Rethinking the Performance Review

How to Boost Employees and Achieve Organizational Goals with Performance Management

modernsurvey
Introduction

Imagine tennis champion Serena Williams or NFL star Peyton Manning getting performance feedback twice a year. It wouldn’t happen. World-class athletes and musicians constantly get the necessary coaching to help improve their performance.

However, when it comes to assessing employee performance, most companies follow an established model. They go through the motions of producing an annual performance review that enumerates an employee’s successes and failures over the previous year, and lists the ways the employee can improve. If it’s a particularly engaged and proactive company, this review might happen twice a year.

There’s a better way, though. Using a model of performance management that relies on timely and useful feedback can help managers develop high-potential employees and help everyone on staff learn, grow and improve.

This white paper will look at the concept of performance management, examine the advantages of creating individual goals that support the organization’s goals and provide concrete examples of how performance feedback has helped companies improve their results.

What is Performance Management?

Traditional performance assessments usually take the form of the dreaded annual review. Perhaps the manager has been keeping a file of some sort on the employee’s performance and can look through it to draw up an assessment of the employee’s work over the preceding year. But if the manager hasn’t been tracking performance, and relies on memory, poor record-keeping or the employee’s self-review to put something together, the assessment isn’t likely to be much help.

It’s no wonder that fewer than half of all U.S. employees believe performance evaluations accurately assess performance.

“It looks backward at prior performance,” says Devin Lemoine, president of Success Labs, a team of executive coaches who help other companies with strategic organizational and leadership development. “Where has the employee succeeded, and where have they failed? It can be punitive and is sometimes tied to pay or bonuses. A performance-appraisal system or process that lacks a performance management component will likely be a meaningless activity that managers dread and employees disregard or disrespect.”

Modern Survey March 2013 U.S. Employee Engagement Study

Q. Performance evaluations are generally an accurate assessment of how well employees have performed.

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Performance management is a model that provides employee feedback more regularly and constructively than the traditional annual review process does. Professional athletes and musicians, for example, get constant feedback during their training and employment. Their managers -- coaches, trainers, conductors -- are telling them what to do to improve their performance almost constantly, as well as how their efforts match the goals of the organization -- the team or orchestra.

“It’s ongoing feedback and feedback linking to individual goals, team goals and organizational goals,” says Don MacPherson, president of Modern Survey. “Consider a professional athlete only getting feedback after a game or at the end of the season. What good would that do them? They are continually being coached -- at halftime, during time-outs, even between plays.”

Walter Bond, an NBA player turned motivational speaker, says the performance management model that high-performing athletes use is a valuable one. “To be honest, when I left sports and got into the business world, I was shocked by the lack of employee engagement,” Bond says. “You get into corporate America, and feedback is a once-a-year thing.” Because of that, he explains, “there is a lack of confidence in receiving constructive criticism.”

Why Performance Reviews Are on the Way Out

Three things are driving the shift from annual performance reviews to performance management:

1. Younger employees.
   “The younger workforce wants more frequent feedback,” MacPherson says. That especially includes members of the millennial generation, which is generally defined as people born between 1980 and the late 1990s, who grew up getting plenty of feedback in organized youth sports and school.

2. A greater emphasis on institutional agility.
   “Organizations need to be more agile and they can’t wait for midyear reviews or annual reviews in order to make adjustments and make sure their employees are hitting their goals,” MacPherson says. Using a performance management system makes it possible to change a process more quickly and easily.

3. An improvement in documenting systems.
   “Technology is enabling these conversations to occur and be documented,” MacPherson says. Software options make it easy to record and track performance as part of the management process. The capture and mining of this information will improve individual and organizational performance, too.
Advantages of Performance Management

Managers can find many advantages when they adopt the performance management process.

Consider these four big ones:

**It makes it easier to link an employee’s performance to the company’s goals.**

"The performance management process is strategic, integrated with the big picture and designed to build high-performing individuals, teams and organizations," Lemoine says.

She says the building blocks of a successful strategy include:

1. Collaborative goal-setting with clear expectations.
2. A continuous, flexible process that provides regular positive and constructive feedback.
3. An evidence-based focus on measurable objectives, skills, values and behaviors.

By focusing on these tactics, employees can get a better picture of where they fit into the organization's mission and goals. "Creating tight alignment between the work of the individual and the organization's objectives promotes greater context, commitment and pride in accomplishment," according to Deloitte’s "Human Capital Trends 2013" report. But if they aren’t used to this kind of management, it can catch them off-guard. The average employee probably hasn’t gotten continuous feedback about performance in the past and may get defensive about the process.

**Building Blocks of a Successful Performance Management Strategy**

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3. An evidence-based focus on measurable objectives, skills, values and behaviors.

**It separates performance from pay.**

One of the reasons annual reviews are so stressful, experts say, is that they’re tied to compensation. If an annual bonus is up for grabs depending on performance or if the employee is up for a salary step increase, the annual review becomes focused on the outcome -- "do I get the cash or not?" -- instead of an ongoing quest for improvement.

