

Performance Management – What's the point?



Octagon Research Series No. 2

changeassociates/

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Executive summary

This report is the second in Change Associates' Octagon Series of research reports.

This report considers the future of performance management (PM) and how it can be made to be a process that supports the business rather than distracting it. We've looked into case studies of best practice and consulted performance management experts in industry and academia. We've spoken to business leaders and HR specialists with experience in some of the world's leading companies, from Siemens, ASDA and Santander to Nationwide and Superdry, and also drawn on the expertise of our network of associates.

Our conclusions provide a practical framework of advice for any organisation looking to introduce or review its PM process.

The first part of the report presents six reasons why PM fails in many organisations:

1. PM has become an overloaded admin process driven by HR.
2. PM meetings happen too infrequently.
3. PM fails to deal with underperformance (and arguably is the wrong way to do so).
4. Performance improvement has become a process of measuring failure.
5. Forced distribution is fundamentally flawed.
6. 'Stars' get lost in the process.

The second part of the report draws out five drivers that can create a more productive way of doing performance management. By directly addressing the reasons why PM often

fails, as well as giving positive suggestions for the future, these drivers present a checklist of recommendations that can be applied in any organisation.

The drivers are:

1. Leaders must lead - and be seen to lead - performance management.

PM is intrinsic to everything that happens in the organisation yet strangely has become divorced from the leadership agenda. Leaders must be seen to be using PM in their teams rather than paying lip service to the process. They must provide the clarity that allows managers and teams to align their efforts with the organisations. Managers need to take responsibility for making PM work and the leadership team should ensure managers have the skills they need. Finally, HR has to let go if PM is to regain credibility.

2. Strive for great conversations that happen regularly and frequently.

Organisations must avoid the classic mistake of seeing performance management as an annual, or at best biannual, meeting to discuss achievements and failures. Good PM involves frequent conversations, and being brave enough to address underperformance in the moment means these conversations can be more productive. Organisational leadership needs to discuss its talent's collective performance regularly and frequently.

3. Create an environment in which performance is endemic.

Change begins with recognition of a need for improvement. Imposing a new PM process on a resistant organisation is an uphill struggle. One way to get managers on board is to ensure they own responsibility for the performance of their team, while also recognising that

every employee has a responsibility for their own performance. This requires an adult-adult environment where managers build and maintain trust by being consistent and fair.

4. Engender employee commitment through shared purpose and values.

Shared vision and values give direction for individual contribution. This can be best achieved by enabling individuals to apply their creativity and intuition. It also means recognising many people contribute to one person's achievements. One size no longer fits all and adapting the PM process to, for example, different generations, role type or motivational drivers introduces the flexibility needed to address these needs.

5. Keep it simple and focused on performance.

Experience demonstrates it is easy for PM meetings to become derailed by conversations around pay or underperformance.

By separating these conversations and keeping things simple – without inadvertently creating a vanilla process – PM meetings become focused on performance and nothing else. While technology is a powerful enabler it should never replace the human-to-human interaction.

The report concludes with a checklist of recommendations for leaders wanting to review and improve their PM process.

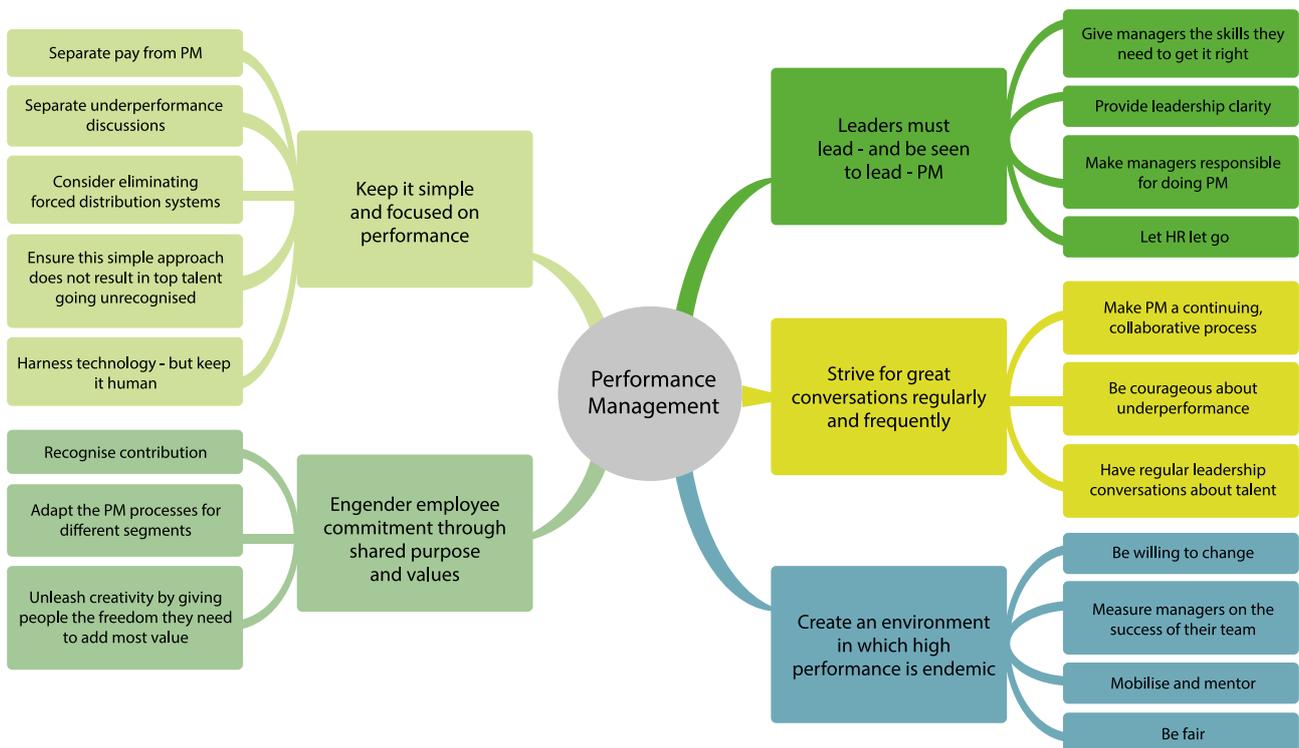


Figure 1: Change Associates' drivers of a high performing performance management process

Introduction

The origins of performance management (PM) are lost in the midst of time but the function has surely existed in some form for as long as an elite has paid, persuaded or enslaved individuals to perform tasks for them.

Banner and Cooke (1984) and Coens and Jenkins (2000) both describe a process conducted in the second century AD, in which Wei Dynasty emperors would commission ratings of the individual performance of the official family members.

The contemporary Chinese philosopher, Sin Yu, rapidly became the first critic of the performance management process when he wrote:

“The Imperial Rater of Nine Grade seldom rates men according to their merits, but always according to his likes and dislikes.”

**Sin Yu (second century AD),
quoted in Patten (1977)¹**

As this research report will demonstrate, the perceived unfairness of the process continues to tarnish the reputation of performance management to this day. Indeed confidence in the process has, arguably, never been lower, with employees becoming disengaged from the organisation when it is not implemented well or supported.

Leaders, managers and employees alike have become disillusioned with their organisations' approaches to managing performance. Our research suggests there is a deeply held sense of frustration with a process that is seen by many as flawed and by some as damaging.

“Most CEOs admit that performance management is a weakness in their business.”

