BLESSINGWHITE
A Division of GP Strategies

Research Report:

Performance Management: Assess or Unleash

Contents

Executive Summary

The business environment is in constant change. As it evolves, so do most business processes. Recruiting now leans heavily on social media, sophisticated technology supports most business functions, telecommuting and flextime provide for better work-life balance…

But one business process which appears stuck in a bygone age is that of performance management.

This activity remains broadly disliked, cumbersome, often demotivating, and a major time drain. Moreover, it most often falls short on what it was designed to do, which is to *manage performance.* Individuals, managers and executives alike have little faith in the process when it comes to improving individual performance.

Today, a number of pioneering companies have decided to take a new approach, returning to the roots of the process: set expectations around individual contribution, track performance, then provide guidance and support (and occasionally remediation) for improving performance over time. Rather than lean on forms and assessments, these companies are relying on coaching, development and forward-looking approaches to achieve high performance across teams.

As the benefits of the new approach are proven in the real world, boards of directors or CEO are increasingly likely to be asking if their own current process still makes sense – heads of HR and OD better have an answer ready for when that day comes.

In this report, in addition to the practical lessons from such pioneers, we examine the results of a survey of over 1,000 employees along with feedback from interviews with HR/OD leaders.

In conclusion: the "right" approach to performance management is dependent on the organisation; what works for one may not work for another. It's not about what system or approach you use, as much as it is about the quality of the conversations that occur as a result. For those organisations who have concluded that performance management needs an overhaul, we detail the lessons learned by the pioneers and provide a roadmap and guiding principles to help show the way.

Key findings from the study

- Those who receive coaching have a more positive attitude towards the performance review, and a more positive perception of fairness, accuracy, etc.
- Regular feedback and coaching conversations are still the exception, rather than the rule.
- Incrementally, the higher up in the organisation the more positive your perception of the approach (fairness, accuracy, etc.). The challenge is to understand how it is experienced throughout the organisation.
- Traditional performance management processes seem to place little value on career conversations or development, despite these being key to engaging individuals.
- What the formal process is matters less than how it is used.

Recommendations

The current movement among companies – to question whether the approach to performance management is yielding the right results – is not a fad. Building an approach that sustains engagement, creates vibrant collaborative workplaces, and truly delivers higher performance now has a proven track record.

Organisations that remain dissatisfied with their current performance management approach should study this trend, and challenge current internal practices.

How far down the road to go will depend on the specifics for your organisation – from shifting gradually to a more coaching-based approach to outright jettisoning of formal performance appraisals.

For those organisations looking to travel down this road, we offer six guiding principles and a four-phase process based on the lessons learned from pioneers in this space.

6 Principles:

1. **Keep an Eye on What is Really Happening**
Organisations often have a faulty impression on the effectiveness of performance management – it's time for a sanity check.

2. **Stop Looking Backward and Begin Looking Forward**
Performance management needs to focus on developing future success, not revisiting the past.

3. **It's all About the Conversation**
At the end of the day, nothing will change until productive, quality conversations are taking place between an employee and her/his immediate manager.

4. **Balance Structure and Trust/Skills**
Managers who have built up trust and skills can gradually move away from structured conversations to explore more fertile ground.

5. **New Skills are Required – for both Managers and Employees**
The current performance management approach allows managers and employees to stick to prescribed scripts – but to be more effective, they will need to develop some new skills and a new mindset.

6. **Empower the Employee**
Putting the employee at the center of the conversation has several major benefits.

4 Phases:

1. **DEFINE**
First do your homework – how is your current system performing and if you plan on replacing it, take the time to define the new approach carefully.

2. **SET ACCOUNTABILITY**
Make sure everybody is prepared to play a new role.

3. **EDUCATE, COMMUNICATE, SUPPORT**
Success takes support – before and after cutting over to the new approach.

4. **CONNECT TO OTHER PROCESSES**
Other important processes flow from performance management discussions. Once the new approach is in place, you will want to weave these back in.

Old School Performance Management: A Practice that is Stuck in the Past

Performance Management – a quick definition and a core challenge

The term "Performance Management" is very broad, but at its heart is a straightforward concept and one that is critical in any organisation: that levels of performance need to be actively managed.

