

8

A risk management approach to people management

Risk management, in simple terms, involves:

- *analysing* a situation/process or new development;
- *identifying* the risks that are present and the circumstances under which they could lead to harm;
- for each of the risks, *determining* the probability of occurrence and level of impact;
- *prioritizing* the risk situations;
- *developing* means to eliminate the risk or, if this is impractical, the means to minimize it and to reduce its impact.

These are the steps in the development of a risk management plan for any particular process or situation.

We hope that you have noted our references to risk management in earlier chapters, as the concept applies to managing people. Our approach to people management is a key tool, not only for continuous improvement in business performance but also in managing the multitude of risks associated with employing people in the business. Obviously it doesn't just happen by itself

and in fact requires a high level of commitment from all participating parties within the organization.

ANALYSIS OF APPROACHES TO PEOPLE MANAGEMENT

Between us we have seen first hand perhaps 40–50 performance management systems introduced into organizations with which we have been associated; some as participating managers, but primarily as business consultants. As stated at the outset of this book, most of the systems we have observed have served some useful purpose but many have either ‘missed the boat’ totally, or started well and fallen to pieces over a number of years. Many of you (like us) will have bad memories of performance appraisal systems that took up an inordinate amount of time, effort and stress, and still somehow managed to cause more harm than good – this was our inspiration for writing this book!

Let’s face it, performance feedback and coaching of employees are ‘motherhood’ statements – what can you say against them, in theory? People want clear expectations, they want to know how they are doing, particularly when they have done well, and even if they are not doing well, to be given the chance to improve.

If people management (incorporating regular performance feedback) is so sought after and so widely accepted for its value to the business and the individual, why then is it not put on a pedestal and universally present and successful in organizations? Simply because, in many instances, it hasn’t been a high priority for managers. Until there are serious people management problems, or the company recruits a senior manager who understands the power of a successful people management system and pushes for its introduction, many (many!) organizations either believe it is not worth all the effort or do not comprehend the benefits such systems can deliver.

IDENTIFYING THE RISKS

At this point we intend reminding you of both the power of a *successful* people management system and the risks inherent in an *unsuccessful* system. These have been raised throughout the book and they are intended to reinforce some of our key messages/actions:

- More and more responsibility and accountability is being placed with managers at all levels of organized work to improve the performance and behaviour of all employees.
- Managers today operate in an extraordinarily complex environment. Managers do not have spare time – the emphasis is more and more on outputs and the outcomes.
- Most managers seem unaware of how changes to key result areas directly impact on the performance of their people. Agreed changes to what has to be done and how, mean changes to work expectations (continuous improvement). It is totally frustrating for people and confuses them when expectations are not crystal clear. Continuous improvement in systems, processes and people is an organization's way of life. Organizations that do not embrace continuous improvement will probably not survive.
- More rules, regulations, interruptions, distractions and e-mails continue to place pressure on performance and behaviour. Often these impositions create a level of pressure that prevents managers from seeing clearly how a people management approach will in the end save them time by having more competent and confident employees working for them and reducing the amount of time devoted to non-compliant behaviour.
- Employees more than ever seek feedback (positive and negative) on their performance and behaviour. They seek continuous development to assist them in being more successful at what they do.
- Employees want to be in charge of their careers and hence their lives, by being confident that, through their development, they are maintaining a competitive edge. Organizations that do not provide opportunities for continuous development are likely to lose some of their best employees to organizations that do. *A major risk is being unable to recruit and retain quality people.*
- Unfair dismissal claims have rocketed in all of those countries that embrace the International Labour Organization Convention. Employers can no longer hire and fire at will – valid reasons are required.
- Risk management has become a mandatory way of life in all organizations. It is a way of doing business. There are no better examples than those found in hazardous industries, requiring a safety case regime culminating in the management of people and the consequences if this is not carried out according to specified protocols.
- A lack of risk management procedures and protocols have seen the downfall of major corporations and managers worldwide. This 'fall as you go'

way of doing business has had an unfortunate impact on employees, shareholders and governments, in both economic and trust terms.

