so there is a reported attitude of 'why bother'?</p>
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## Possible agency response

21. Agencies seek to enhance effectiveness of performance and development conversations in the Tasmanian State Service in order to realise their intended purpose.

### Key considerations for implementation:

Specific attention be paid to carry out the following activities:

- shift the focus of performance and development activities away from extrinsically motivating aspects to more intrinsically relevant factors such as helping others (including teammates) and personal growth
- instead of focusing on process, generate a cultural shift in how the organisation approaches performance and development that focuses on frequent, immediate and constructive conversations that are embedded in the day to day working experience
- integrate policies and tools to align organisational goals to individual performance objectives and development planning
- establish a separate but dual focus within the performance and development process, with a formal end of year assessment, and a distinctly separate requirement for employees and managers to seek and provide ongoing and in the moment feedback.

## 5.2 When and how frequently do performance and development conversations occur?

Following the earlier observation regarding perceived conversation frequency, we found managers generally perceived conversations to be taking place more frequently than employees report. Where nearly half of employees reported conversations as occurring once annually or less, nearly three quarters of managers said they occurred twice annually or more. In attempting to understand the drivers behind this discrepancy, we found earlier observations regarding the focus on compliance to be a contributing factor. Even where regular feedback had been provided, the focus on 'the event' of completing the performance and development templates leads to informal conversations not always being recognised. Similarly, we heard the previously observed variable experience of feedback quality was believed to contribute to conversations not being recognised as frequently as that reported by managers.

*'If you ask people they will say they are having conversations, but they don't recognise this as performance management'*

We found agency policies all require performance and development conversations to formally take place at least once a year, however the process was also found to be frequently described as 'ongoing' or 'living', with more regular conversations and check-ins actively encouraged. Despite this focus in agency policies, we heard during agency interviews that the reality significantly depends on the specific interests of managers and the culture of their individual workplace. While the process is designed for regular feedback, it is only genuinely enforced once a year. We also heard employees believe managers don't always know the right time to hold conversations, and opportunities to provide in-the-moment feedback are often missed.

*'We have pockets of excellence where there are weekly discussions, and others haven't had discussions in 20 years'*

This finding notwithstanding, we also observed both managers and employees are aligned in their desire for more frequent performance and development conversations. While less than a third of employees and just over half of managers currently report conversations taking place at least quarterly, over half of employees

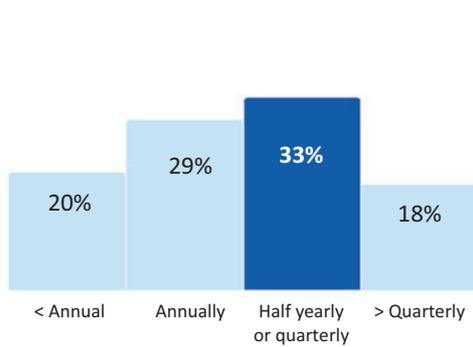
and over two thirds of managers would like conversations to take place at least quarterly (Figure 20). We also found there was a desire for a shift towards a model of 'continuous' feedback. It should be noted that as the frequency with which conversations take place increases, the quality and effectiveness of conversations should also increase. The closer to an event that feedback is able to be given and received, the more effectively current performance can be addressed and skills can be developed for the future.<sup>19</sup>

<sup>19</sup> Peter Cappelli and Anna Tavis, 'The performance management revolution', *Harvard Business Review*, 2016

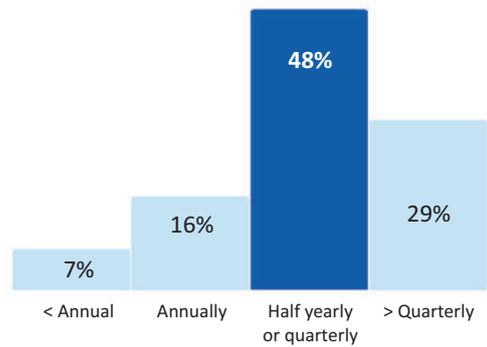
Figure 20. Survey results

How frequently **do you** have performance and development conversations?

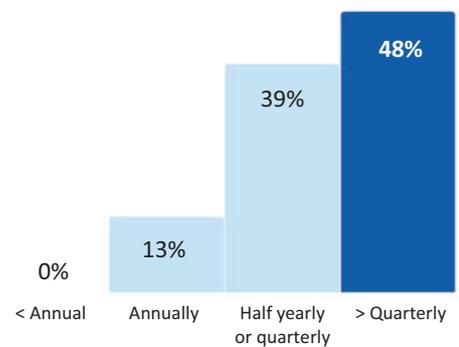
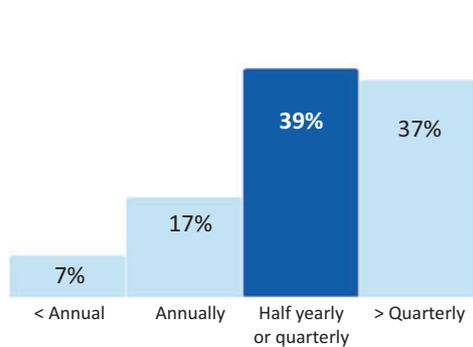
**Employees**



How frequently **would you like to** have performance and development conversations?