"Performance appraisal is, unfortunately, linked to compensation increases, and for that reason, most people will see the appraisal process as a negative thing. It is common to have the vast majority of employees get above average ratings, but leaders are hamstrung and give average raises. That is exceptionally deflating for employees," says MacPherson. "Performance management should be a positive thing. It should be about improvement, yet few organizations see it that way."

Tying a performance appraisal to compensation can make it difficult for managers to be honest, Lemoine says, because it makes the process "personal" and "they don’t want to give feedback that affects pay."

**It puts management on managers, not HR.**

Annual reviews can be seen as driven by the human resources department, instead of the manager. But performance management is a hands-on process that draws the manager and employee into a kind of partnership.

"The performance appraisal process is typically seen as a human-resources-owned process," Lemoine says. "Performance management is owned by the line managers -- it lives where the action is!"

The shift to performance management is likely to take behavioral changes from managers, too. "It requires leaders to be more adept at giving feedback, and it requires leaders to be more emotionally competent," MacPherson says. "You’re going to have candid conversation a lot more frequently as a result of this."
It can improve performance.

The useful feedback that performance management provides can turn into improved performance among employees as they gain a clearer sense of how they fit into the organization and develop better engagement with their managers.

“This should increase the performance and capacity of the employee and hopefully position him/her for increased contribution and potential succession if it fits with the employee’s personal career goals,” Lemoine says.

Mike Vilimek is a former professional football player who now is director of product marketing at Talemetry, which makes cloud-software solutions for recruiters. He points out that expecting once-a-year feedback to improve performance throughout the year is not realistic.

“In professional sports, if you underperform for a year, you’re likely not on the team the next year,” Vilimek says. “In the highly competitive world of professional sports, coaches need to give players constant feedback and direction to get them to perform at their best, right now. Otherwise both of them may be in danger of losing their jobs.”

Managers need to take a similar approach, says Vilimek. “If feedback can be given today to help make an employee better at their job, why wait until tomorrow to give it, or for next year’s performance review? Think of all the benefit an organization would see from having improved employee performance instantly, rather than only once a year.”

How Can Companies Implement Performance Management?

Performance management is a departure from the standard performance reviews that most managers are used to. At its core, performance management aligns an organization’s overall goals with employees’ individual performance and growth goals. For some organizations, that’s going to be a big change.

Start at the top.

Right now only 62% of all U.S. employees say their organizations have clear goals they are trying to achieve. The results are not drastically different when you compare managers against non-managers either.

“The executive team needs to do their homework, and they need to effectively communicate not only the ‘what’ of performance management, but the ‘why,’” MacPherson says. “Why are these things the things that we are focusing on? How will it improve the organization? They’ll also need to be comfortable with a high level of transparency.”

To switch to a system of performance management from performance assessment or annual reviews, it’s key that managers first understand the goals of the organization and how employees can help the organization reach those goals while achieving their own successes.

“Start with the corporate goal-setting process,” says Holly Paul, chief human resources officer at marketing-software company Vocus. “Once the goals of the executive team and company have been set, each department should determine the goals within their group that will help the company achieve the corporate-wide strategy. Goals can also be established at a team and individual level -- the key is linking team and individual goals to show how these more specific goals tie to the goals of the company.”

Modern Survey March 2013 U.S. Employee Engagement Study

| Q. My organization has clear goals that we are trying to achieve. (Percent That Agree) |
|---------------------------------|----------------|
| All Employees                   | 62%           |
| Non-Managers                    | 61%           |
| Managers                        | 65%           |
Give more feedback more often.

The concept of performance management is providing consistent feedback to the employees as they work toward their goals within the framework of the organization’s goals.

Managers giving helpful feedback is one of the drivers of employee engagement.

Modern Survey’s March 2013 U.S. Employee Engagement Study

“A coach would never call a team together and say on the first day of practice, ‘We have 12 games, go out and play hard, and after 12 games, I’ll let you know how you did.’ ” Lemoine says. “If I want my team to perform, then I have to give feedback along the way. A football coach or baseball coach would never dream of not giving feedback and making adjustments.”

That level of specific feedback is possible only if the managers have set up clear, achievable goals from the start. “Having a set of behaviors developed and identified that are elements of the company culture or culture you’re trying to build will help employees clearly understand the vision and how they can help in the effort through their own actions and behaviors,” Paul says. Employees have to know what kind of result they’re aiming for as managers ask them to make adjustments in their performance.

Mix the good with the bad.

MacPherson says it’s important to remember that it’s not just about negative feedback.

“Managers need to help direct and coach their team regularly to achieve desired results,” Paul says. “Performance management processes should only help to reinforce the dialogue that should already be happening; feedback that is documented should only be a documentation of the communication that has already happened.”

Clarify the difference between managing and micromanaging.

Managers who aren’t clear on the process of performance management may confuse it with micromanaging.