**David Smith, business speaker, author,
consultant and previously People
and IT Director, ASDA**

The hypothesis that PM is no longer fit for purpose is supported by alarming statistics such as those from the Corporate Executive Board (CEB, 2013), a management research group. Their surveys found that 95 per cent of managers said they were dissatisfied with their PM systems, and 90 per cent of HR heads believed they did not yield accurate information.²

The Hay Group (2011) found that business leaders felt unable to dedicate adequate time to managing poor performance, with nearly two-fifths of respondents spending ten per cent or less of their time doing so.³

In the same report, one-third of respondents described their organisation's PM process as a 'tick-box exercise', rather than a business-critical process that sits at the heart of organisational success.

And so we have reached a stage where a sense of apathy toward PM is so deeply ingrained in many organisations, only tradition and pressure from the HR department keeps the process going.

With managers and team members alike simply going through the motions of PM, and organisational leaders finding few reasons to champion the process, has PM finally had its day?

We should at least consider the case for the defence. There is evidence that, done well, PM can be fundamental to organisational success and can even make the difference between life and death. Research conducted by the NHS⁴ found that hospitals that appraise 20 per cent more staff than the average experience 1,090 fewer deaths per 100,000 admissions.

While few organisations can provide such stark examples, there is further evidence of a positive impact from PM. Since the financial crisis of 2008 and beyond, many organisations have looked for ways to improve productivity. For some this has meant a short-term focus on cost cutting and doing more with less. Yet organisations that continue to actively manage performance report a 12.4 per cent to 14.8 per cent increase in productivity over those that do not (National Centre for Partnership and Performance, 2008)⁵.

One common opinion is that performance management is flawed but cannot be ignored. Something has to be done to restore faith in what is, essentially, the process that should facilitate a high-performance culture.

Employees too see the PM process as an important way – perhaps the only way – to understand the ‘rules of their game’, providing a framework and process to enable them to progress through the organisation.

Another key driver for change is a new generation in work: Generation Y or the Millennials will make up 75 per cent of the workforce by 2025 according to Deloitte⁶. This generation’s differing expectations, their instinctive familiarity with technology, strong focus on the working environment, and greater need for social interaction are redefining the characteristics of the employment relationship and demand new approaches to organisational processes.

Not that the need for change is new. Working environments and cultures are unrecognisable

from the corporate industrial workplaces for which ‘modern’ performance management regimes were designed decades ago.

And so we reach a stalemate, leaving business leaders questioning how the performance management process has become so divorced from the strategic agenda, and leaving HR – for so long the corporate enforcers of performance management – unsure how to re-establish the link.

The tide is turning. 86 per cent of organisations have reported that they are looking to change their PM process (CEB, 2012)⁷. This Change Associates Octagon Series report aims to provide guidance and a structure for organisations wishing to do so successfully.

The report summarises the findings of interviews with HR directors, business leaders and academics, as well as desk research, case studies and discussions with HR experts, to identify best practice in a new PM process.

We hope you find the report interesting and useful. We’d welcome your questions and comments.

Part 1 - Why is change needed?

Six reasons why Performance Management is damaging performance

What's gone wrong?

Why are so many people so disparaging about the PM process? Why is a potentially powerful and useful process failing to meet the needs of leaders, managers and employees?

Our research revealed six core reasons why PM has lost credibility.

1. PM has become an overloaded admin process driven by HR.

Over the years PM processes have accumulated requirements and administrative burdens from HR in the same way that a ship gathers barnacles on its hull, making progress difficult and sluggish. Many organisations now require PM to align individual and organisational objectives, provide clarity around careers, increase productivity and engagement, link performance with reward, and calibrate what good performance looks like.

As a result, there is a consensus that performance management has become an over-engineered form-filling process that is owned and driven by HR and delivered reluctantly by managers.

“Performance management needs a complete rethink. For too long, it has been dominated by the needs of HR to produce a number; business needs it to be much, much simpler and to add value to their agenda not that of HR.”

Toby Peyton-Jones, HR Director, Siemens plc

Managers appreciate they must engage with their team members, but when busy and stressed themselves – and faced with the overwhelming burden of an appraisal for every member of their team – they procrastinate and find excuses.

They find allies in their team members who, rather than demanding the recognition and feedback their performance deserves, are quite happy to delay what many see as the ‘annual barracking’.

“The process is fundamentally flawed. As a profession, HR typically looks to create a process solution that joins up everything that performance management is trying to achieve. This fundamentally misses the point in that what we are trying to do is meet the needs of individuals who don't respond well to being shoehorned into a one-size-fits-all process.”

Lucy Adams, Managing Director at Firehouse Productions Ltd and former HR Director for the BBC

As a result, HR remains in the driving seat and continues to cram more and more into an ‘overloaded suitcase’ of PM, with insufficient knowledge of what the outcomes need to be. HR finds itself struggling to defend itself from the accusation that PM is an onerous bureaucracy in which success is measured by adherence to the process.

“There is a lack of focus where HR is not investigating what the outputs of performance really need to be and is instead focused on creating best practice processes to be followed.”

**Peter Reilly, Principal Associate,
Institute for Employment Studies (IES)**

2. PM meetings happen too infrequently.

In traditional PM, every six or twelve months, managers and employees meet to address the many requirements that have been crammed into the PM process. They discuss any concerns and review the achievement of objectives set so long ago that any number of changes in the business could have rendered them obsolete or unachievable.

“In a fast-moving company like Superdry, priorities change weekly. If someone is working on opening a store in Italy, then France is no longer the priority, so objectives can quickly become irrelevant. In agile firms, it’s about developing people to do a good job; it must be continual.”

**Andrea Cartwright, HR Director,
Supergroup plc**

Irregular meetings also skew perceptions of performance as more recent performance has a halo effect on the preceding period and is given uneven weighting by the manager, the employee and even colleagues asked to provide feedback.

“If you have an annual review and then a mid-year review, that’s not sufficient: conversations

currently aren’t continued and that’s the problem. Performance management needs to be alive in the organisation. Objectives should be ‘under your keyboard’.”

**Rebecca Mison,
Head of HR, Shipowners Ltd**

3. PM fails to deal with underperformance (and arguably is the wrong way to do so).

It’s hardly surprising that organisational leaders become frustrated when they perceive managers are not dealing with underperformance. And this frustration is shared throughout the business. Research in the Harvard Business Review (2013)^B reported that 78 per cent of respondents said management failure to address poor behaviour among their co-workers decreased their commitment to the organisation.

“Everyone in the organisation expects and wants underperformance in others to be addressed. We need to find the courage to have the difficult conversations.”

**Joel Le Goffic,
Director of HR Operations, DS Smith**

Yet many managers, whose role it is to address underperformance, avoid or delay having these difficult conversations in a timely manner, feeling poorly equipped to have them, and it’s human nature to avoid this kind of mini-conflict. Philosophers and psychologists from Epicurus through to Jeremy Bentham, Gustav Fechner, Sigmund Freud and more recently Daniel Pink have emphasised the individual’s motivational drive to seek pleasure and avoid pain.

“Nature has placed mankind under the governance of two sovereign masters, pain and pleasure.”

Jeremy Bentham, An Introduction to the Principles of Morals and Legislation (1789)

“When a person encounters a stimulus their brain will either tag the stimulus as ‘good’ and engage in the stimulus [approach], or their brain will tag the stimulus as ‘bad’ and they will disengage from the stimulus [avoid].”

David Rock, SCARF: a brain-based model for collaborating with and influencing others (2008)⁹

The conversation, if it happens at all, is often delayed until a PM meeting that might not happen for another six or twelve months. This results in a negative encounter in which the employee, in a typical threat response, resorts to a flight or fight mode that makes a meaningful conversation difficult.

Alternatively, managers take the path of least resistance and award an average rating, simply because they want to avoid conflict.