**Managers**



**Employee and agency feedback and insights**

When asked to identify the features of conversations that are currently working well and currently not working well, ‘conversation frequency’ was reported to be a key feature of both groups, from both managers and employees.

Some managers have told us that the focus on a conversation as ‘an event’ detracts from their ability to build rapport, and would be in favour of separating the requirement to hold annual conversations with the requirement to hold frequent conversations with their teams.

**Possible agency response**

22. Agencies consider increasing the frequency with which feedback is captured. Increasing the required frequency may help to reduce the perception of ‘box ticking’ that takes place when objectives are assessed formally only once a year, smooth out the administrative effort across the year, and increase emphasis on the genuine value that the Tasmanian State Service places on feedback.

**Key considerations for implementation:**

As a starting point, agencies consider requiring conversations to take place half yearly or quarterly.

### 5.3 To what degree is the performance management system flexible to specific and changing needs?

While we found all agencies provide their managers and employees forms designed to enable quality conversations, the unintended consequence is to both emphasise the compliance requirements while also detracting from the flexibility and quality of conversations. In line with the earlier possible agency response regarding a review of the objective setting process, it is clear there is an opportunity for agencies to review the manner in which forms and templates are used during performance and development activities, to enhance the quality of conversations and allow for flexibility in response to changing workforce needs and personalisation in response to individual employee needs.

#### Possible agency response

23. Agencies ensure that performance and development policies provide sufficient flexibility to tailor conversations to the personal needs and motivations of employees (as per Possible agency response 11) and can adjust to changing workforce needs and technology.

##### Key considerations for implementation:

Specifically:

- Organisation:
  - review relevant policies regularly to ensure they are aligned to workforce strategy, ways of working and organisational goals
  - review forms and templates to ensure that they provide sufficient flexibility to personalise conversations
  - consider separating the tools used to support meaningful and personally relevant conversations (for example, conversation guides), with the prescribed requirement to record conversation objectives, outcomes and actions
  - consider introducing simple technologies that enable feedback to be requested and captured in real time, and in an accessible manner.
- Managers:
  - review the extent to which managers possess or are supported to develop the capabilities required to understand where they need to have fidelity to performance and development activities and processes, and where there is room for flexibility.
- Employees:
  - give employees the ability to provide input into what works best for them, including the ability to influence the frequency and style in which conversations take place, with regard to the requirements of their individual workplace as well as their career aspirations.

### 5.4 How does performance management inform learning and development opportunities?

We found the ability to offer learning and development opportunities, that are relevant to the outcomes of the performance and development process, was seen to be valuable by both managers and employees. The importance of learning and development programs was reinforced in the policies of each agency and frequently found to be a component of the principles of performance and development activities. Managers said the ability to offer learning and development was seen to be a 'win-win' and something which added significant value to the overall process. We also found employees were strongly motivated by opportunities to learn something new while working in the Tasmanian State Service, and where learning and development opportunities have been provided to employees (which were relevant to the specific development desires of each individual), this was perceived to have great value.

The observations relating to general learning and development opportunities are closely linked to the earlier findings in Section 2, relating to support provided to develop effective conversation skills. We heard during focus groups the availability to access learning and development programs was not always perceived to be consistent between managers and lower levels of employees, while employee perceptions of the fairness and availability of program enrolment was also mixed, with inability to participate as a result of budget constraints cited to be a regular concern. At worst, some employees told us they believed there to be a perceived reluctance to offer learning and development opportunities to them out of fear team members may progress and move on.

#### Employee and manager feedback and insights

<p>Where employees have been able to participate in learning and development activities, they have told us that they generally found it to be valuable and supports the achievement of their career aspirations, and increasing levels of engagement.</p>	<p>Managers told us that the ability to offer learning and development opportunities to be a valuable addition to the conversation 'toolkit'.</p>	<p>Both managers and employees have told us that they see learning and development as a 'win-win' to be able to offer to employees, increasing both engagement and performance.</p>
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#### Possible agency responses

24. Agencies review the extent to which managers and employees are aware of the learning and development opportunities that are currently available to them across the Tasmanian State Service.