- There are examples worldwide of occupational health and safety disasters resulting from inadequate risk management. A natural outcome of risk analysis is a strategy to eliminate or minimize the risk and/or its impact (prevention/mitigation). In many instances this should give rise to the development and implementation of performance standards and a code of conduct.
- The failure of many organizations to set down performance standards and a code of conduct (expectations) more often than not leads to inconsistency in the way work is done. Inconsistent work practices open up the likelihood that risk management procedures and protocols will be breached, which in turn has the potential to be extremely costly, particularly in claims, death or injury.
- Employee (people) management includes:
 - clear expectations;
 - early intervention;
 - recognition and celebration of excellent performance;
 - identification and planning to eliminate underperformance;
 - action to continue the development of employees who contribute excellent performance.

Of course it is up to the individual organization to determine the probability of occurrence and the likely level of impact should its people management system fail. You will also need to prioritize these risks before moving to the next stage – developing the means to eliminate or minimize the risk.

Well you've now read most of the book – what do you think? This is a good news/bad news chapter. The good news is:

- our approach works – you can seriously improve your people management (if you haven't already done so, you should read the case studies in the appendices. This book and its 'how to' contents reflect what we did in each of the organizations referred to.);
- the approach we propose will deliver continuous improvement in the business's overall performance;
- our approach can save the organization a lot of money;
- our approach can also save you a lot of stress.

We outline some of the benefits of our approach in money terms and look at the cost of developing, implementing and maintaining a 'quality' people management system later in the chapter.

The bad news is that a people management system requires some things from the organization and the people within it. Time and money are the easy ones. Commitment, honesty, trust and ongoing support for your managers and team leaders are the hard ones. We now look at the linkages between our approach and the impact on organizational performance.

DEVELOPING TREATMENTS FOR IDENTIFIED RISKS (AN INSURANCE POLICY AND A DRIVER FOR CONTINUOUS IMPROVEMENT)

The process of setting expectations, ensuring early intervention (coaching), and regular feedback, is critical to the delivery of excellent results across key performance areas. We have tended to concentrate in our examples on the conduct/behavioural aspects. When we start to think about the costs and benefits of introducing our people management approach, we need to return to the key performance areas of the business.

Financial

We have to drive improved performance across the key areas of our business. For example, in some companies it may be reduction in waste in raw material usage, reduced spoilage or reduced rework. By measuring and managing performance through day-to-day coaching in these areas, we will improve the bottom line.

Occupational health and safety

You have probably heard managers say, 'You have to live OH&S at all times if the company is to deliver zero lost time incidents'. This is of course true. The question is, what does 'live' mean? To us it means setting the performance standards and code of conduct, and coaching to those standards on a day-to-day basis. These principles of course also apply to quality and service (in all organizations), as well as environment practices (eg, the forest industry), hygiene (eg, the food and health sectors), security (prisons) and most other performance criteria you care to mention.

Employee satisfaction/relationships

Are you an employer of choice? There is a school of thought that suggests that if the company is known for being great at looking after its employees, it will attract and retain the best. We are more interested in the ability to recruit and retain 'employees of choice', but obviously (we think) this is a two-way street. We want people who are reliable, prepared to work hard, fit in with a team, competent (or have the potential to develop competence), and are happy in their job.

Client/customer service

Does everyone have customers or clients?

One of the most difficult performance concepts to get across is that of internal customer service. This is based on a widely held view that whilst external customers/clients are critical to the business (without them you do not survive), internal customers count for less. These days this is a short-sighted, even misguided view. All elements of the business become critical to its short-term performance and long-term survival. If an internal customer relationship is faulty it will sooner or later impact on external customer relationships with a potentially catastrophic outcome – the loss of customers. Managers must look after the people who work for them.

Closed institutions

Perhaps the most challenging area for dealing with customer/client service is that of closed institutions. Institutions fall along a spectrum of closed to open, which loosely speaking might have mental hospitals and prisons as the most closed, and retail stores and restaurants as the most open. In between are some of the most interesting organizations in terms of this question of client/customer service – universities, schools and hospitals – where the customer is not always right because many do not see them as customers or clients. They are patients or students, and they are *considered* to be a captive audience. We ask the question – if sustainability is based on return customers, professional reputation and word of mouth, can these organizations afford *not* to treat their patients/students as customers? We say *no*.