NOTE: While "Performance Management" can refer to the performance of the organisation, a team, a department or any sub-unit, for the purposes of this report we are looking at individual performance[1]*.*

At its most basic, individual performance management involves a three-step process:

1. Managers **define performance expectations** that are required by each individual in order to meet goals.
2. Employees in the company perform the work (hopefully with ongoing support and feedback from management).
3. At a logical interval (on reaching a milestone or at a set interval), performance is reviewed, assessed and course corrections made in order to sustain or augment performance.

Starting with this core process, the term "performance management" has ballooned out to incorporate or feed into many other processes, including:

- Decisions on compensation, in particular merit increases ("Pay for performance").
- Identifying skills shortfalls, planning training and development.
- Decisions on who to promote, succession planning, identification of high-potential employees.
- Informing decisions on downsising.

To use the assessment data from performance management to inform such related processes may seem logical. Doing so, however, has two key downsides:

1. **The quantitative data collected during performance assessments and ratings is inconsistent and highly subjective.** Large variations exist in rating approaches from one manager to the next. Consequently, key talent decisions are being made on unreliable data.
2. **The incorporation of these other processes has taken the focus away from the core focus of managing performance.** Knowing that the ratings and categorisation has consequences beyond managing current performance levels, managers tend to play the ratings.

[1]It is worth noting that most contribution today is the result of teamwork, not the isolated contribution of one individual. This is one of the shortcomings of one-on-one performance management, as we will discuss later in the report.

From pitching one employee against another to supporting a collaborative culture

Today the old-school approach to performance management is coming under fire. By "Old-school" we refer to a process that is typically an annual cycle, manager-driven, heavy on documentation and structure, and resulting in the quantitative scoring of individual employee performance.

The main criticism is as follows:

- The process is very bureaucratic: Manager time is tied up in documenting each employees' performance, which adds very little value and drives manager disengagement.
- Performance conversations are unproductive: put through a highly judgmental and critical process, employees are demoralised and do not engage in the process. Many employees report the process is just an administrative task that has to be endured.
- The conversations are backward-looking: Performance management conversations typically review performance over a period of twelve months. Objectives set a year ago are invariably out of date; people involved in the process have typically failed to document and so they work from memory. This focus on the past does not leave room for focusing on what is needed going forward and little time is spent on planning ongoing improvements.
- Scoring and assessments are subjective: The variability in scoring and assessment from one manager to the next makes the entire process unreliable. Poor performers receive glowing reviews by conflict-avoidant managers, high-performing team members get graded as "average" on the assumption that "everybody has room for improvement," and employees in highly matrixed environments end up being assessed by a line supervisor with whom they have had very little interaction and who has no insight into their work.
- The process creates competition among employees: While companies try to promote collaboration, engagement and innovation, many performance management approaches create a "null sum" game in which one employee's advancement means leaving another team member behind. The process goes counter to the espoused culture.

"Vitality curve" – The golden days of forced ranking

In order to understand how forced ranking came about, and why its use today is (for the most part) an anachronism, it helps to look back at why large corporations adopted forced ranking in the first place.

Consider two iconic CEOs whose tenures where characterised by such management approaches, namely Jack Welch of General Electric and Lou Gerstner of IBM.

Jack Welch took a bloated and sometimes complacent GE and turned it into a lean, focused growth engine by creating a high-performance culture that was competitive – both inside and out. GE's approach to ranking employees – known as "rank and yank" – quickly became adopted by other major firms.

Lou Gerstner is well known for making tough decisions in saving an ailing IBM in the 1990s. IBM'ers had come to believe that employment was safe no matter what their level of contribution. IBM had many employees who were RIP (Retired-in-place) while high-performers were frustrated that their efforts were not recognised. Over 100,000 employees were laid off under Gerstner's tenure. Such cuts, along with other tough measures, are credited in turning IBM around.

In organisations that are uncompetitive due to excessive overhead and a complacent workforce, the introduction of forced ranking makes sense. But in the vast majority of cases, organisations have been through this process and are now running lean. Teams are made up of smart, dedicated employees and **the concept of having them compete internally for survival no longer makes sense.** Organisations are more focused on attracting and retaining talent rather than trimming staff.