4. Performance improvement has become a process of measuring failure.

“The reason I don’t like competencies is that they are impossible to fulfil. I call them the ‘Superman list’. They are devised by HR people who think about lists, not real-world situations. Appraisals based on competencies are discussions of failure.”

David Smith, business speaker, author, consultant and previously People and IT Director, ASDA

There must, of course, be benchmarks for performance excellence, but it can be demoralising when formal appraisals are based on formulaic lists of competencies, most often compiled by HR, or a manager’s ideal of how the perfect employee would perform.

Even the best performers can find themselves on the wrong side of a gap analysis if the areas in which they particularly excel are not those the manager or the competence framework takes into consideration.

“Performance management should be about enabling people to perform at their best – about ‘playing to win’ not ‘playing to avoid losing’. Performance improvement discussions are damaging and are discussions of failure.”

Andrea Cartwright, HR Director, Supergroup plc

Neuroleadership science has concluded that people shut down in the face of negativity or when their status is under threat, something that happens all too often in performance reviews. Employees feel the need to defend themselves against negative comments rather than highlighting their strengths. The resulting shutdown has a measurable impact on performance.

“People’s fields of view actually constrict: they can take in a narrower stream of data, and there’s a restriction in creativity.”

David Rock, author of “Your Brain at Work” and co-founder of the NeuroLeadership Institute¹⁰

David Rock’s assertion, which has found support from research conducted by the CIPD¹¹, is that there are five key drivers of

threat and reward that people choose to approach or avoid respectively. These drivers – status, certainty, autonomy, relatedness and fairness – are helpfully summarised in Rock's SCARF mnemonic (see Table 1).

Rock believes that poor performance management, which is the norm, threatens at least four out of the five drivers. It is hardly surprising that the PM process can become so gladiatorial as the employee responds to an elevated sense of danger.

Status, in particular, can easily come under threat in the PM process. Employees retreat from open discussion or argue for more achievable objectives, which undermines the integrity and purpose of the PM process.

5. Forced distribution is fundamentally flawed.

Larger organisations often deploy some sort of ratings mechanism as part of their PM process in order to measure and rank employees. The resulting rankings provide justification for reward, bonuses, promotions and more.

“PM systems have the potential to be very powerful as they can bring about comparison and control, which can be important to bring about change or instil discipline.”

Professor Adrian Furnham, Professor of Psychology, University College London

Table 1. David Rock's SCARF model applied to Performance Management

Dimension	Description	How poor/inexperienced managers trigger the threat response	How good/experienced managers trigger the reward state
Status	The brain perceives a drop in status in the same way as pain. An increase in status can create a greater positive response than monetary reward.	Try to demonstrate their own capability and provide advice and feedback when it is not asked for, threatening the individual's status.	Reveal what is great about the individual, encouraging them to ask questions about themselves and give themselves feedback.
Certainty	Ambiguity promotes the danger response. Even a small level of clarity (e.g. the decision will be made on this date) helps.	Don't recognise the need for clear expectations and set vague goals or objectives.	Are clear about expectations and how achievement will be measured.
Autonomy	Where individuals feel they have no control over a situation, they feel stressed. People need to know they have choices.	Tend to micromanage individuals who then become stressed because they have no control.	Loosen control and let team members make decisions.
Relatedness	Individuals need to connect and bond with others to separate friends and (potential) foes.	Create an artificial barrier to avoid getting too close to the people they manage. The feeling of connectedness is lost.	Establish a level of mutual trust and two-way communication.
Fairness	Fair exchanges activate the brain's reward circuitry. Unfairness triggers a danger response.	Don't recognise the importance of fairness. They have favourites and keep secrets.	Treat people fairly and are widely recognised for doing so.

Yet too many PM systems don't deliver on that potential because they follow a flawed model. Around 14 per cent of larger firms¹² continue to deploy the forced distribution systems that found popularity in the 1980s following their introduction into GE by Jack Welch. Under these ratings systems, managers rank their reports across a distribution curve: a certain percentage are identified as top, middle and bottom performers, with the bottom ten per cent often being exited from the business.

Critics of forced distribution have acknowledged that while the procedure may in fact improve the overall quality of a company's workforce by identifying talent, it does so at a cost in such areas as employee morale, teamwork and collaboration, reduced attractiveness to applicants, and negative shareholder perceptions¹³. Where the process may be designed to identify high and low performers, 'stars' don't require a process to perform; they will do so regardless:

“The reality is that we, like many businesses, end up focusing on the two extremes: who are the bottom ten per cent and who are the top ten per cent? **As a consequence we are at risk of missing the 80 per cent in the middle and how we can motivate them to nudge their performance and development** forward. In fact, as proven time and again, the best performers float to the surface regardless of any process – they are omnipresent. And therefore many performance management processes ultimately focus on the bottom ten per cent and how to manage their performance back to acceptable standards or manage them out of the business or into

a new and better-suited role. So in fact the process doesn't really serve anyone or anything other than tackling underperformance and even then can be bureaucratic and ineffective.”

**Tony Prestedge, Chief Operations Officer,
Nationwide Building Society**

In other organisations managers and employees conspire to 'work the system'. One interviewee told us he knew of a company that would purposefully 'hire a drongo' to combat and pre-empt the 'ten per cent out' culture.

Creativity also falls victim to the forced distribution process. In 2013, Microsoft finally eliminated its controversial forced (or 'stacked') ratings, following years of complaints that the process incited dysfunctional behaviour¹⁴ with employees focused on competing with each other rather than collaborating on projects and competing in the marketplace.

Clearly managers need to differentiate and have the skills to do so objectively and fairly. Only then can high performance be rewarded. Shoehorning employees onto a curve, with an imposed requirement to rate employees to meet a quota, is ultimately threatening, unfit for purpose and damages morale. As the product of a different age, it has no place in the modern workplace.

6. Stars get lost in the process.

High performers don't always dread performance reviews; they relish the opportunity to discuss their success and be recognised for it. **Yet the stars that contribute significantly to business success can find their achievements overlooked or underestimated by an anodyne PM process that pulls high and low performers alike towards an average.**

One consequence is that ambitious, high-potential talent may see their future progress

blocked by an underperformer who is not being dealt with effectively by the process. If the high achiever feels that they could be doing the job better and are reporting to a less capable manager they will become disillusioned and seek fulfilment elsewhere.

CEB statistics¹⁵ show that two-thirds of performance management systems fail to correctly identify high performers. If these players are not recognised, the chances are they will be lost to the competition.

What needs to change?

PM in many organisations is a broken process that damages performance, demoralises employees, distresses managers and adds little value to leaders.

How can things be done better?

Change Associates research has identified five drivers that will help make performance management fit for purpose. These are:

- 1.** Leaders must lead – and be seen to lead – performance management.
- 2.** Strive for great conversations that happen regularly and frequently.
- 3.** Create an environment in which performance is endemic.
- 4.** Engender employee commitment through shared purpose and values.
- 5.** Keep it simple and focused on performance.

Each driver has a number of specific recommendations that come from organisations that have made – or are in the process of making – PM work well.

These drivers and recommendations are summarised in the diagram on page 2 and explored in detail in the remainder of this report.

Part 2 - How to make performance management work in your organisation

Driver 1 – Leaders must lead – and be seen to lead – performance management.

For many years, performance management has been perceived to be led by the HR function. To be fair, HR professionals have often taken on this unenviable role reluctantly in the face of apathy from leaders and managers alike.

There is a clear signal from our research that this situation must change if real breakthroughs are to be made. Leaders must pay constant attention to performance management philosophy and implementation; it cannot simply be another agenda item.

Where PM fails, it is often because the process does not have this support. PM, like many processes, can only succeed when it is driven with commitment – rather than from a sense of duty – by the CEO and championed and used consistently and visibly by the wider leadership team.

