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Changing the Performance Management Conversation

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So how did we get where we are with performance reviews? Let's start by taking a look at the history of employee performance management.

In 1950, Congress passed the Performance Rating Act. The law was meant to establish a method to rate federal employees. They were marked as one of three levels: outstanding, satisfactory or unsatisfactory. Private and public companies quickly followed suit, rating employees and recording compensation and rewards based on those reviews. Companies considered the performance review a way to protect themselves from potential legal squabbles.

That process hasn't changed much if at all since then, though businesses and employees have. Many experts agree that traditional performance management programs are like wallflowers. They exist in the background, but are seldom effective at what they set out to achieve. In fact,

- 4 out of 5 U.S. **workers are dissatisfied** with their job performance reviews (Reuters)
- 46% of workers believe that performance reviews are **not an accurate appraisal** of their work (Globoforce/SHRM)
- 30% of the performance reviews end up in **decreased employee performance** (Psychological Bulletin)

The first challenge is to disconnect pay increases from the performance management conversation. The performance review has become the vehicle for managers to justify to employees the pay that has already been set by forces beyond their control.

Samuel Culbert, co-author of "Get Rid of the Performance Review! How Companies Can Stop Intimidating, Start Managing — and Focus on What Really Matters!" and a professor at UCLA's Anderson School of Management, says pay actually distorts performance reviews.

"Pay is not determined by performance, despite the fiction companies like to perpetuate," he says. "Pay is determined by the economy, by a company's bottom line, by the overall budget set by those higher up. None of that has anything to do with how an individual performed in the past year. In other words, the performance review doesn't determine pay. Pay determines the performance review."

Next, we need to think differently about the purpose of a performance review. A performance review should be a road map, something that connects employees' potential, measured through a validated competency assessment, with where they actually are now, where they would like to go and what they've achieved.

"When we think about performance reviews, both employees and supervisors get a lump in their throat as opposed to seeing it as an opportunity and saying, how do I grow in this organization? Or as a manager, how can I make sure every employee on my team is doing his or her best?" says Patrick Sweeney, president of Caliper Corp., an HR consulting firm.

Transform the System

As Deloitte's 2013 Passion Report suggests, cultivate "workers with passion to realize extreme sustained performance improvement." What is worker passion? "Passion is when a person discovers work that they love and when that work becomes more than just a mode of income." Based on their recent research, Deloitte states that "While much work has been done to understand and improve employee engagement, employee engagement is no longer enough. Times have changed."

The three attributes of worker passion, according to a Forbes article on the study, are "a continuing commitment to accomplishment in a particular domain, a disposition to quest and explore, and openness to connect with others." Currently, only 11% of the U.S. workforce embodies all three.

"Organizations should ask themselves if they reward or punish failure and assess how they encourage, or discourage, workers to actively collaborate with the ecosystem on work projects. Additionally, companies should consider how to provide workers with more visibility and clarity into how each individual makes an impact on the company and the broader industry or domain." If all these efforts for building passionate employees seem unnecessary, John Hagel, director of Deloitte, would have to disagree. "This transformation effort will be challenging, but external pressures in the form of intensifying competition, mounting performance pressure and continual disruptions will ultimately force companies to confront this imperative or die – the old ways of doing business are simply proving less and less effective," Hagel said in the Forbes article.

Great Competencies = Great Results

Many people do not take performance reviews seriously because they are not measured or rewarded for results, such as providing accurate and timely performance feedback to employees and utilizing related skills such as inspiring teamwork and accountability. In addition, many of the old methods of performance reviews are based on forms or templates used across multiple roles which have little to nothing to do with specific roles, so they are not relevant. As a result, organizations need to make a conscious effort to make performance reviews more meaningful.

In Jim Collins' book *Good to Great,* he provided evidence from data captured over five years that drew a correlation between five universal, distinguishing characteristics companies possessed, and the fact that those same companies consistently produced great results.

Like companies, not all employees are created equal. For example, research shows that "A" players outsell their peers by at least 48% in sales positions, have a more positive effect on customers than other employees, and deliver superior team performance when included in a work group. A small team of "A" players can run circles around a giant team of "B" and "C" players. It's also been found that these "A" players consistently use a common set of competencies associated with their specific role.