**Key considerations for implementation:**

This review be done in collaboration with SSMO. Increasing awareness helps to ensure that managers and employees can take advantage of the learning and development opportunities available to them.

25. Agencies review the extent to which access to learning and development opportunities are genuinely accessible.

**Key considerations for implementation:**

Particular consideration be given to equity of access between managers and employees, as well as between individuals in regional and metropolitan areas. As part of this exercise, agencies should seek to understand and address the root cause of any potential access constraints, including any cultural considerations.

### 5.5 How are the barriers to effective performance management identified, mitigated and monitored?

We identified key barriers to effective performance management, including time, technology, accessibility and prioritisation, all of which have been discussed in this Report.

We did not find evidence the Tasmanian State Service currently undertakes any activities to monitor the effectiveness of performance and development processes, either on a case by case or systemic level, nor to identify and resolve barriers as they arise.

While the purpose of this audit was to provide input at a high level to identify barriers, a need still exists for an ongoing organisational capability to monitor effectiveness and detect new issues as they arise.

#### Possible agency responses

26. Agency measures to assess staff engagement be used frequently to gather feedback on the performance and development process, and to collect information about barriers that exist.

27. When barriers are identified, agencies visibly rectify the issue, or seek input on the solution from employees.

## ACRONYMS AND ABBREVIATIONS

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ED 26	<i>Employment Direction 26: Managing Performance in the State Service</i>
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SSMO	State Service Management Office
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## APPENDIX 1: AUDIT CRITERIA

The audit addressed the objectives through the following criteria and sub-criteria:

Criteria	Sub-criteria
1. Is there a shared understanding between managers and employees on the purpose of performance and development conversations?	1.1 Do managers and employees understand the purpose and underpinning principles of performance management? 1.2 Do managers and employees understand what success looks like for themselves, the team and the agency? 1.3 What is the balance between assessing values and behaviours as opposed to capabilities when providing and giving feedback? 1.4 Do managers and employees share an understanding of what differentiates performance that meets expectations and outstanding performance?
2. Are managers and employees equipped to engage in performance and development conversations?	2.1 Do managers and employees have sufficient skills, capabilities and experience required to hold effective conversations? 2.2 What learning and development programs and resources are available to support managers and employees in performance and development conversations?
3. Is there shared ownership and accountability for the performance management process?	3.1 Is feedback considered and applied by employees to support their development? 3.2 Are performance and development conversations tailored to the personal development needs and workplace of the employee? 3.3 To what extent are behaviours and achievements recognised and/or rewarded? 3.4 Do performance and development conversations result in agreed actions that are delivered upon?
4. Do employees and managers engage in quality performance and development conversations?	4.1 Do both employees and managers perceive performance and development conversations to be a fair and meaningful process? 4.2 Is there an environment of open, two-way communication and ongoing constructive two-way feedback? 4.3 Are there mechanisms/processes in place to have conversations about team performance?
5. Are the principles and foundational elements of the broader performance management framework effective?	5.1 Does the broader performance management framework drive the desired outcomes? 5.2 When and how frequently do performance and development conversations occur? 5.3 To what degree is the performance management system flexible to specific and changing needs? 5.4 How does performance management inform learning and development opportunities? 5.5 How are barriers to effective performance management identified, mitigated and monitored?

## APPENDIX 2: SUMMARY OF FINDINGS, POSSIBLE AGENCY RESPONSES AND KEY CONSIDERATIONS FOR IMPLEMENTATION

Findings	Possible agency response	Key considerations for implementation
<p><b>Criterion 1</b> Is there a shared understanding between managers and employees on the purpose of performance and development conversations?</p> <p>1.1 Do managers and employees understand the purpose and principles of performance management?</p> <ul style="list-style-type: none"> <li>• A disconnect existed between managers and employees over the purpose of performance management and the emphasis on either how outcomes are achieved, or what outcomes are achieved.</li> <li>• Agency policies and other documentation do not address the value of ongoing conversations.</li> </ul>	<p>1. Agency policies more clearly align performance and development activities with organisational and people strategies.</p>	<p>Agencies purposefully:</p> <ul style="list-style-type: none"> <li>• clarify an employee development focus, and the balance between technical and personal aspects</li> <li>• clarify a performance assessment focus, and the balance between what outcomes are achieved and how outcomes are achieved (with reference to agency values).</li> </ul>
<ul style="list-style-type: none"> <li>• Managing performance and managing development viewed as distinct exercises.</li> <li>• Perception by employees that performance management means managing underperformance.</li> </ul>	<p>2. Agencies build a 'growth mindset' environment where performance and development are viewed holistically by employees and managers.</p>	<p>A growth mindset can be achieved through two layers:</p> <ul style="list-style-type: none"> <li>• Organisation: ensure that development of people is embedded in organisational values, supported in employee development activities, and reflected in career progression opportunities</li> <li>• Policy: review the terminology and definitions used to describe performance and development policies and associated activities. For example, it may be helpful to refer simply to 'Performance' rather than 'Performance and Development', while 'Performance and Development Agreement' might simply be referred to as 'Goal Setting' or 'My Objectives'.</li> </ul>

