

Thinking Differently About Performance Management

Authored by Anne Barclay, Director, HR Advantage

Deloitte, Accenture, Adobe, Microsoft, General Electric and Netflix are a few of the higher profile companies reportedly doing away with the annual performance review as we know it. What does this mean for the future of performance management and should more companies be rethinking their approach?

Some companies are ditching traditional annual performance reviews and implementing less highly engineered, more streamlined and less bureaucratic practices. These are directed towards providing more regular real-time feedback to employees using practices more focused on the needs of line managers and their employees and less focused on the needs of central HR.

Such companies seem to have gone back to basics. In doing so the focus is on ways for leaders to effectively get the best from their people – through active and skillful management and development on the ground.

Performance management practices have developed into complex processes focused on using specialised software packages which have come to drive the process and provide fodder for corporate reporting. This coupled with a strong emphasis on ratings and rankings which become heavily scrutinised and moderated take attention further away from immediate workplace observations. The process often seeks to formally cascade company objectives with the intent, even in very large companies, to link the goals of each and every individual (be it a junior administrator, call centre operator, or technician) with high level broader organisational strategies. Collectively these practices are being challenged with a preference for simpler processes focused on team leader and employee communication and workplace requirements.

The Corporate Executive Board has reported that 9 out of 10 managers and 9 out of 10 HR leaders are dissatisfied with performance management processes. This number attracted my attention as it is higher than our estimates. We have worked for over a decade with organisations to simplify and improve their practices in this area and we estimate that at any given time about 30% of organisations are either about to overhaul or are in the process of overhauling their performance management schemes.

Some common problems with traditional performance management practices that we have observed across many industries and organisations are:

- Feedback is distilled into the lowest common denominator of ratings and rankings which in turn can be destructive and undermine the quality of relationships and at times the credibility of management at multiple levels.
- Most processes prioritise assessment above development – regardless of the rhetoric. Setting managers up to judge the performance of their people in unproductive ways and in neuroscience terms triggering threat responses from employees – the manager becomes ‘foe rather than friend’.
- Many (unproductive) hours and days are spent entreating managers to ‘differentiate’ staff performance, justify and moderate ratings and rankings. In this paradigm managers are blamed for being not discriminating enough and pressure is applied towards a statistically moderated model against which individuals should be plotted.

- For jobs below executive and even middle management ranks it seems insane to put too much focus on translating corporate goals to individual contributions forcing what we commonly observe as a 'cut and paste' exercise. The opportunity to instead engage staff in meaningful conversations about their role and contributions is too often lost in the translation.
- Rather than benefiting from coaching and development practices, managers feel inadequate and uncomfortable making forced assessments, and employees feel under-appreciated and under-valued - that their efforts are judged unfairly.
- The development outcomes discussed in performance management take a back-seat to the assessment outcomes. Development outcomes are often not delivered on - raising expectations which become unfulfilled and lead to employee cynicism. This is then destined to be reinforced year on year.
- Annual processes, even with a six-month review or check-in, are often not sufficient (timing or flexibility wise) to reflect the real pace of work. This can make formal feedback discussions and reviews feel artificial to those involved.
- The emphasis on assessment in annual reviews invariably leads to a greater focus on an employee's weaknesses and gaps rather than their strengths and achievements. Yet there is plenty of research to demonstrate that people respond better to praise. Jeffrey Pfeffer for one established some time ago that about 30% of people respond to criticism by improving while about 90% improve performance after being praised.
- Finally performance discussions are reduced to (and sometimes replaced by) form filling exercises. This too often leaves managers and employees feeling disempowered and managers feeling less, rather than more, able to positively engage with, manage and develop their people.

Some companies have taken up the challenge to rethink and simplify performance management, refocusing the purpose and objectives on real life manager-employee relationships at workplace level. The organisations we have worked with who have adopted this emphasis have reaped positive results.

Our experience suggests that performance management practices can work, however they require a primary focus on the needs of users and not on the HR department, nor corporate number crunching, and they should not be driven by the requirements of performance management software.

Employees are simply seeking to understand what is required of them, how to best direct and align their efforts with the needs of their team, receive regular meaningful feedback, coaching and development to achieve great outcomes, and receive recognition for their work. When this happens it is a win-win-win for the employee, their manager and the organisation.

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