There are two parts to being successful in one's role. One is having the ability to master competencies related to that role, as noted above. The other is ensuring those competencies are put to work to achieve results. Quite often, because some companies don't take the time to set and/or track organizational goals, individual goals and expected results are not set or tracked either, creating yet another gap in performance management systems.

Why are competencies important?

Competencies provide direction: Most fundamentally, competencies provide organizations with a way to define what its employees need to do to produce the results the organization desires and do so in a way that is consistent. Competencies provide the "North Star" by which employees at all levels navigate in order to create synergy and produce more significant and consistent results.

Competencies are measurable and can be developed: When properly defined, competencies (and the impact they have on desired results) can be measured. This measurability enables organizations to evaluate the extent to which their employees are demonstrating the behaviors believed to be critical for success as well as to assess the business-relevant return on resources invested to retain, attain or develop these competencies.

Competencies can be learned: A third reason is that competencies can be learned. This means that once an organization determines the kind of competencies critical for each role, they can enhance success by taking steps to develop the capability of their employees to exhibit these competencies. Unlike personality traits, competencies are characteristics of individuals that are more flexible so they can be developed and improved.

*Competencies can distinguish and differentiate roles **and** the organization:* Competencies represent a behavioral dimension on which organizations can distinguish and differentiate roles within the organization and the organization itself. By distinguishing and differentiating competencies for each role, the stage is set for better succession and career planning. And, while two organizations may be generally alike in the kinds of financial results they achieve (as well as results related to their employees, customers, etc.) the way in which they accomplish this can vary depending on the competencies that fit their particular strategy and culture.

Competencies can integrate management practices: Finally, competencies provide a structured model that can be used to integrate performance management practices throughout the organization. With competencies appropriately defined, organizations can align their recruiting, performance management, training and development and reward practices to build and reinforce key valued behaviors.

How to Achieve Results - Set Goals and Objectives

A survey of small business owners by Staples found that more than 80% don't track their business goals. Not surprisingly, the survey also revealed that 77% of leaders have not achieved their company vision either.

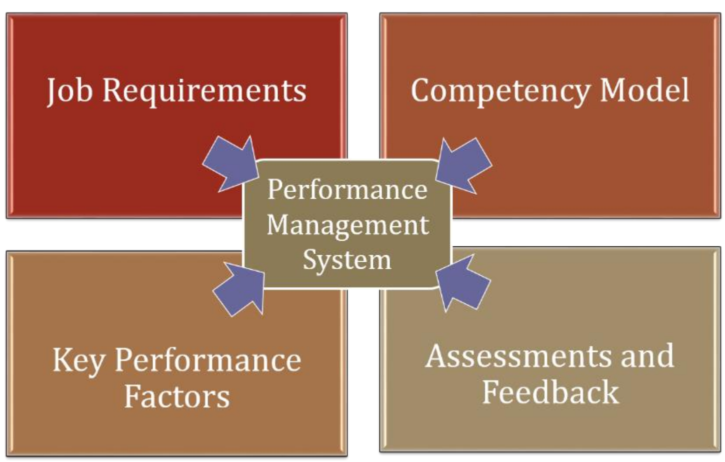
Those two points highlight an important, but not surprising, relationship between goals and results. To be successful and accomplish something worthwhile, you have to follow a plan. And when you're referring to workplace and business success, it's not just about you setting and working towards goals – it's about your employees doing those things too. That's why it's so important to set goals that your employees can and want to achieve.

Research over the years has revealed a variety of steps for actually achieving goals, such as ensuring your goals meet the SMART-goal standard. But, in the unique case of setting goals for a company that will involve multiple participants, there are a few steps that warrant extra attention, such as involving others in the goal-setting process. In "*The Wall Street Journal Guide to Management"* author Alan Murray states, "You must make sure the goals you set for your team align with those of the broader organization. And you must make sure that your team understands, accepts and commits to those goals. The more you can involve your employees in setting goals for themselves and the group, the more committed to those goals they are likely to be."