## Findings

## Possible agency response

## Key considerations for implementation

### 1.2 Do managers and employees understand what success looks like for themselves, the team and the agency?

- Employees are typically motivated by:
  - their ability to contribute to the community
  - the opportunity to learn new skills
  - their ability to take ownership in their role.
- That agencies be clear on their organisational purpose, including community outcomes, to create a link to employee purpose. Link outcomes to performance and development activities, strategies, key performance indicators, and actively communicate through available channels.
- Organisations:
  - establish a formal link between individual and organisational purpose through policies and the objective setting process. For example, employees may be required to illustrate how their individual objectives contribute to the fulfilment of organisational purpose and how this is aligned to their own individual goals
  - measure organisational and team performance against organisational objectives and communicate achievements to employees. Agencies could provide tools and dashboards that enable managers and employees to track the external and organisational progress and assess their contribution to this progress.
- Managers:
  - be clear in expectations of managers, that they are required to help their employees to draw the link to their personal performance and organisational performance, and then measure performance against this
  - develop and enable managers to have conversations with employees to link organisational and personal purpose
  - update promotion and recruitment criteria to highlight the capabilities outlined above, that is, in thinking strategically, motivating teams and individuals, and the ability to build rapport with team members.
- Employees:
  - be clear in expectations of employees to own and shape individual objectives aligned to the purpose of the organisation
  - provide employees with appropriate training in the performance and development process, and provide scenarios and examples of what goals aligned to organisational purpose could look like.

Findings	Possible agency response	Key considerations for implementation
<p>1.3 What is the balance between assessing values and behaviours as opposed to capabilities when giving feedback?</p> <ul style="list-style-type: none"> <li>Performance and development guidance materials that articulated agency values or behaviours were not widely evident.</li> <li>However, 62% of survey respondents agreed that performance assessment does consider behaviours and capabilities.</li> </ul>	<p>4. Agencies articulate expected capabilities, expected behaviours and agency values, and emphasise these aspects in performance and development conversations.</p>	<p>In particular, agencies:</p> <ul style="list-style-type: none"> <li>explain clear standards for expected maturity of employee capabilities, for example, along a spectrum, from ‘emerging’, ‘as expected’ through to ‘role modelling’, with expected maturity connected to an individual’s experience and development pathway</li> <li>explain clear behaviours that employees are expected to demonstrate in line with agency values</li> <li>support managers to develop skills required to effectively consider and utilise behaviour and value focused tools in performance and development conversations.</li> </ul>
<p>1.4 Do managers and employees share an understanding of what differentiates performance that meets expectations and outstanding performance?</p> <ul style="list-style-type: none"> <li>Limited evidence that guidance materials directed managers and employees to define performance in terms of what ‘meeting expectations’ versus ‘outstanding’ looks like.</li> <li>Employees seeking better guidance to know what outstanding means for them in their role.</li> </ul>	<p>5. Agencies review and, if necessary, revise their goal and objective setting processes and establish clear performance criteria.</p>	<p>In particular, agencies:</p> <ul style="list-style-type: none"> <li>define ‘good’ and ‘great’ performance in goal and objective setting guidelines</li> <li>support employees and managers to differentiate performance consistently in goal setting and performance measurement. Examples could be provided to illustrate the difference.</li> </ul>