GE abandoned forced ranking in 2004, but IBM has not. Microsoft abandoned the process in late 2013, whereas performance-challenged Yahoo! used its GPR process to eliminate 600 jobs in 2013.

- Executives have little faith in the process: 58% of executives believe their current performance management approach drives neither employee engagement nor high performance[2].

Combined, these factors have led many executive teams to conclude that the pain caused by this bureaucratic process outweighs the gains. Old-school performance management has become an anachronism.

[2]Deloitte University Press – Global Human Capital Trends 2014

Yet, the core concept of managing performance remains critical. Organisations are keen to find a better alternative that allows them to remain nimble while keeping a firm grip on performance levels.

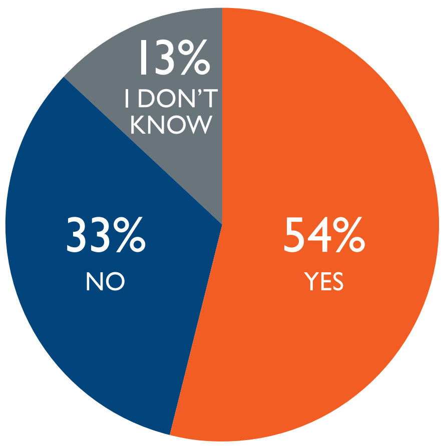
Perspectives from our survey

In exploring this topic, we have completed a survey of over 1,600 employees (managers and individual contributors). This data was collected in late 2014/early 2015. Responses reflect the perspectives of 1,000+ employees who reported that their organisations have a defined approach to performance management[3].

The ever-changing process of performance management

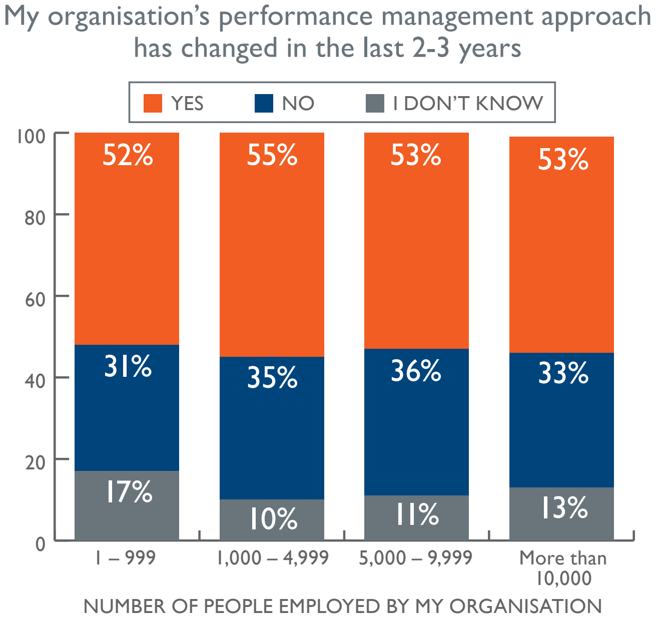
Organisations are still searching for the "right" way to conduct performance management. Over half (53%) of respondents report that their organisation's approach has changed in the last 2-3 years – a response that is surprisingly consistent in organisations small and large and across geographies. Two-thirds of companies currently have major changes underway[4]. In every interview we conducted, we learned that organisations are trying new approaches to "fix" their systems. There is broad consensus that the traditional approach to performance management just doesn't work anymore.

Q2: My organisation's performance management approach has changed in the last 2-3 years



[3]38% of respondents (not included in the study) report that their organisation does not have a defined approach.

[4]the Conference Board - Performance Management 3.0 report - June 2013



This finding didn't surprise us. More than 20 years ago, Buck Blessing (co-founder of BlessingWhite) said: *"Who isn't revising their performance management system? The ink isn't dry on a human resources plan before it needs changing."*

Components of a performance management approach

We asked participants which elements made up their performance management process.

70% of respondents report holding a goal-setting meeting, and 83% have a discussion about the performance/results of the last twelve months. This is in essence what traditional performance management is. First set a goal, and then track if/how well you achieve said goal.