“Leaders must be seen to be pushing performance. They must also show openly that they are doing it themselves, thinking about their own objectives. This is not a ‘them and us’ issue and this is really important to get across.”

**Dr Diana Owen, CEO,
Shakespeare Birthplace Trust**

The responsibility lies with the leadership team, the board or senior management team to ensure that the direction, frequency and importance of PM is clearly communicated and understood. Equally, leadership needs to ensure that all interventions designed to improve or refresh a failing system are implemented and adopted.

Recommendation 1.1 – Give managers the skills they need to get it right.

A common thread in our research was that while management capability plays a crucial role in performance, productivity and growth many managers are simply not up to the job, lacking essential skills such as how to give effective feedback and managing underperformance.

“Middle managers must be invested in – both time and top-line ideology. They are the ones who must have the ability to bring the organisation’s vision to life. Middle management often feel trapped, unsure where and how to grow their careers. So they simply push forward with their methods, and are not often measured in the right way. Middle managers must be upskilled with the right ideology and aligned skills such as how to give good feedback – only then will PM be brought to life in the firm.”

**Mike Amato, Non-Executive Director,
Santander UK**

Cranfield School of Management (2013)¹⁶ found that nearly two-thirds of UK employers think that a lack of leadership and management skills is preventing employees from reaching their full potential. Research conducted by the CIPD (2013)¹⁷ identified that effective performance management and the ability to manage difficult conversations are two of the most prevalent leadership skills gaps in organisations.

“This is not a revolutionary comment, yet the lack of people management skills among management remains a key problem. We need to find the right approach to up-skilling, however. Performance management needs to be front of mind for the CEO and the COO and improvement must be a strategic aim. This then needs to be communicated in full.”

**Rebecca Mison, HR Director,
Shipowners Ltd**

Several interviewees said that, whatever approach is taken, any intervention led by HR or middle management will not be as effective as one that the leadership team has been seen to demand, launch and champion.

Management capability in areas such as conducting performance conversations, dealing with issues, differentiating effectively, and actively engaging employees may need considerable investment but **simply investing in skills development in isolation is not enough; the process must be intrinsically linked to the leadership agenda.**

Recommendation 1.2 – Provide leadership clarity.

The work of David Rock (2008)¹⁸ summarised in Table 1 demonstrates that a lack of clarity from leaders and managers can be perceived as a threat.

Clear and tangible goals from leaders create a common purpose that informs and drives performance management, recruitment and numerous business processes, linking them to overall strategy. Only then can employees recognise how the objectives they discuss in a PM meeting align with business needs, and understand what is required to achieve high performance. Even in the most ambiguous of circumstances, some level of clarity can be provided, even if it is simply establishing a date when a new organisational structure will be announced.

“Performance management is intrinsically linked to everything in the organisation. It is not a ‘side of the desk’ item; it cannot be looked at as a discrete and separate activity. It must connect to the organisation’s overall purpose. It must drive engagement and customer satisfaction. Only then will it have measurable effect.

Leaders must reinforce this ideology again and again. You cannot have some big-bang launch followed by nothing. People need to know what, why, how and when. Only then will they feel on board with it.”

**Mike Amato, Non-Executive Director,
Santander UK**

If this seems something that should go without saying, consider this: according to research by Hay Group (2011)¹⁹ 75 per cent of firms still fail to connect performance with overall strategy.

As vital as aligned goal-setting and measurement is, it is also important not to 'dance around measurement'. This can work for simple targets, but more often a role is complex. Daniel Pink (2009) makes a strong case for getting this process right:

“Goals may cause systematic problems for organisations due to narrowed focus, unethical behaviour, increased risk-taking, decreased cooperation, and decreased intrinsic motivation. Use care when applying goals in your organisation.”

Daniel H. Pink, 2009²⁰

Keeping objectives clear and aligned to overall organisational purpose is essential, irrespective of complexity of role. Where roles are harder to measure, **performance management must be about being clear what the job is, being helped by management to do that job, and then being appropriately rewarded for achieving certain targets.**

Recommendation 1.3 – Make managers responsible for doing PM.

The research provides clear direction that, although leaders must lead on PM, it is line managers who have to make it happen day in, day out. Interviewees gave different examples of how this can be implemented:

“It’s about making managers more personally accountable, and if necessary it’s about making the impact on them financial. Linked to a scorecard, we are able to look at individual manager impact, and not just the more traditional overall group position.”

Iain Smith, Head of HR – Group Human Resources, Lloyd’s Register Group Services

Local managers at ASDA, each of whom had a number of people at various stages of development reporting to them, were challenged by their leaders to really get to understand and know their people in order to get the best out of them.

“Managers play a key role in bringing involvement, and thereby engagement, to life. They give people space to perform, they coach, they encourage and recognise performance.”

David Smith (2011)²¹

Equally, getting implementation right is key:

“Asking an inexperienced line manager to evaluate the performance of an employee only one level his or her junior is in many respects unreasonable. This can generate fear and negativity. It comes back to investing time and money into enabling managers to have better conversations and a focused effort on really good objective-setting.”

Tony Prestedge, Chief Operations Officer, Nationwide Building Society

Recommendation 1.4 – Let HR let go.

In many organisations PM is seen as a painful unnecessary process imposed on the organisations by the HR director. How many managers have been urged to get their team’s PM forms back to HR to ‘get them off our backs’? And there they remain until the next PM meeting.

HR professionals have at times become their own worst enemies by attempting to kill a whole flock of birds with one PM-shaped stone. An unfortunate consequence has

been that the process, the function and sometimes the individual is discredited.

It is important to recognise that in most cases HR is simply doing the best it can to ensure the organisation monitors, manages and recognises the achievements of its people in a methodical way. In truth, HR professionals have reluctantly taken on the responsibility for making PM happen because they recognise that if they don't no one else will.

This has to change. The leadership team must relieve HR of this burden if the process is to flourish and meet the needs of the business.

Driver 2 – Strive for great conversations that happen regularly and frequently.

Whether dealing with underperformance or capitalising on high achievement, dialogue between managers and employees needs to happen regularly and frequently.

According to research from Bersin by Deloitte, companies that set performance goals quarterly generate 31 per cent greater returns from their performance process than those who do it annually, and those who do so monthly and give employees feedback on a continuous basis perform even better.²²

Frequent conversations offer a number of benefits, including opportunities to:

- ▶ recognise and celebrate excellence and achievement quickly
- ▶ capture insight when events are fresh in people's minds and can have greatest effect
- ▶ change or update objectives that have become obsolete or out of date.

Recommendation 2.1 – Make PM a continuing, collaborative process.

Having these conversations as frequently as practical, and once per quarter as a minimum, turns performance management into a continuous, collaborative process, enabling course correction and continual improvement.

These conversations need to be informed by timely feedback from across the business. If employees are to go to the trouble of providing such feedback, mechanisms need to be in place to make the process quick and easy. In organisations where teams work collaboratively across the globe, some form of web-based channel, modelled on a social media platform, offers clear advantages.

Traditionally reviews are often done by the nominal line manager who may know far less about the employee's performance than those he or she works with more frequently. Some organisations, in particular professional services firms, are addressing this anomaly. Consultants may be evaluated by people managers and not necessarily by their current assignment manager, meaning that objectives remain clearly linked to development of practice capability. This is the case at KPMG.

“At KPMG, feedback is provided on a project-by-project basis via engagement manager reviews.

Annual reviews are done by performance managers, which allows a holistic view of engagement review feedback, performance and development needs throughout the year.”