Findings	Possible agency response	Key considerations for implementation
<b>Criterion 2 Are managers and employees equipped to engage in performance and development conversations?</b>		
<p>2.1 Do managers and employees have sufficient skills, capabilities and experience required to hold effective conversations?</p> <ul style="list-style-type: none"> <li>• Agencies generally not assessing quality of performance conversations, rather than ascertaining that they took place.</li> <li>• Lack of technology to support performance process cited as a key reason quality assessments not taking place.</li> </ul>	<p>6. Agencies implement simple online tools to track and report on the quality of performance and development conversations, that is, accessible and straightforward feedback tools.</p>	<p>Do managers and employees have sufficient skills, capabilities and experience required to hold effective conversations?</p>
<ul style="list-style-type: none"> <li>• There was a disconnect between the managers' and employees' view of the effectiveness of the performance and development conversation, with managers having a higher rate of confidence.</li> </ul>	<p>7. Agencies review training that is available to managers and employees to support the development of skills and capabilities required to give and receive constructive feedback, and to hold difficult or challenging conversations.</p>	<p>In particular, agencies:</p> <ul style="list-style-type: none"> <li>• ensure that sufficient training is made available</li> <li>• ensure that the training provided to managers and employees to give actionable feedback (for example, phrased in behavioural terms, can be observed and measured) is effective and accessible.</li> </ul>
<ul style="list-style-type: none"> <li>• Perceptions from the survey, focus groups and interviews showed that conversations were most effective where there was both an opportunity to give and receive feedback.</li> </ul>	<p>8. Agencies enhance the ability of managers and employees to seek, receive and act upon constructive feedback.</p>	<p>Enhancements can be made through:</p> <ul style="list-style-type: none"> <li>• defining the attribute of a personal development mindset in the employee capability framework, and recruit the same</li> <li>• ensuring employees and managers are able to access training to develop the skills and behaviours associated with a desire for personal development and improvement</li> <li>• ensuring that templates and resources also support the provision of actionable feedback, and that processes are in place to</li> </ul>

Findings	Possible agency response	Key considerations for implementation
<p>2.2 What learning and development programs and resources are available to support managers and employees in performance and development conversations?</p> <ul style="list-style-type: none"> <li>• Access to training courses could be limited, particularly in regional locations</li> <li>• Training materials were developed separately by agencies and therefore were not consistent.</li> </ul>	<p>9. Agencies review:</p> <ul style="list-style-type: none"> <li>• learning preferences</li> <li>• the delivery and format of learning and development, for example, can it be accessed off-site, or from a mobile device</li> <li>• evaluation of training delivery.</li> </ul>	<p>In particular, agencies:</p> <ul style="list-style-type: none"> <li>• define 'good' and 'great' performance in goal and objective setting guidelines</li> <li>• support employees and managers to differentiate performance consistently in goal setting and performance measurement. Examples could be provided to illustrate the difference.</li> </ul>
<ul style="list-style-type: none"> <li>• Although there were a range of training materials provided, there was generally low engagement.</li> </ul>	<p>10. Agencies review the communication and engagement of learning and development, and look for mechanisms to increase attendance such as manager visibility for not attending booked training.</p>	
<p><b>Criterion 3 Is there shared ownership and accountability for the performance management process?</b></p>		
<p>3-1 Is feedback considered and applied by employees to support their development?</p>		
<ul style="list-style-type: none"> <li>• Two key foundational elements are in place to enable feedback to be considered and applied by employees: <ul style="list-style-type: none"> <li>○ both employees and managers feel ownership over the performance management process</li> <li>○ around two thirds of employees surveyed said they felt confident seeking feedback for themselves and for their team.</li> </ul> </li> </ul>		

Findings	Possible agency response	Key considerations for implementation
3.2 Are performance and development conversations tailored to the personal development needs and workplace of the employee?	<ul style="list-style-type: none"> <li>• 29% of employees experience personalisation in their performance assessment.</li> <li>• 40% of employees agreed that conversations considered the specific environment in which they work.</li> </ul>	<p>Flexibility can be considered at the following levels:</p> <ul style="list-style-type: none"> <li>• Organisation: <ul style="list-style-type: none"> <li>○ review relevant policies to reinforce the expectation that managers and employees collaborate to tailor their performance conversations to the employee's needs and ways of working</li> <li>○ review forms and templates to ensure that they provide sufficient flexibility to personalise conversations, while continuing to drive performance</li> <li>○ consider separating the tools used to support meaningful and personally relevant conversations (for example, conversation guides), with the prescribed requirement to record conversation objectives, outcomes and actions.</li> </ul> </li> <li>• Managers: <ul style="list-style-type: none"> <li>○ review the extent to which managers possess or are supported to develop the capabilities required to understand the individual needs and drives of their employees, and address any gaps that are identified.</li> </ul> </li> <li>• Employees: <ul style="list-style-type: none"> <li>○ give employees the opportunity to provide input into the process that works best for them, including the ability to influence the frequency and style in which conversations take place, with regard to the requirements of their individual workplace.</li> </ul> </li> </ul>

Findings	Possible agency response	Key considerations for implementation
<p>3.3 To what extent are behaviours and achievements recognised and/or rewarded?</p> <ul style="list-style-type: none"> <li>• Performance outcomes cannot always be relied on to determine salary progression due to: <ul style="list-style-type: none"> <li>○ perceptions of unfairness</li> <li>○ rigid focus on templates</li> <li>○ methodology not supportive of a personal approach</li> <li>○ inability to influence tangible outcomes.</li> </ul> </li> </ul>	<p>12. Agencies encourage the use of low cost and non-monetary forms of reward and recognition.</p> <p>13. Agencies make use of existing inter-agency forums within the Tasmanian State Service as a way to share and receive feedback regarding which reward and recognition initiatives have been found to work well.</p>	<p>Such non-monetary rewards and recognition include:</p> <ul style="list-style-type: none"> <li>• peer recognition</li> <li>• opportunities to celebrate success</li> <li>• linking performance to agency and community outcomes.</li> </ul>