“Managers micromanage when they inappropriately or excessively focus on telling employees how to do their jobs,” Lemoine says. “Performance management is about setting expectations for results and behaviors, assessing whether employees are meeting those expectations on a regular basis, communicating with employees about how they are doing and providing support for meeting expectations.”

Lemoine provided an example of delivering constructive feedback. “Instead of saying something like, ‘you’re always late’ or ‘you have the worst attitude,’ you say, ‘I noticed you were 15 minutes late today, tell me what’s going on.’ “ Providing specific examples of something that needs to be improved is more effective, and then outlining its effects shows the employee its consequences.

“No matter how the company sets up a performance management system, the process needs to be open, honest and consistent -- and should complement regular communication, not be a substitute for it.

“One of the misconceptions around performance management is that I’m telling you what you’re doing wrong more frequently. Instead, I’m taking the opportunity to have a candid conversation with you about what you’re doing well, what I see, and the best opportunity to improve your performance.”

Bond agrees. When he was playing basketball -- whether he was being corrected in fourth grade or the NBA -- he says he understood the constant feedback he was getting was simply feedback. "It happened constantly when I was being coached, but it was never an attack on my confidence or my self-worth or my esteem. It was just teaching. And all those years of teaching led me to becoming a pro.”

Be flexible.

Managers who are interested in implementing performance management may need some training or insight into setting up a system to provide regular feedback. “Like any other management or leadership task, it’s not one size fits all,” Lemoine says. “A flexible performance management process should allow for more or less input and guidance by managers and more or less input and autonomy for employees based on the skill, maturity and motivational factors of the employee.”

No matter how the company sets up a performance management system, the process needs to be open, honest and consistent -- and should complement regular communication, not be a substitute for it.

“Managers need to help direct and coach their team regularly to achieve desired results,” Paul says. “Performance
While managers need to learn to give more feedback more frequently, employees need to be prepared to accept more feedback more often.

“Feedback is how you’re going to get better,” says Vilimek. “It doesn’t mean you didn’t play a great game, or you’re not great at your job now. It just means you’re not perfect, and that’s OK -- almost nobody else is, either, so there’s always room to improve.”

MacPherson says training is key when a company wants its managers to use performance management. “It will work very effectively for effective leaders, and it can be a risk of exposure for those who aren’t very effective,” he says. “The message to the organization is to train leaders in providing this kind of feedback well.”

Recently made the move to everyday performance management, Sharon Arad, director of assessment and coaching at the company, has overseen the change and says managers and employees so far have been responding positively.

“People were very appreciative of shifting their focus from an administrative process to that of a conversation between employees and managers,” Arad says. “They like the ease of the process, its simplicity and the reduced bureaucracy.”

Cargill had been gathering data and feedback from employees and leaders about the effectiveness of their performance management process, including a pilot program where performance ratings have been eliminated, Arad says.

As a growing body of research emerged suggesting that some of the key elements of the old ways of assessing employer performance weren’t effective, Arad says that as an industrial psychologist, she got “a wake-up call” and saw an opportunity for Cargill to focus on the elements that matter and create a process that could boost employee engagement and performance.

Changing people’s mindset about performance management and designing a simpler process isn’t necessarily easy -- changes need to be designed with the organization’s strategy, culture and values in mind, she says. “It’s very important for the change agents to be smart not only about external research and benchmarks,” she says. “You have to deeply understand the connections and dynamics between your company culture, your environment and values.”

As far as Cargill’s success with everyday performance management, the company will be assessing results of the change later this year. “I am optimistic,” Arad says, adding that she expects to find that employees are more engaged and motivated and are performing better because of their clearer understanding of how their own goals mesh with the company’s.

“Ultimately, you have a performance management system to achieve your company’s strategy,” she says. “It’s not to monitor people. It’s to make sure individuals’ goals are aligned with the business strategy. The process is not teaching managers about how to be good, effective managers; rather, it creates a culture and environment of expectations.”

**Conclusion**

In order for organizations to turn their talent into peak performers, continuous performance feedback is necessary. The once or twice a year appraisal will become a relic in favor of fluid coaching more like a professional sports team. Organizations need to move too quickly to be able to survive with semi-annual adjustments.

According to Modern Survey’s March 2013 U.S. Employee Engagement Study, “helpful feedback by managers” is one of the top drivers of employee engagement. When companies rethink the way they measure and manage performance, they can reap the advantages of performance management: better engagement and better performance. It has the potential to change the way both managers and employees look at their work at the organization.
about us
Modern Survey measures workforce intensity — that fire in your company’s belly that makes all things possible. Our human capital measurement software combines feedback, benchmarks, and data from enterprise systems to elucidate the correlation between employee performance and company success. We analyze the stuff your talent management system can’t — so that you know what to do next.

Our measurement solutions include onboarding effectiveness, employee engagement, leadership effectiveness, exit surveys, and, of course, performance management through our mPerform solution.

We are Modern Survey. And we are relentless.

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