Charlotte Clayton, Senior Manager – Global People, Performance and Culture at KPMG UK

Other organisations have implemented approaches to focus on real-time performance and invite collaborative input. 'Microsoft Connects' puts the emphasis on timely feedback and meaningful conversations to help employees learn 'in the moment'.²³ Adobe has introduced frequent check-ins, for which employees and managers are encouraged to gather feedback from peers. There are no forms to guide these conversations – and they are simple, frequent and relevant. Since implementation of this approach Adobe has seen a 30 per cent reduction in voluntary turnover.²⁴

It's an approach that appeals to newer organisations still establishing their approach.

"Structure, forms, process and making things 'mandatory' will not work here. The big focus at Superdry will be on having big conversations, and the skills needed for this."

**Andrea Cartwright, HR Director,
Supergroup plc**

Recommendation 2.2 – Be courageous about underperformance.

Elsewhere in this report we recommend dealing with underperformance outside of PM meetings. This means addressing underperformance immediately rather than waiting for the next PM meeting, no matter how frequently they occur.

This requires courage. Dealing with underperformance or disciplinary issues effectively is an area in which many otherwise good managers struggle. As we have previously discussed, it is a very common human trait (although by no means universal) to avoid conflict or criticising others.

Even experienced managers, well able to argue their case in other circumstances, can struggle with initiating this sort of potentially

emotional conversation in which the employee's reaction may be unpredictable. For others, even handing out praise can be difficult and unnatural.

Yet for employees it may be a relief to talk about an area in which, despite their best efforts, they have struggled. An adult–adult discussion about how performance can be improved can be a positive experience, particularly if the employee is given the opportunity to raise the issue.

"Performance reviews often generate status threats, explaining why they are often ineffective at stimulating behavioural change. If leaders want to change others' behaviour, more attention must be paid to reducing status threats when giving feedback. One way to do this is by allowing people to give themselves feedback on their own performance."

David Rock (2008)²⁵

However it is done, underperformance needs to be addressed – not least of all to avoid demotivating other employees who feel they are being held back. **Managers who struggle with the conversation need to be coached in how to ensure it results in a definitive conclusion rather than a watered-down version of what they actually wanted to achieve.**

Recommendation 2.3 – Have regular leadership conversations about talent.

Organisations that take performance management seriously have leaders who regularly talk about their overall talent pool. Our research, however, found that in many firms these discussions tend to be an AOB

item on management board meetings and are either discussed in a cursory way or dropped completely when the meeting overruns.

Four of our interviewees told us they **run talent sessions once or twice a year in which leaders talk about talent and identify high-potentials across the business.**

They find these regular discussions relieve some of the pressure placed on managers when it comes to year-end ratings. Even more importantly, the sessions demonstrate a culture that values talent and high performance.

“We have round-table discussions where managers present their whole team. This is done to
a) moderate ratings but also
b) to look at the ‘how’ and the impact people are having across the organisation not just in their own team. These discussions then focus on development and potential.

Managers give up significant amounts of time for this process but invariably are very appreciative of the opportunity, as the focus is on dialogue not form-filling and it brings to life the critical people issues in their business.”

Toby Peyton-Jones, HR Director, Siemens plc

Driver 3 – Create an environment in which performance is endemic.

For performance management to succeed it needs to become a core part of an organisation’s culture. For many firms this requires a fundamental – and for some people a threatening – shift from the status quo.

Recommendation 3.1– Be willing to change.

A willingness to change starts with an acceptance that things can be better. The fact that 95 per cent of managers are dissatisfied with their PM Systems (CEB, 2013) suggests a widespread belief that things are not as they should be.

Not that this message always gets through to their employees. 30 per cent of business change projects fail²⁶, with many citing as a key factor the lack of focus on the reason for the change and the human transitions that need to take place from the start. For change to be successful, it must be bought into, and this begins with leaders creating and communicating the vision to spark the motivation. Only when change finds its way into the working lives of employees will they feel engaged and committed to make change happen.

Different organisational cultures have different attitudes to change. At Hutchison Ports, for instance, it has been a challenge to get people onside. Progress has been made, however, and positive change is happening following the leadership’s concerted focus on attitude and behaviours surrounding performance:

“It has taken two years to reach a common understanding in the business of what we mean by performance and what we want from line management. Managers now understand the value of having conversations. This is a good start – we are two years in but it has to be about the right attitude and behaviours at the start.”

Bob Page, HR Director, Hutchison Ports UK

For a new PM approach to be effective, it must be a focused and planned drive to embed new processes, systems and behaviours. Inviting contributions to the debate from managers and other employees will also generate a greater sense of ownership of the solution.

Recommendation 3.2 – Measure managers on the success of their team.

Managers who have a clear sense of responsibility for the achievement of their team's objectives are more likely to manage the performance of the members of their team effectively than those motivated by personal success.

This is certainly the experience at Netflix. Well known for its progressive approach to talent and culture, the Netflix leadership encouraged managers to take ownership of creating high-performing teams:

“We continually told managers that building a great team was their most important task. We didn't measure them on whether they were excellent coaches or mentors, or got their paperwork done on time.”

**Patty McCord, former
Chief Talent Officer, Netflix²⁷**

Gary Hamel describes this responsibility of a manager for his or her employee success as 'stewardship' and not every manager is equipped for it.

“Unfortunately, not every manager is a wise steward. Some behave like mercenaries... by exploiting vulnerable employees, by putting career ahead of company.”

Gary Hamel (2012)²⁸

Managers who take responsibility for their team's performance, however, often find a reciprocal benefit. Employees who feel their boss has a vested interest in helping them achieve their goals will naturally trust their manager and be motivated to perform. At the same time, as the next recommendation illustrates, employees must be given the autonomy to make their own decisions.

Recommendation 3.3 – 'Mobilise and mentor' not 'command and control'.

This long-running debate around the most effective ways to manage in order to create a great organisational culture extends well beyond the boundaries of performance management.

'Command and control' describes an environment in which responsibilities are dictated in a parent-child fashion. It's characterised by managers who do not trust their teams enough to relinquish control and responsibility, and who criticise if things are not done in the same way that they would. This hardly describes a culture in which people can become passionate or creative in their work and grow to take on increasing responsibilities. Yet it still seems to be common.

“Current methods of performance management bring into play a parent-child dynamic which is incredibly damaging. When performance management is 'done to' employees, this naturally results in defensiveness and confusion, even among higher performers. The process is lumpy, and doesn't account for the fact that human beings are messy, difficult, and have weaknesses.”

**Lucy Adams, Managing Director
at Firehouse Productions Ltd
and former HR Director for the BBC**

Daniel Pink (2009)²⁹ asserts that employees are motivated by autonomy, mastery and freedom to act, while David Rock (2009)³⁰ similarly says people are attracted to cultures that enhance their status and give them a degree of autonomy. In short, adults perform better when they are treated as adults.

Google is an example of a culture that gives its employees autonomy over their time. Engineers can spend 20 per cent of their time working on anything they want. With autonomy over their time and their task, they can work with whoever they wish on any personal project that excites them. Half of Google's new products in a typical year result from this initiative, including Gmail and Google News.³¹

Netflix has eliminated traditional individual appraisals³² and instead asks managers and employees to have conversations about performance as an organic part of their work. They instituted 360-degree reviews on the basis that: "People can handle anything as long as they are told the truth."

In practice, providing autonomy can be difficult. This is not to say that the managers can simply offload an issue and its resolution onto the team member. Key to the success of empowerment is the manager's ability to mentor the employee through the process, creating self-sufficiency, while also being there to provide any support necessary:

"In principle there is autonomy at Shakespeare Birthplace Trust – however a key challenge is for senior managers to have the ability to let go. We are all guilty of that. Where managers use performance management as a motivational tool to boost performance, we see good results. This needs to happen across the board."