Findings	Possible agency response	Key considerations for implementation
<p>3-4 Do performance and development conversations result in agreed actions that are delivered upon?</p>	<ul style="list-style-type: none"> <li>Although it was generally found that conversations do result in agreed actions, the follow up of those actions was not considered effective.               <ul style="list-style-type: none"> <li>14. Agencies review existing forms and templates and implement a more simple system that supports performance and development objectives and outcomes to be agreed upon, recorded and followed up in a transparent and timely manner.</li> </ul> </li> </ul>	

Findings	Possible agency response	Key considerations for implementation
<b>Criterion 4 Do employees and managers engage in quality performance and development conversations?</b>		
4.1 Do both employees and managers perceive performance and development conversations to be a fair and meaningful process?	<p>15. Agencies review the barriers and impediments to building trust in performance and development activities, with the aim of increasing levels of perceived fairness of the process.</p> <p>16. Agencies seek to understand and address the root causes of a lack of sufficient employee capacity and time to prepare for, participate in, and follow up on performance and development conversations.</p> <p>17. Agencies look to highlight the critical importance of building connection between employees and their managers throughout performance and development policies and processes.</p>	<p>Agencies ensure:</p> <ul style="list-style-type: none"> <li>employees are invited to provide input and seek clarification during decision making</li> <li>results and outcomes are communicated, clarifying the rationale behind decision making</li> <li>expectations are set throughout the performance and development process, including clarification of what is and is not possible.</li> </ul> <p>Specifically, agencies:</p> <ul style="list-style-type: none"> <li>review and analyse the required time to adequately fulfil the requirements of their performance and development process to determine whether such expectations are reasonable and efficient, including setting guidelines for the number of direct reports for which any individual manager is reasonably expected to be accountable</li> <li>identify ways to introduce real time feedback moments and to make this a part of the regular way of working within the Tasmanian State service, but without resorting to simply introducing additional process.</li> </ul>
<ul style="list-style-type: none"> <li>There was mixed evidence of explicit reference to fairness within agency performance and development policies.</li> <li>It was difficult to measure fairness of outcomes due to the paper-based nature of many performance management systems.</li> <li>61% of employees stated leaders value performance and development conversations.</li> <li>Lack of time and capacity to engage in meaningful conversations was cited by half of both employees and managers.</li> </ul>	<p>In particular, agencies review:</p> <ul style="list-style-type: none"> <li>training provided to managers and employees to build the skills to enable effective conversations to take place and increase the awareness of building fairness into the process</li> <li>the types of interactions that are encouraged between managers and employees, and the balance between formal and informal interaction</li> <li>the way in which managers are equipped to understand and own an organisation's messaging to employees and teams. In particular, on strategy and purpose, key performance indicators and performance.</li> </ul>	

Findings	Possible agency response	Key considerations for implementation
4.2	<p>Is there an environment of open, two-way communication and ongoing constructive two-way feedback?</p> <ul style="list-style-type: none"> <li>Two-way feedback was not embedded in the performance and development process.</li> <li>Agencies consider introducing balanced two-way feedback throughout the performance and development process.</li> </ul>	<p>Where agencies believe this will be appropriate and beneficial (within their individual cultural contexts), then training and support be provided to:</p> <ul style="list-style-type: none"> <li>employees to build capabilities to effectively provide their manager with feedback</li> <li>managers to build capabilities to effectively receive and implement this feedback.</li> </ul>
4.3	<p>Are there mechanisms/processes in place to have conversations about team performance?</p> <ul style="list-style-type: none"> <li>39% of employees agreed their teams had regular conversations about improving performance.</li> <li>Agencies clarify the expected balance between team and individual when setting objectives and assessing performance.</li> </ul>	<p>Support would include how managers:</p> <ul style="list-style-type: none"> <li>work with their teams to bring out the best of each individual, not just to work cohesively with each other but to challenge and stretch one another in a constructive way when required</li> <li>are supported and equipped to form teams that possess the right mix of skills and capabilities required to achieve intended outcomes.</li> </ul>
4.3	<p>Are there mechanisms/processes in place to have conversations about team performance?</p> <ul style="list-style-type: none"> <li>Agencies review the extent to which managers and leaders are supported to develop the skills necessary to bring teams together.</li> </ul>	<p>Support would include how managers:</p> <ul style="list-style-type: none"> <li>work with their teams to bring out the best of each individual, not just to work cohesively with each other but to challenge and stretch one another in a constructive way when required</li> <li>are supported and equipped to form teams that possess the right mix of skills and capabilities required to achieve intended outcomes.</li> </ul>