Educational institutions are a good example. For far too long the customer used to come last. In terms of opening and closing times, standards of teaching, availability of support/assistance and listening to student needs, most adopted the equivalent of the early Ford attitude: you can have any colour car you want as long as it's black! The time is now for many of these organizations to grasp the nettle in terms of performance standards and code of conduct. The way the educational market is developing will lead

to the implementation of quality people management systems in these organizations or they will not survive. People are now able to ‘vote with their feet’ and are doing so. Like elsewhere, there will need to be better selection, induction and development of staff with early intervention and regular feedback on performance. Better systems for reward (and punishment) need to be implemented, or the organization is in real trouble.

Without a people management system like the one described in this book, your people will not get there – and neither will the organization. People look for some degree of certainty and security. Clarity of expectations, ongoing coaching, early intervention and regular feedback (including praise, recognition and reward), help to deliver a more certain work environment.

THE COSTS

Well what does it cost to set up and run people management systems which are based on these workplace coaching concepts?

Design and development

The development of expectations in terms of both the code of conduct and performance standards will obviously depend upon the nature of the business and its size. For example, a micro retail business (less than 10 employees) could probably use this book as a guide and develop both a code of conduct and performance standards (largely customer service standards) without any external assistance at all. Provided it keeps it simple, the design of coaching and feedback systems (and the documentation to go with them) could also be done quite quickly and cheaply. It may need some help on the management of difficult employees, but the system will help make this more straightforward.

The need to adopt an ‘insurance’ approach

As with all businesses (but particularly the very small ones), these costs should be looked at as insurance costs. You give up your time (time = money) to do all this and then, if they work well, you wonder why you bothered. But believe us, if you happen to have a serious underperformance problem or a major breach of conduct standards, even a very basic people management system can save you a lot of money. (This is part of the risk management approach – how do we as an organization eliminate or minimize risk?)

Now consider the situation if you have to get rid of someone to protect the future of your business. One of the themes of this book is often everyone's worst nightmare – both for the person being sacked and the person doing the sacking. But the real nightmare is not being able to dismiss a person who has stopped contributing to the organization. Leaving such a person in place to continue performing and/or behaving below expectations can start an epidemic of poor performance/conduct, as others see the person 'getting away' with things. In our experience this lack of action will actually drive good employees away.

Unfair dismissal claims for most employees in Australia are capped at six months' pay based on an upper limit of about \$90,000 in total benefits (around £50,000). People who could be entitled to more than this figure cannot access the Industrial Commission System,¹ but can take action through the civil courts where damages are theoretically unlimited. Reinstatement can, of course, be a real disaster. It is not just dismissal that can cost money. A successful claim for sexual harassment or bullying can be much more expensive and much more damaging to the business. Whilst many claims are settled out of court, awards in excess of \$100,000 are not uncommon.

Ask this question: 'What's the cost/value of a disaster that doesn't happen?' In other words, how do we cost or value a series of actions or systems that are designed to *prevent* such an event from occurring? In the examples quoted above, an investment of, say, \$100,000 is cheap if it averts even one successful harassment or unfair dismissal claim.

Whilst this is not the principal purpose of having excellent people management systems, it is an aspect of it we must give serious attention. Can you really afford not to have people management systems based on a risk management approach?

Our approach contributes a number of things to ensure that you maximize your protection against any claim that might be made against you regarding:

- negligence;
- sexual harassment;
- harassment/bullying;
- unfair dismissal; or
- victimization.

Let us briefly explain the contribution that our approach can provide. Negligence can relate to a broad range of activities that businesses undertake. Nothing can guarantee that an action will not be brought against an organization. If, however, another party does take action against you, or is

considering action, it is worthwhile considering how the workplace coaching approach to people management can help you.