Dr Diana Owen, CEO, Shakespeare Birthplace Trust

An adult–adult approach to PM shifts the focus from prescribed formats, forms and rankings towards a reciprocal and mutual way of working. This change is accelerated by demographics. Millennials are more likely to question authority and reject micromanagement. They desire a different sort of working environment that couples flexibility with productivity. PM approaches must reflect these changing cultures at work.

"If you implement command and control, and then criticise, people will start to resist. If you start from the principle that 99 per cent of employees will come to work motivated to do a good job, then traditional approaches to performance management fail to address this and instead deliver mistrust and an unwillingness on the part of employees to push themselves."

Andrea Cartwright, HR Director, Supergroup plc

Recommendation 3.4 – Be fair.

Fairness is the fifth element in David Rock's SCARF model and represents another opportunity for making the PM process one that engages or repels the employee.

Inconsistent, unfair leadership is frustrating. Managers must follow through with their promises and stay the course when introducing challenges and objectives that they expect a team member to deliver. Some will start a new initiative then become distracted when a new challenge comes along. Team members can easily assume the initiative is no longer a priority, only to be challenged about why it has not progressed when the manager's attention suddenly shifts back.

“Some leaders are initiative junkies ... They are great at starting things off ... full of enthusiasm. But, they are quickly off to the next big challenge. If you lead in this way your people will quickly learn that they should only respond to the latest thing, and they take the cue to drop the matter you don't follow up on.”

David Smith (2011)³³

For PM to be successful managers must be clear and consistent in what they are asking for in order to build momentum, trust, and to keep employees motivated. They need to show a willingness to get involved and to follow up in order to keep their part of the bargain.

Of course priorities can and do change frequently, which is one reason why frequent PM meetings are a necessity in an agile organisation. Where a priority must change, this needs to be expressly agreed between them to avoid misunderstandings.

In any relationship, trust is dependent on being straight with each other and keeping promises. This means managers must ensure all team members have opportunities for regular and frequent PM meetings with minimum disruption.

“Trust is one of the things people most want. Trust in an organisation is about people telling the truth on both sides. It's about an organisation saying it will deliver and following up on that promise. It is about an environment where people are not speaking with forked tongues.”

Professor Adrian Furnham, Professor of Psychology, University College London

That's fair enough isn't it?

Driver 4 – Engender employee commitment through shared purpose and values.

Employees who are motivated, engaged and committed to a common cause perform at 20 per cent above the norm and are 87 per cent less likely to leave their employer according to a Gallup survey (2009). So it is important to ensure the business has a clear and articulated vision, shared values or common goals to which employees – and critically leaders – can commit and align their objectives.

Yet survey data³⁴ reveals just 44 per cent of employees believe leadership tries to be visible, and less than half believe leaders' decisions to be consistent with their values. It would seem that businesses have yet to grasp this essential connection between engagement and financial success.

Objectives based on shared visions or values tend to be more nuanced than others, and the question of how an objective is achieved becomes as important as the achievement itself.

“Performance management must be aligned with shared vision, strategy and business objectives; otherwise it is just another initiative. Involve business leaders so that they contribute to the creation of ‘what’ gets measured or ‘how’ or both, depending on what the organisation wants from the process.”

Mike Amato, Non-Executive Director, Santander UK

The power of a shared purpose, therefore, is to create one big idea around which the whole workforce is aligned, creating a focus for high

performance and engagement. It creates a flag around which the whole organisation can rally.

Recommendation 4.1 – Unleash creativity by giving people the freedom they need to add most value.

As knowledge becomes increasingly commoditised and easy to access, employers look to the initiative and creativity of their workforce for competitive advantage. Such an environment has the added benefit of engaging and impassioning employees around corporate objectives.

Alongside this desire from businesses to leverage creativity, the millennial generation itself is starting to expect working cultures that provide them with autonomy and the opportunity to introduce and embrace new ideas:

“It’s impossible to unleash human capabilities without first expanding on the scope of employee autonomy. To create an organisation that’s adaptable and innovative, people need the freedom to challenge precedent, to ‘waste’ time, to go outside of channels, to experiment, to take risks, and to follow their passions.”

Gary Hamel (2012)³⁵

In reality, creating an autonomous environment at work that fosters creativity and innovation does not fit naturally with every style of manager or every kind of PM system, due to the uncertainty and difficulty arising from trying to ‘measure’ or quantify an idea. In fact, for many managers, it’s easier to focus on fixed objectives and if-then rewards, shying away from creativity and innovation:

“There is a mismatch between what science knows and what business

does. And here is what science knows. One: Those 20th century rewards, those motivators we think are a natural part of business, do work, but only in a surprisingly narrow band of circumstances. Two: Those if-then rewards often destroy creativity. Three: The secret to high performance isn’t rewards and punishments, but that unseen intrinsic drive – the drive to do things for their own sake.”

Daniel H. Pink (2009)³⁶

Our research suggests that, where this is the case, the system and the manager need to be reviewed to focus on strengths and individuality:

“The true genius of a great manager is his or her ability to individualise.

A great manager is one who understands how to trip each person’s trigger.”

Marcus Buckingham, co-author of First Break All the Rules (2011)³⁷

Interviewees suggested two ways to unleash creativity and get the best out of employees:

- ▶ Embrace individuality
- ▶ Focus on the positives

“The systematisation of performance management in corporate work has meant a one-size-fits-all approach to how the job gets done which essentially leads to performance management being focused on underperformance. Employees should be given the rules of the

game and then allowed to live. A good manager will naturally get the best out of his or her employee.”

Pennie Evans, Change Associates

“It is so important to look at positive performance in people. Only then do you expose ambitions and desires, and only then can you build an effective talent pipeline. When you identify and nurture people’s natural strengths, you enable them to perform at their best more of the time.”

Bob Page, HR Director, Hutchison Ports UK

Not every organisation is ready to, or even wants to, throw out all the rules. Our research indicates **that in a culture that embraces individuality employees will feel that their own interests and motivations are aligned to the organisation’s objectives and as a result will feel more engaged:**

“Passion is a significant multiplier of human effort, particularly when like-minded individuals converge around a worthy cause. Yet a wealth of data indicates that most employees are emotionally disengaged at work. They are unfulfilled and, as a result, their organisations underperform.

Companies must facilitate the emergence of communities of passion by allowing individuals to find a higher calling within their working lives, by connecting employees who share similar passions, and by better aligning the organisation’s objectives with the natural interests of its employees.”

Gary Hamel (2012)³⁸

Recommendation 4.2 – Adapt the PM process for different segments.

Most interviewees in our research believed organisations should consider having more than one performance management route in order to ensure a proper ‘fit’ with each employee. The process needs to accommodate the fact that not every employee will follow the same progression into line management.

“People should not be given line reports for the sake of it. Technical expertise is still valid. Not everybody has the ability or emotional intelligence to line manage.”

Becky Cund, HR Director, Shakespeare Birthplace Trust

Larger organisations can segment their workforce across a number of criteria and target specific PM approaches to each. For example, Millennials have now joined four other generations still in the workplace, each with their own way of looking at the world. Different generations have different motivations, levels of loyalty, and attitudes to authority. Leaders and managers need to understand the different subcultures and consider segmenting their approaches to dealing with performance management. (See page 23).

With insight on preferred working styles, learning styles and behaviours of the different workforce segments, performance management systems can be targeted and relevant.

“Having more than one performance management route can seem to add complexity but actually makes appraisal and measurement easier because there is a ‘fit’ between the way that people are being measured and the reality of their job and ambitions.”