To mandate or not to mandate…

Only 60% include one or more check-in meetings on goal progress. This finding is in line with some of the ambivalence among HR professionals on how many conversations should be "required." One insurance company we spoke with makes the end-of-year performance conversation mandatory, and they "*encourage* the mid-year check-in meeting…" according to the Associate Vice President of Talent and Development, "…but we have no idea how often that happens."

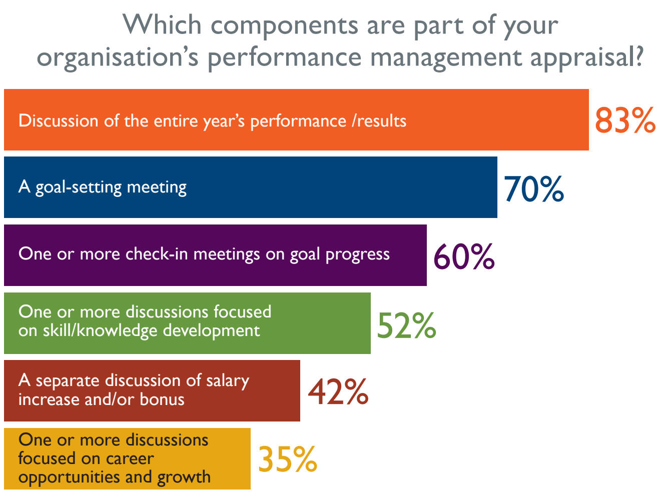
This issue of "required" versus "recommended" seems to be questioned at many places of work. The challenge arises from not knowing how many people were currently having the conversations. Without accountability it was difficult to track either occurrence or effectiveness.

Not much looking forward: Career and Development

The number of organisations that include development, growth, or career conversations in their performance management approach remains low. Only 35% of respondents report having "one or more discussions focused on career opportunities and growth" and only about half enjoy "one or more discussions focused on skill/knowledge development."

In fact, only one company that we interviewed spoke of a proactive approach to the career conversation as part of performance management. This entertainment/gaming company does a formal review every 6 months, which includes a discussion on career and growth opportunities.

According to The Conference Board, only 20% of people think that performance management supports career planning[5]. With so much of performance tied to the employee's level of engagement, and so much of engagement hinging on an employee's satisfaction with their personal and professional goals, it's a bit of an enigma why more companies aren't tying career growth to ongoing performance management.



We analysed data from nearly 400,000 managers and direct reports who completed BlessingWhite's *Helping Others Succeed* coaching profile. Two of the largest gaps in perceived importance between managers and their team members were:

1. "Being an advocate for development opportunities, promotional options, and career growth;" and;
2. "Highlighting promotions or lateral reassignment opportunities and helping others understand the skill requirements and selection criteria."

[5]see The Conference Board's "Performance Management 3.0" report

This finding underscores the desire of employees to obtain more career growth and guidance from their managers.

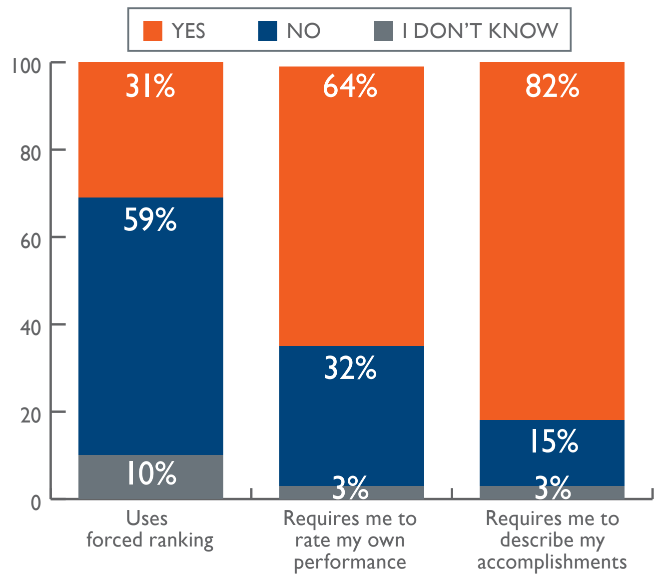
The ratings: villain or hero?

