



A practical guide:

Preparing for the Employment Rights Bill: Managing Performance

If you have any questions or would like to book a FREE initial consultation,

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Viewpoint HR

A Legislative Catalyst

The Government's proposed changes to employment law - including reforms to unfair dismissal rights – present SMEs with a pivotal opportunity to strengthen their people practices. Start-ups, Scale-ups and SMEs represent over 90% of UK businesses, employ over 16 million people and contribute £2.4 trillion to the economy (FSB, 2024). Yet, 47% of SMEs lack formal performance review processes compared to just 18% of large firms (UK Department for Business and Trade). Addressing this gap is not only about compliance – it is about unlocking significant business advantages.

The Myth of the Annual Review

Many businesses still rely on the outdated idea that performance management begins and ends with an annual appraisal. That model is broken – especially for Generation Z employees, who expect timely feedback, recognition and career development opportunities. Waiting 12 months for an appraisal simply does not work. Progressive performance management requires continuous, real-time feedback, aligning individual objectives with business goals, addressing issues as they arise and consistently documenting progress.

The Manager's Challenge

In many SMEs, performance management is entrusted to busy managers – and while this can feel challenging, it also presents a powerful opportunity. Far from being “time consuming paperwork”, reviews are a chance to strengthen leadership skills and foster accountability. With the right training and tools, managers can gain confidence in giving constructive feedback and coaching employees to succeed. Documentation then becomes a natural extension of this process, ensuring clarity and consistency.

The reality is clear: SMEs can no longer afford casual, unstructured approaches. Businesses that fail to invest in their people not only limit their opportunity for growth but also expose themselves to increasing risks.

Building a Performance Management System That Works

Performance Management should be simple, practical and focused on outcomes. Five essentials stand out:

- 1. Define** clear performance criteria to ensure consistency across roles.
- 2. Set SMART objectives** for every employee, directly linked to business goals.

3. **Schedule regular check-ins** – monthly or quarterly discussions, with extra focus during probation periods.
4. **Document everything:** feedback, goals and development plans.
5. **Prioritise simplicity:** clarity and consistency matter far more than complexity.

Why This Matters — Benefits of Good Performance Management

Performance management is not a “nice to have,” it is a strategic necessity. SMEs that embrace continuous feedback, structured reviews and clear documentation will not only remain compliant but also unlock higher engagement, stronger retention and greater productivity.

The advantages extend well beyond compliance:

- **Increased profitability.** Gallup research shows that businesses with robust performance management achieve 21% higher profitability and 17% higher productivity.
- **Competitive advantage.** SME's that invest in people consistently outperform those that neglect structured management practices.
- **Improved retention.** Employees who feel supported and developed are far less likely to leave.
- **Higher Employee Engagement.** Continuous feedback fosters trust and motivation.
- **Improved Productivity.** Structured goals and feedback drive focus and efficiency.
- **Reduced legal risk.** Documented processes may protect SMEs from costly tribunal claims.

The Bottom Line

The Employment Rights Bill is not just another piece of legislation – it is a catalyst for SMEs to strengthen their people practices and future proof the business. The question is not whether you can afford to invest in performance management. It is how much your business stands to gain when you do.

For expert guidance on building a performance management system that drives growth and future proofs your business, **contact us today** info@viewpointhr.co.uk.