Jim Crawley, former Director – Reward, Talent and Communication, Towers Watson

Often performance is defined by what is easy to measure rather than what 'makes the difference'. As a result, the right behaviour or actions may not get rewarded – for example, people communicating, adapting, working together, being fair, training others – these are intangibles and often don't get recognised and rewarded in PM processes.

Recommendation 4.3 – Recognise contribution.

Providing clear direction for employees and recognising their success can have a powerful psychological and physiological impact. A study cited by Rock (2008) indicates the 'reward circuitry' in children's brains is activated by praise as strongly as a monetary award. Even accepting our motivational drives can change as we get older, Rock argues: "given the deeply rewarding nature of status, giving positive feedback may reduce the need for constant promotions, not increase it".

In many organisations, however, the process fails to recognise wider contributions to achievements.

"People who hit tangible (often financial) targets get individually rewarded while others who have helped them get there can remain unacknowledged. Many goals are achieved through some form of shared effort – some people enable others to perform. A great sales administrator enables a sales person to perform yet often their contribution isn't recognised. PM would be more effective if there were ways to evaluate multiple people's contributions to an end goal. PM can reward the striker or 'goal hanger' and not the rest of the team who have set up the shot."

Kelly Drewery, Change Associates

If employees don't feel that their efforts are being recognised or feel that the recognition is insincere it will cause them to question their commitment. It could be at this point that the employee's focus shifts to one solely about pay as they seek a basic compensation for their work, while they look for a more fulfilling role elsewhere.

Managing Millennials in a Multigenerational Workforce

Today's multi-generational workforce means organisations need to adapt and focus on the right ways of recognising and retaining their best talent. The most effective approaches to performance management will be those that are agile, adaptable and constantly evolving to meet the specific requirements of each generation and each group of employees, and the business as a whole.

Millennials have high expectations of job satisfaction; they readily seek out new challenges and are not afraid to question authority or 'the way things are done'. This generation is also known to be 'attention-seeking' and to expect regular feedback and guidance.³⁹

Faced with poor performance management, there is the risk that this group will become demotivated more quickly than others and be much quicker to look for alternative employment rather than stick it out hoping that things will get better.

For this generation it is even more imperative that conversations are regular, that they know where the company is heading, and that they feel a sense of shared purpose.

"[Millennials] expect to have the chance to make an impact; they expect to know why they are working on something; they expect to work in a collaborative environment where information is

shared. If an organisation doesn't have these things you won't be able to compete, you won't be able to attract talent, and you certainly won't be able to retain it."

Terry Kelli, CEO of Gore Inc.⁴⁰

This generation grew up online – the first digital citizens – and this profoundly shaped their workplace expectations for the future. They expect the social environment of their work life to reflect the social context of the web, rather than a mid-twentieth century bureaucracy. It is a world where information is quick and easy to access and share, where digital and analogue conversations are equally valid, and in which everyone is connected and able to publish their own content.

Performance management must respond to this change in expectations where immediate feedback is the norm.

"They put something on Instagram, and in 15 to 20 seconds they're expecting to know if it's any good or not. So it's crazy for them to come into a workplace that's like, 'We don't care about you, and twice a year we're going to tell you what the company wants.'"

Marcus Buckingham (2013)⁴¹

Driver 5 – Keep it simple and focused on performance.

“If you take a small organisation that is lively and successful, you don’t need systems to sustain that performance.”

Professor Adrian Furnham, Professor of Psychology, University College London

PM processes are often derailed because they take on increasingly complex requirements that distract from the original requirement. Our research suggests a fundamental review of what is contained within the definition of performance management based on the philosophy that “everything should be made as simple as possible, but not simpler”.

This means removing unnecessary and counterproductive elements from performance discussions and simply focusing on what drives talent to perform well.

Recommendation 5.1 – Separate pay from performance management.

There was a surprisingly common view that emerged from the research interviews: pay review should be completely separated from performance management process.

When the subject of pay enters a performance management discussion it becomes the focus of the conversation, which then becomes a negotiation. As a result the employee embarks on a personal PR exercise and refuses to accept he or she has performed anything other than well, while the manager fears giving too much positive feedback, fearful of how much it will ‘cost’.

“In reality this is a tricky problem to solve. We need to square the circle somehow. What is evident is that when pay and performance are mixed in dialogue, one robs the other of the real benefits of having the conversation. Any new performance management system should be focused on organisation goals and regular dialogue. If we really live and drive this message it will start to partially decouple the process from the numbers approach.”

Toby Peyton-Jones, HR Director, Siemens plc

Many companies now separate – or at least try to separate – these two, often contradictory, conversations.

“An organisation needs to think about what they want to achieve from their performance management system, based on the culture of the organisation. If pay can be separate then that is ideal. What’s needed is some really sophisticated work on how pay can really be separated from performance in reality as they are intrinsically linked. Reward systems need reviewing.”

Tony Prestedge, Chief Operations Officer, Nationwide Building Society

It’s not always possible to completely separate the two, but more frequent performance management conversations, recommended earlier, can take the heat out of the process.

“As far as possible pay should be disconnected from the discussion, depending on the job and the level in the organisation. The further down you go, the different drivers you have in the pay system so you have to get this right. As much as possible, continual discussion makes it about performance and not pay.”

**Mike Amato, Non-Executive Director,
Santander UK**

Another example of common practice is to hold annual performance reviews on the anniversary of an employee's joining date, with twin benefits.

“In theory, everyone is reviewed on their anniversary date, which makes sense in terms of managerial workload. Pay is semi-decoupled in this sense. Conversations focus on objectives and performance rather than undue attention to pay.”

**Director, Market Human Resources,
International Card provider**

Recommendation 5.2 – Separate underperformance discussions.

If underperformance is addressed immediately (see Recommendation 2.2) it becomes easier to have a more positive performance management meeting without becoming bogged down in negative feedback and a defensive response.

This is not to suggest that every performance management meeting can be positive and a pleasant experience for all, but it does make this more likely.

Recommendation 5.3 - Consider eliminating forced distribution systems.

The value of forced distribution systems has been questioned throughout this research and by many earlier studies and articles on the topic (This is particularly clear in “Kill your Performance Ratings”, Strategy & Business, Autumn 2014). These systems are considered by many to be overcomplicated and soul-destroying. Furthermore, they are often put in place not to enhance organisational performance but rather to divvy up a finite annual compensation budget. This means they are poorly designed to create the positive development mindset needed to make performance endemic in the organisation.

Many companies are experimenting with alternatives. Adobe, Microsoft, GE, KPMG have all recently retired their forced distribution systems in favour of approaches based on positive development and implemented around frequent and regular dialog between employees and their managers. The question of how to pay people fairly still needs to be dealt with. However our research indicates that forced distribution systems are rarely the fairest or most consistent way of doing so. Organisations should consider moving towards evaluation based squarely on **how a person is doing in relation to their own or their team's aligned objectives, and nobody else's. It's about comparing apples with apples.**

Recommendation 5.4 – Ensure this simple approach does not result in top talent going unrecognised.

Where there is a drive to oversimplify PM, one unintended consequence can be that those things that differentiate the great from the good become ‘averaged out’ in a vanilla process. As a consequence, top talent is left carrying the performance of the whole workforce.

KPMG has recognised this potential and addressed it by abandoning a complex forced

ranking system and introducing a simpler conversation and feedback approach that relies on managers being skilled at identifying their high potentials:

“[We] simplified the process to reduce emphasis on documentation and form filling. We have refocused on driving quality development conversations and continuous feedback – the role of manager as coach is a critical element of this to identify and retain our top talent.”