The use of forced rankings is losing popularity. While some organisations hold steadfastly to the practice, a 2012 study by the Institute for Corporate Productivity found that only 14% of all companies reported using forced ranking last year, down dramatically from 42% in 2009.

Despite this, 31% of respondents to our survey still report being put through some form of forced ranking[6]. This number (31%) is true of both managers and individual contributors. Another 15% of individual contributors and 4% of managers were not sure whether or not their companies force-ranked employees. This gap between what organisations report using and what employees perceive may point to a misunderstanding of the use of numerical ranking in performance appraisals.

A global technology company we interviewed included forced ranking three years ago, but then "blew it up," eliminating ratings all together. The senior manager of Organisational Development and Staffing stated that the ratings system "... doesn't add any value to helping someone improve their performance." Today this company simply provides a guide to managers and trains them how to have a productive dialogue. In the end, she said they "just want people to have a good conversation."

As the manager of Talent Management at an entertainment/ gaming company stated, "[Ratings] are like an SAT score – it's not a measure of what the person can actually do in college."



At one pharmaceutical company, everyone was receiving a rating of "Exceeds Expectations" (a "5" on a 5-point Likert scale). The firm was misallocating the compensation budget on people who were given the not-so-exclusive "5" even though they might not have actually earned it. So the performance management pendulum swung the other way. The company shifted to a forced ranking system. 5's became 3's and "exceeds" became "meets expectations". The shift negatively impacted employee morale, trust in the system, and the overall purpose of performance management.

Now on their third iteration, they are encouraging and supporting more conversations between manager and employee. They are training managers to have these conversations, and explicitly redefining what it means to have ratings fall in the middle. While they are not going to do away with ratings all together, they are actively trying to supplement ratings with conversations, using the numbers as a basis for the discussion. "The ratings provide a guidepost for the managers and employees to have a conversation," said the director of Global Talent Management, "…but the people want the focus to be on continual feedback."

In their pay-for-performance culture ratings are a must, but the ratings alone aren't enough. They need the regular feedback/coaching to help employees and managers make sense of the data.

[6]The statement was "My organisation's performance management process uses forced rankings (i.e., my manager has to rank members of our team against each other according to a set distribution)" to which 31% of all respondents answered 'Yes' and 10% responded 'I'm not sure.'

Rate thyself

64% percent of performance management approaches require the employee to rate their own performance, whereas 81% require the employee to *describe their accomplishments*. This shift from a quantitative to a qualitative approach is meaningful, and supports the notion of moving towards a more conversational style of performance discussion.

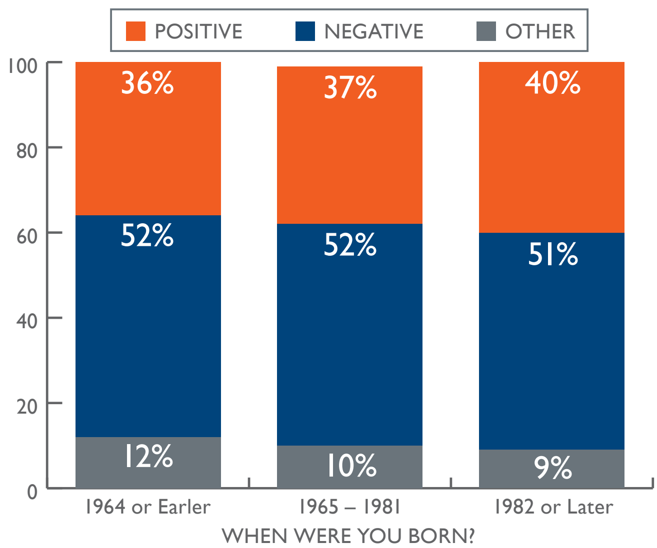
In conclusion, the use of ratings and forced ranking in particular need to be considered as part of your overall approach as it may or may not meet your business needs. But if you have historically used such numerical scores it is important to question the value they add and the impact they have on employees.