### Criterion 5 Are the principles and foundational elements of the broader performance management framework effective?

#### 5.1 Does the broader performance management framework drive the desired outcomes?

- Significant emphasis was placed on the compliance of 'holding' performance and development conversations.
  - The most frequent response to barriers to effective performance and development conversations was 'the focus is on compliance rather than employee development'.
21. Agencies seek to enhance effectiveness of performance and development conversations in the Tasmanian State Service in order to realise their intended purpose.
- Specific attention be paid to carry out the following activities:
- shift the focus of performance and development activities away from extrinsically motivating aspects to more intrinsically relevant factors such as helping others (including teammates) and personal growth
  - instead of focusing on process, generate a cultural shift in how the organisation approaches performance and development that focuses on frequent, immediate and constructive conversations that are embedded in the day to day working experience
  - integrate policies and tools to align organisational goals to individual performance objectives and development planning
  - establish a separate but dual focus within the performance and development process, with a formal end of year assessment, and a distinctly separate requirement for employees and managers to seek and provide ongoing and in the moment feedback.

#### 5.2 When and how frequently do performance and development conversations occur?

- Managers believe performance and development conversations are occurring more frequently than employees do.
  - 80% of employees agreed conversations were occurring more than annually.
  - There was a difference in perception between managers and employees in what constitutes a performance and development conversation.
21. Agencies consider increasing the frequency with which feedback is captured. Increasing the required frequency may help to reduce the perception of 'box ticking' that takes places when objectives are assessed formally only once a year, smooth out the administrative effort across the year, and increase emphasis on the genuine value that the Tasmanian State Service places on feedback.
22. Agencies consider increasing the frequency with which feedback is captured. Increasing the required frequency may help to reduce the perception of 'box ticking' that takes places when objectives are assessed formally only once a year, smooth out the administrative effort across the year, and increase emphasis on the genuine value that the Tasmanian State Service places on feedback.
- As a starting point, agencies consider requiring conversations to take place half yearly or quarterly.

## 5.3 To what degree is the performance management system flexible to specific and changing needs?

- The emphasis on the compliance elements of the process leads to less flexibility to adapt to changing needs.
  - 23. Agencies ensure that performance and development policies provide sufficient flexibility to tailor conversations to the personal needs and motivations of employees (as per Recommendation 11) and can adjust to changing workforce needs and technology.
- Specifically:
- Organisation:
    - review relevant policies regularly to ensure they are aligned to workforce strategy, ways of working and organisational goals
    - review forms and templates to ensure that they provide sufficient flexibility to personalise conversations
    - consider separating the tools used to support meaningful and personally relevant conversations (for example, conversation guides), with the prescribed requirement to record conversation objectives, outcomes and actions
    - consider introducing simple technologies that enable feedback to be requested and captured in real time, and in an accessible manner.
  - Managers:
    - review the extent to which managers possess or are supported to develop the capabilities required to understand where they need to have fidelity to performance and development activities and processes, and where there is room for flexibility.
  - Employees:
    - give employees the ability to provide input into what works best for them, including the ability to influence the frequency and style in which conversations take place, with regard to the requirements of their individual workplace as well as their career aspirations.

Findings	Possible agency response	Key considerations for implementation
<p>5-4 How does performance management inform learning and development opportunities?</p> <ul style="list-style-type: none"> <li>Feedback from the survey and focus groups indicated that both managers and employees see learning and development as a 'win-win', that increases both engagement and performance.</li> </ul>	<p>24. Agencies review the extent to which managers and employees are aware of the learning and development opportunities that are currently available to them across the Tasmanian State Service.</p>	<p>This review be done in collaboration with SSMO. Increasing awareness helps to ensure that managers and employees can take advantage of the learning and development opportunities available to them.</p>
<ul style="list-style-type: none"> <li>There was inconsistency across and within agencies in the ability of employees to participate in learning and development.</li> <li>A primary reason cited was budgetary constraints.</li> </ul>	<p>25. Agencies review the extent to which access to learning and development opportunities are genuinely accessible.</p>	<p>Particular consideration be given to equity of access between managers and employees, as well as between individuals in regional and metropolitan areas. As part of this exercise, agencies should seek to understand and address the root cause of any potential access constraints, including any cultural considerations.</p>
<p>5-5 How are the barriers to effective performance management identified, mitigated and monitored?</p> <ul style="list-style-type: none"> <li>No evidence was found of activities to monitor the effectiveness of the performance and development process.</li> </ul>	<p>26. Agency measures to assess staff engagement be used frequently to gather feedback on the performance and development process, and to collect information about barriers that exist.</p>	
<ul style="list-style-type: none"> <li>Major barriers identified were: <ul style="list-style-type: none"> <li>time/capacity</li> <li>technology</li> <li>accessibility</li> <li>prioritisation.</li> </ul> </li> </ul>	<p>27. When barriers are identified, agencies visibly rectify the issue, or seek input on the solution from employees.</p>	

