Counselling is better than outright firing an underperforming employee

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Utilizing new technology, combined with aggressive and innovative marketing, your business has significantly expanded over the last few years. You've attracted talented staff who are poised to take the company to even greater heights. You want to give them rein and let them run.

Unfortunately, one of your salesmen (we'll call him John), who handles several key accounts, doesn't seem up to the task. He's been with you for 20 years, and was fine when the company was small. Now, he seems content to stay in the office and call his accounts by phone, while the other sales staff are attending industry events, meeting their customers in person, and drumming up new business at a brisk pace. Your Sales Manager tells you John hasn't landed any new business in a year, is resented by the other sales staff, and needs to be replaced with a more energetic person who shares the company's vision of expansion.

You don't want to saddle your Sales Manager with an employee he doesn't want; you also know that John is 56, has kids in college, and is not ready to retire. The last performance review, two years ago, noted some minor deficiencies, but the overall rating was "Meets Expectations." Your legal counsel advises that terminating John would probably result in a lawsuit for age discrimination that would be difficult to defend. How do you handle this situation to achieve the best outcome?

We believe it is critical that the goal be two-fold. First, improve John's performance to an acceptable level; he is not a cancer that needs to be removed, he's more like a flu that with proper treatment can recover. Second, put the company in the best possible position to defend a potential legal claim should the first goal not be achieved. With both goals equally important, a strategy for success can be implemented.

For the manager, pushing John to improve performance is likely to seem a question of motivation, and research in psychology and related disciplines has several useful suggestions. One, people often respond more strongly to intangible rewards like an increase in autonomy than they do to traditional external incentives like money or awards. This is good news for the manager, since offering John a raise seems incongruous with his recent poor performance, and may create its own problems for dealing with John's colleagues. Instead, the employee's intrinsic (internal, personal) motivation to do his job may be fostered by making sure he feels autonomous (has some choice about how to perform given duties), competent (feels capable of performing those duties, and if not, is given support to build his skills), and has a sense of connection to colleagues (has the chance to interact with them and build relationships on a personal as well as professional level). A sense of autonomy could be cultivated by enlisting John's help in crafting a performance improvement plan, for instance.

Of course, some employees never had—or have lost—any sense of intrinsic motivation. If one's effort at work is solely driven by the paycheck, feedback can still be provided in a way that is most likely to be effective. Both positive and negative feedback can be framed in terms of his specific actions—"you *did* X"—rather than his global characteristics—"you *are* X." This type of framing makes negative feedback less threatening; moreover, presenting positive feedback in terms of specific actions helps people respond to future obstacles as challenges to be overcome with hard work, rather than as hazards that might reveal they actually don't possess the desirable characteristic.

Feedback on specific problematic actions can also be used to develop plans for improvement. Research suggests that such plans are most effective when they specify where, when, and how certain behavior will be performed. With a manager's help, John might plan to call 5 new contacts each morning at 9am, for instance. Once people are committed to a goal, like keeping a job, it is more useful to focus on *what* needs to be done than to remind oneself *why* those actions are being performed. To take an example closer to home, once you've committed to exercising by jogging first thing every morning, when the alarm goes off, focus on putting on your shoes and getting out the door, rather than considering again why it is a good idea to get in shape; the *why*s leave too much freedom for procrastination or changing your mind.

These and other research-supported insights into motivation are reviewed in LSE courses like Goals and Motivation for Individuals and Teams (offered on the Executive MSc in Behavioural Science), as well as discussed in a number of useful texts for lay audiences (for example, Heidi Grant's Succeed and Focus). Of course, not all interventions will produce the desired improvements in performance that would justify retaining an underperforming employee. Nobody wants to hear that his job performance is unacceptable. It may be that in John's mind, he is loyal to the company, works hard, does a good job, and any perceived deficiencies are somebody else's fault, and nothing his manager can say will change this perception. After all, his performance has been good enough for 20 years, so why isn't it now? In the worst-case scenario, John's underperformance will evolve into disgruntled hostility; he'll end up getting worse, not better; you'll end up terminating him, and you'll get a letter from his lawyer.

How, then, can a manager put the company in the best possible position to defend a potential legal claim? As with research on motivation, experience in the legal aspects of employment relations suggest that the way the message is delivered is at least as important as the message itself. First, it has to be delivered by someone the employee trusts and respects; second, it needs to acknowledge the employee's past accomplishments and value to the company; third, it needs to specify, in objective terms, how current performance is lacking (don't say "you're the worst performer in the department;" say "the average sales staff increased new accounts by 25% last year; yours rose by 5%."); fourth, it must set realistic goals for improvement, and provide the resources necessary for achievement; finally, it must convey the message that the employee is a valuable member of the team, but all team members must pull equally to reach the goal, and maintaining the employment relationship will require that performance improvement be realized.

One effective tool is to memorialize your discussion is a formal Performance Improvement Plan (PIP). The Plan clearly states the goals and the timeline for achieving them. It identifies the resources the employee can use as needed. It sets up regular review sessions where progress is measured, and where the Plan can be modified if necessary. The employee signs off on the Plan, so there is no doubt about the expectations or the consequence of not meeting them. Initially, and along the way, the employee can offer input so that the process is not seen as too onerous or one-sided. You want the employee, and potentially a court later, to believe that the Plan is a genuine effort to save the employee, not a sham destined to fail in order to justify getting rid of him.

Fast forward six months: in the best outcome, the employee has improved, and is once again a valuable team member; in the worst, his performance has not improved, and maintaining the status quo is not a viable option. Before you throw in the towel, consider whether a reasonable alternative exists. Can the employee be re-assigned to another, perhaps less critical position, where he can still add value to the organization? Even if he refuses the offer, he has essentially terminated himself, and you're in a much better position to defend a legal claim.

By committing to the concept that saving John is equally important as moving the company forward, and delivering the message properly, you can turn the underperforming employee into a motivated, productive member of the team. Best of all, assets can be directed toward increasing profitability instead of paying legal fees.

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Notes:

- *This post gives the views of its authors, not the position of LSE Business Review or the London School of Economics.*
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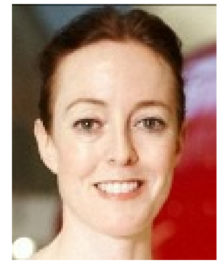

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