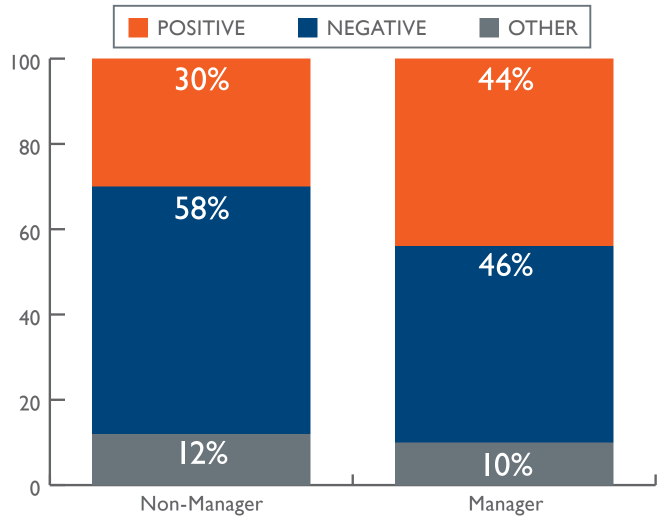
Mixed reviews: the end-of-year performance appraisal

More employees have a negative view of the end-of-year performance appraisal than a positive one, though the data points more towards ambivalence than a pure love or hate relationship.

We grouped together the response choices of "don't care," "feel it is a waste of time," "get nervous," and "dread the experience" to find that 52% of respondents have a fairly negative perception of the end-of-year review. On the flip side, 37% of respondents overall have a positive perception of the end-of-year review.

Such perceptions hold steady across all age groups:





Managers, however, look forward to their own year-end conversation more than their direct reports. 44% percent of managers have a positive reaction to their own end-of-year review with their manager, as opposed to 30% for non-managers. In fact we find that whether or not an individual has a positive view of their end-of-year review correlates neatly with level in the organisation, ranging from a 60% positive view at the level of Vice President or above, to 23% at the clerical/Administrative level.

Finally, if we look at how managers feel going into conversations with their direct reports, we find that the process is clearly less stressful to managers, with 61% saying they look forward to the opportunity to give feedback.

Although this is hardly a ringing endorsement by managers, the discrepancy between manager and individual contributor is a trend across the data. Some managers may use the appraisal as their one time to give feedback, discuss performance, and have a justification for compensation and promotion decisions.

IC vs. Mgr 'looking forward to the conversation'

	Non-managers looking to receive the feedback	Mgrs. looking to provide feedback
Get Excited	2%	4%
Look forward to the experience	28%	57%
Don't care	9%	6%
Feel that it is a waste of time	23%	10%
Get nervous	11%	6%
Dread the experience	14%	10%
Other	12%[7]	8%[8]

The importance of coaching & feedback year-round

A manager providing ongoing coaching and feedback throughout the year is a strong determinant of whether or not the end-of-year performance review will be seen as positive. Coaching and feedback also significantly impact other perceptions the employee will hold.

46% of individual-contributor employees (ICs) who receive regular coaching or feedback throughout the year have a positive reaction to the end-of-year performance review, compared to only 12% of those who don't.

Individual contributor's perceptions of the end-of-year performance review:	Manager does not provide regular feedback and coaching (47% of ICs)	Manager does provide regular feedback and coaching (53% of ICs)	GRAND TOTAL
Negative	77%	41%	58%
Positive	13%	46%	30%
Other	10%	13%	12%

As the director of Performance Effectiveness at a large retailer clearly stated, "we need to have a much more feedback-rich – or coaching – environment. If the feedback is ingrained in our DNA, the performance conversation becomes less important, because they are getting feedback regularly and know where they stand."

Rob Ollander-Krane, the vice president of Organisational Development at the GAP, likens effective performance management to a GPS system providing driving directions: "A GPS system doesn't wait until the end of the trip to tell you all the wrong turns you made… we didn't want to handcuff our managers and make them wait until the end of the year to give performance feedback. We wanted them to give performance feedback all along the route, so employees didn't get too far off the correct path during the journey. One of the things we are holding ourselves accountable to, and we will ask [in our survey] is *'were you clear all year long about how you were performing?'* And we're hoping that the answer to that is going to be 'I was abundantly clear.'"