Charlotte Clayton, Senior Manager – Global People, Performance and Culture, KPMG UK

Recommendation 5.5 – Harness technology – but keep it human.

“We are fast coming up to a crisis point where managers will not have the capabilities to understand different generations’ motivations and be able to relate to their workforce. This is critical and crucial to get right. Technology must be used to help solve this crisis.”

Mike Amato, Non-Executive Director, Santander UK

Technology has a role in all stages of PM, from organising and delivering the process to communications and analysis. It can simplify processes too; social media is inspiring new PM platforms that manage performance, enhance communications and solicit feedback in a style people are familiar with from their non-work lives. One-to-ones no longer need to be face-to-face; discussions can take place anytime, anywhere.

There was an overriding opinion from the research that technology provides

the opportunity to emulate the way people communicate naturally, in real time and in informal conversations. For our interviewees, **technology allows them to eliminate the tendency to look at performance management as a discrete discussion.**

With the current information overload, technology's role is increasingly as an enabler – providing real-time access to meaningful information and analytics to support timely decision making, and also providing simple, user friendly ways to connect and communicate.

For example, several organisations are now making use of simple performance management apps and social media style platforms to distribute information, connect their employees and promote information sharing in innovative ways. And it is this simplicity and informality that today's employees have come to expect:

“If we ignore tech as a tool we show that we are not committed to today's employees. Investment in this area has become, or will become, vital, if for no other reason than we risk eliminating massive target audiences if we do not”.

Mike Amato, Non-Executive Director, Santander UK

For many of the people we spoke to in our research, however, while technology facilitates and takes the strain, it does not erode the need for personal recognition and performance management conversations – even if the conversations are made possible by a Skype or FaceTime interface.

Even in Superdry, where the majority of the workforce is below the age of 26, technology is not seen as a panacea, but it has proven a powerful way of highlighting good performance.

“Where technology plays a large part for us is around spontaneous recognition – recognition via a social media tool of those employees who have gone the extra mile.”

**Andrea Cartwright, HR Director,
Supergroup plc**

Adobe is another company using social media as part of its performance management approach. Employees and managers tweet their feedback in real time enabling the collaborative sharing of feedback and information across the business.

Modern HR information systems (HRIS) offer leadership the opportunity to aggregate the results of PM and get a ‘big data’ view of talent across the business and how it aligns with business objectives.

“Technology is a huge piece for us as we strive to improve the way performance management works here. The better the data, the more trends we can measure. As we align our objectives, technology will enable us to cascade the information up and down easily.”

Iain Smith, Head of HR – Group Human Resources, Lloyd’s Register Group Services

HRIS can provide an insight into the organisation’s talent pipeline as it considers its recruitment and succession strategies. For more on this topic, see our white paper *HRIS – Delivering on the Promise*, or email info@changeassociates.com to request a copy.

There are many examples of best practice in the application of technology in PM, but it is important to keep the PM process human and see technology as one of many channels that can make the process more effective, efficient and engaging.

Conclusions

1. PM has become an overloaded admin process driven by HR.
2. PM meetings happen too infrequently.
3. PM fails to deal with underperformance (and arguably is the wrong way to do so).
4. Performance improvement has become a process of measuring failure.
5. Forced distribution systems are fundamentally flawed.
6. 'Stars' get lost in the process.

Performance management, as it is delivered in most organisations, damages performance and leads to employees being disengaged, demoralised and, ultimately, leaving the business.

It's led by the wrong people and lacks leadership support. Meetings happen so infrequently that they become meaningless and flawed processes, such as forced distribution, damage morale while offering no benefit. Under-performers continue underperforming for far too long and are carried by long-suffering colleagues while star performers go unrecognised.

So performance management must change. The general consensus was that things can – and must – be improved, rather than abandoned altogether as there are positives that organisations wish to preserve. As one frustrated interviewee said to us:

“I know I need to throw out large parts of the process. But where do I put the baby?”

A core set of realistic recommendations, grouped under five drivers for success, emerge from the research to advise and inform any organisation looking to review or replace its performance management process.

Summary - How to make performance management work in your organisation

Leaders must lead - and be seen to lead - Performance Management.

- ▶ Give managers the skills they need to get it right.
- ▶ Provide leadership clarity.
- ▶ Make managers responsible for doing PM.
- ▶ Let HR let go.

Strive for great conversations that happen regularly and frequently.

- ▶ Make PM a continuing, collaborative process.
- ▶ Be courageous about underperformance.
- ▶ Have regular leadership conversations about talent.

Create an environment in which performance is endemic.

- ▶ Be willing to change.
- ▶ Measure managers on the success of their team.
- ▶ Mobilise and mentor' rather than 'command and control'.
- ▶ Be fair.

Engender employee commitment through shared purpose and values.

- ▶ Unleash creativity by giving people the freedom they need to add most value.
- ▶ Adapt the PM process for different segments.
- ▶ Recognise contribution.

Keep it simple and focused on performance.

- ▶ Separate pay from performance management.
- ▶ Separate underperformance discussions.
- ▶ Consider eliminating forced distribution systems.
- ▶ Ensure this simple approach does not result in top talent going unrecognised.
- ▶ Harness technology – but keep it human.

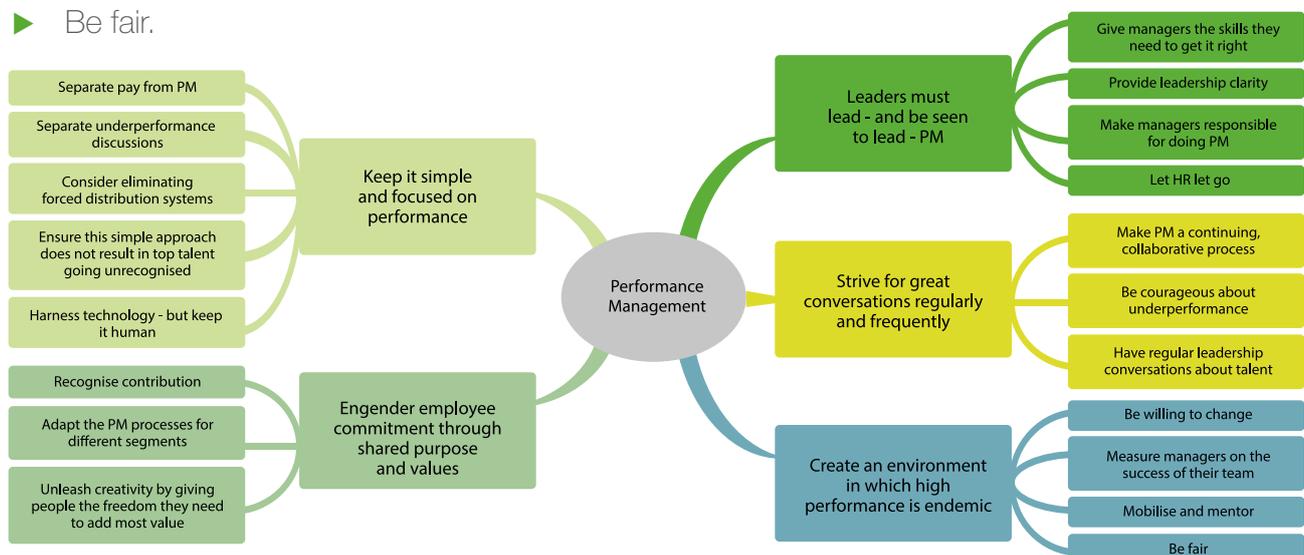


Figure 1: Change Associates' drivers of a high performing performance management process

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About Change Associates

Change Associates is an organisational change consultancy dedicated to making change happen more quickly, more successfully and more cost effectively.