In simple terms, negligence means there is an action that you have taken (something you have done), or an omission (something you have failed to do), which you knew, or should have known, would, or was likely to, cause harm or injury to another person. This is not intended as a precise legal definition, but it is sufficient for our discussion.

The particular ‘treatments’ our approach provides

People management systems and the workplace coaching approach help prevent such actions and mitigate against any claim for negligence for four reasons:

1. They are based on a code of conduct (designed within the context of community and legal standards) and performance standards that are in turn linked to the organizational standards. They apply in respect to standard operating procedures, safe work practices, customer service standards, sound environmental processes, and overall quality assurance processes and standards.
2. The development and implementation of workplace coaching will never of course excuse you totally for some failure or incident, but the setting of clear expectations (standards) and the training and assessment provided as part of the implementation of the system, are strong evidence of duty of care responsibilities being met, and will themselves help reduce the risk of such incidents in the first place. In most jurisdictions, the test will be whether you have done everything practicable (and/or reasonable) to prevent an incident or system failure.

In most workplaces this is not just a ‘people thing’, but covers a whole range of practices including machinery/equipment maintenance, safe workplaces and appropriate control systems. Whilst our workplace coaching approach only deals with the people side, history shows this is the major cause of system failure (human controls over engineering controls). In other words, excellent people management systems can reduce the risk of human error and, by definition, other system failures.

3. By providing for a coaching plan and intervention designed to deal with underperformance or a breach of the code of conduct, the workplace coaching approach will have people improving their performance quickly or changing their behaviour, or finding themselves in the

disciplinary stream and ultimately, if they fail to improve sufficiently, sacked!

4. The final aspect of people management based on a workplace coaching approach is the positive workplace culture it engenders. This should never be underestimated. Managers who have worked in places with a poor culture will understand exactly what we mean. One cannot put a value on a major change to the workplace culture; whether it is a better attitude towards the use of protective personal equipment (safety) or simply people working better together, the impact on productivity, service and performance can be immense.

Be careful – assess the risks!

In some organizations the concept of ‘managing out’ an employee has become code for harassment. This has led to a massive increase in claims from employees against supervisors/managers on the basis that they have been harassed to the point of suffering stress and then not being able to attend work, culminating in a worker’s compensation claim (in Australia at least).

We cannot make the point strongly enough: if a person is underperforming to the extent that he or she is clearly not going to make it, coaching must move to discipline clearly and swiftly. The person must be in no doubt about the fact that he or she is not meeting expectations and this is now a disciplinary matter.

Half-hearted interventions when coaching has failed will not be good enough. The employee will rightfully say that he or she had no idea the matter was that serious. When you *do* make it serious, there should be no doubt about it.

The flipside of this are those managers who, having decided they don’t want someone on their team, don’t bother with the coaching phase – they literally ‘go for the jugular’. People are isolated, not invited to functions or events, staff and resources are removed from them (if they are managers), they are provided with written warnings for trivial matters, and their work is criticized in an unconstructive way. Eventually the employee decides ‘enough is enough’ and resigns. The manager is now happy. He or she has achieved the objective: the person has gone. Success! Or is it?

It may have worked 20 years ago – it won’t necessarily work today. If the employee takes professional advice, he or she may make a claim against the organization for ‘constructive dismissal’, that is, whilst the person may have resigned, he or she will effectively claim that there was no choice but to resign. In other words, the way they have been treated left them with no alternative to resignation.

Such claims are often difficult to prove but there have been enough successes for managers to be very careful about how they deal with poor performing (badly behaving) employees. We must first:

- set standards;
- coach;
- train and develop.

If this does not work, we must move to the disciplinary process quickly and deal with the situation decisively. There is really no choice.

In essence we have, over a long period, *analysed* organizational behaviour, *identified* the risks the organization faces in its dealings with its employees, *determined* the probability of occurrence and likely impact on the business if something were to go wrong, assessed the *priorities* and decided that organizations must have an effective performance management system *or they will fail*.

NOTE

1. They can achieve similar outcomes through either the Magistrates Court or through the State Supreme Courts, which set no cap on payouts.