And, while easier said than done, it's also important that you find the right balance between a stretch goal and an unachievable one. As The Wall Street Journal's guide points out, "Goals should give your team something to reach for. But they should not be unreachable, and their attainment or lack of attainment should not be dependent on a host of circumstances beyond the person's control."

Tying it all Together

Finally, as part of any new performance management system, you need to tie competencies, goals and their desired results to something employees really care about. You have to answer the "What's in it for me?" question before you can earn their true buy-in to a new system, which means you need to know what's important to your employees.



According to a recent Globoforce/SHRM study, 71% of survey respondents said that "Appreciation by a direct supervisor" had the greatest impact on employee engagement, with "Opportunity to advance" coming in at 41% and "Salary and Bonus" bringing up the rear at 36%. McKinsey and Company found similar results with appreciation, recognition and special projects all having a greater impact on employee performance than money alone.

To compliment these efforts, reward and incentive programs designed to: (a) promote or encourage specific actions by a specific audience and (b) produce measurable outcomes are gaining speed. More than half of America's companies now are using these programs, spending over $100 billion annually on them.

In fact, this industry has more than doubled in the last 10 years, with incentives (other than cash) becoming a $46 billion industry.

Conclusion

A company is only as good as its employees, so it's logical that transforming a process designed in the 1950s and tweaked over the last 60 years is ready for an overhaul. Here are four ideas to consider:

1. Change the conversation to improving job-specific competencies and linking those to results vs. "do you work hard" or "do you show up on time".
2. Performance management should be continuous. This requires that managers become engaged in coaching and developing employees continuously not annually, and that there are process steps included so they ***stay*** engaged. We call it "human tithing".
3. Gathering feedback from others is important, so make sure you incorporate 360s or other feedback gathering into the process.
4. Disconnect pay increases from the performance management conversation. Instead focus on the answers to the, "What's in it for me?" question.

Sources

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Author Bio

Jackie Messersmith, President and Founding Partner, co-founded Talent Management LLC in 2006. Success as a consultant and business owner has resulted from her dedicated commitment to the vision and mission of Talent Management to design *comprehensive talent management solutions*.

Jackie has effectively led many projects – from local governments to large multi-divisional organizations – and has an appreciation for the intense diversity of modern day organizations.

Her career has been devoted to increasing profitability, productivity, workforce satisfaction and ultimately growth for clients. She developed a 5-step process improvement system **IDEAS***…for change*®, utilizing practices from Lean, Six Sigma, Baldrige, and TQM, to ensure the promised results become a reality, not just another report on the shelf.

Her common sense approach guides her efforts in partnering with clients, understanding organizational culture and structure, utilizing a solid methodology to improve business operations, implementing accountability and tracking mechanisms, and striving for continuing innovation to advance her methods for examining organizational dynamics.

Jackie has been professionally affiliated with Authentic Leadership, Greater Cincinnati American Society for Training and Development, Association for Corporate Growth, and The Circuit.

She has served as an examiner for the Small Business of the Year awards, and has spoken at a NCA Higher Learning Conference in Chicago and the Association for Health Care Administrators in Columbus. Jackie conducted a one-day pre-conference workshop entitled “Work...Force, Place and Flow” featuring **IDEAS***...for change*®, at the Ohio Partnership for Excellence Quest for Success annual conference. She also has participated in a panel discussion of the Leadership Forum, “The Straight & Narrow: Upholding Business Ethics in a Work-A-Day World.” Recently, she presented, “You had me at Hello…Now it’s time to Grow” at the 2013 Quest for Success annual conference.

Jackie’s work has been featured in *Total Quality: Management, Organization, and Strategy*, by Dr. James Evans, University of Cincinnati. She co-authored a simple guide to relocating companies entitled, *Move Solutions*. Her article entitled, “Bringing people, processes and the workplace together for high performing work environments” has appeared in an issue of the *International Facility Management Journal* and *The Journal of Leadership and Management in Engineering.* Additionally, *The Cincinnati Business Courier* has published her article entitled, “New Wave of Thinking of Business Processes.”