## APPENDIX 3: SUBMISSIONS AND COMMENTS RECEIVED

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Submissions and comments that we receive are not subject to the audit nor the evidentiary standards required in reaching an audit conclusions. Responsibility for the accuracy, fairness and balance of these comments rests solely with those who provided the response. However, views expressed by Jenny Gale, Secretary for the Department of Premier and Cabinet on behalf of the audited Tasmanian State Service agencies, were considered in reaching the audit conclusions.

Section 30(3) of the Act requires that this report include any submissions or comments made under Section 30(2) or a fair summary of them. Submissions received are included in full below.

I was pleased to note that the Report focuses on improving quality conversations and our overall approach to performance management rather than focusing on compliance with the current performance management procedures. The Report provides a performance audit on the effectiveness of performance conversations between managers and employees that form the basis for providing and receiving feedback. The Report therefore provides an opportunity to advance the maturity of agencies' approach to performance management.

Overall the Report found that participating agencies all "demonstrated a commitment to improving the quality of performance and development conversations". It recommends the application of a practical tool to assist agencies assess their level of maturity in performance management, and this is a valuable approach to assist agencies improve their processes and focus on quality conversations between employees and managers.

The Report finds that across and within agencies, there are different stages of maturity regarding performance management. This is due to the diversity and complexity of the Tasmanian State Service workforce where the approach to performance management reflects the various work environments, nature of the workforce and business objectives.

The Report's recommendation will assist agencies in reviewing their current performance management development processes and support managers to change practice to improve the quality of conversations and thereby better meet the needs of both employees and managers.

It will take resources and time to develop a mature performance management system, with a number of initiatives requiring a significant investment in resources and time. As such, the Tasmanian State Service will give consideration to how agencies can best work together collaboratively on implementation, and best prioritised actions that will provided the greatest benefits.

While further investment in performance management is necessary, it is important to note the considerable investment in training, systems, policies, and processes that has already been made and that, through annual employee surveys, information is being gathered about the perceptions of and participation in performance management processes.

In 2017-18, the Manager Essentials Program commenced for managers across all agencies, which includes components on performance management and performance conversations, complementing agency specific training. Online performance management systems are being trialled to better support and record performance conversations and actions. As well, as agencies further embed organisational values into their performance management systems, there is an increasing focus on behaviours and expectations.

Through the State Service Management Office, the Report provides an opportunity to work with agencies on assessing their level of maturity and developing collaborative and as well agency specific priorities to develop a mature performance management system, that focuses on quality conversations and improves the overall effectiveness of the Tasmanian State Service. In effect the Report provides the Tasmanian State Service with an informed roadmap for agencies to follow in further improving the quality of conversations in performance management.

Jenny Gale  
**Secretary**

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## AUDIT MANDATE AND STANDARDS APPLIED

### Mandate

Section 17(1) of the *Audit Act 2008* states that:

'An accountable authority other than the Auditor-General, as soon as possible and within 45 days after the end of each financial year, is to prepare and forward to the Auditor-General a copy of the financial statements for that financial year which are complete in all material respects.'

Under the provisions of section 18, the Auditor-General:

'(1) is to audit the financial statements and any other information submitted by a State entity or an audited subsidiary of a State entity under section 17(1).'

Under the provisions of section 19, the Auditor-General:

'(1) is to prepare and sign an opinion on an audit carried out under section 18(1) in accordance with requirements determined by the Australian Auditing and Assurance Standards

(2) is to provide the opinion prepared and signed under subsection (1), and any formal communication of audit findings that is required to be prepared in accordance with the Australian Auditing and Assurance Standards, to the State entity's appropriate Minister and provide a copy to the relevant accountable authority.'

### Standards Applied

Section 31 specifies that:

'The Auditor-General is to perform the audits required by this or any other Act in such a manner as the Auditor-General thinks fit having regard to –

- (a) the character and effectiveness of the internal control and internal audit of the relevant State entity or audited subsidiary of a State entity; and
- (b) the Australian Auditing and Assurance Standards.'

The auditing standards referred to are Australian Auditing Standards as issued by the Australian Auditing and Assurance Standards Board.



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