More compelling than the employees' reactions to the end-of-year performance review, however, is their perception on how fair, accurate, and useful the entire performance management approach is. Here again, the impact of regular feedback and coaching is clear:

My organisation's performance management approach…	% of those who receive coaching who agree or strongly agree	% of those who do NOT receive coaching who agree or strongly agree
…is implemented fairly	73%	46%
…accurately measures individual performance	56%	25%
…gives me insights for improving my performance	70%	33%
…increases or sustains my level of engagement with the company	50%	22%
Salary decisions seem arbitrary	11%	30%

Performance management approaches are only as effective as the dialogue that takes place in and around them. And yet, only 56% of respondents receive regular feedback or performance coaching throughout the year.

[7] The 12% write-ins from individual contributors suggest the meeting never takes place or that it is just a bureaucratic process to be endured – neither good nor bad.

[8] The 8% of write-ins from managers report that they can be excited or dread the experience based on the individual in question and type of feedback they have to provide.

Disconnects by role

In almost every area of our research, managers had a more favourable view of performance management than individual contributors, from its accuracy to its ability to drive engagement.

Survey Question	MANAGERS		NON-MANAGERS	
	Favourable	Unfavourable	Favourable	Unfavourable
My organisation's PM approach accurately measures performance**	45%	30%	39%	34%
My organisation's PM approach increases or sustains engagement**	42%	31%	32%	37%
When it comes to my end-of-year performance review, I have a positive* attitude	42%	35%	30%	48%

* Answered "get excited" or "look forward to the experience"
** Favourable means "agree" or "strongly agree"; Unfavourable means "disagree" or "strongly disagree"

This gap may also be explained by the amount of coaching one receives as described in the previous section: 60% of managers report receiving coaching from their immediate manager, compared to only 51% of individual contributors.

A more favourable response, however, does not equal satisfaction with the system. The majority of managers find their organisation's performance management approach useful, but not particularly efficient. In addition, few managers (39%) agree that the performance management approach actually drives high performance throughout the organisation, while over half (59%) believe it helps them improve the performance of their specific team members. Even though 61% of managers believe the approach is useful, this still leaves significant room for improvement.

My organisation's performance management approach…	Favourable	Unfavourable
Is useful to me as a manager	61%	22%
Reinforces the culture of the organisation	61%	19%
Helps me improve the performance of my team members	58%	20%
Is efficient in how it is administered	44%	31%
Drives high performance throughout the organisation	38%	31%

Responses from 506 managers

Performance and culture

61% percent of managers believe the performance management process reinforces the culture, but only 38% believe it drives high performance. So where is the disconnect? 50% of managers report being measured on living organisational values, compared to 36% of individual contributors. Given the visible role that managers play in shaping culture, it's not surprising that organisations have high expectations in this area.

The performance management and coaching conversations present a unique opportunity to embed and reinforce cultural drivers, and provide course correction on cultural aspects.

For instance, one large retailer recognised the power of front-line employees living core values as brand ambassadors. They created a competency model for customer-facing employees and measured their behaviours (not just their results). Unfortunately, they found that the values did not stick. Employees deferred to the job expectations and reverted back to performance (sales) rather than behaviour. The director of Performance Effectiveness explained, "It's simple to ask 'did they make the sale?' but it's important to ask 'did they make the sale because they exhibited XYZ behaviour?' We need more emphasis on equipping the manager to coach around the behaviour."

No pain, no change

Many organisations are not yet at a point where the pain is significant enough to drive change. Many employees still perceive performance management as a necessary evil that primarily benefits management and the organisation. But for those organisations who aspire to something more productive, focused on engaging and driving up performance in a proactive way, there are many pioneering companies leading the way.

Learning From the Pioneers

From tweaking to trying something fundamentally new

Most organisations have tweaked their performance management approach to some extent. Forms have been simplified, new technology has been introduced. But the aim of these efforts was to try and make the process more efficient, rather than any fundamental rethinking of the process itself.

Some examples of companies that have gone further and fundamentally reworked the approach to performance management include: Adobe, Atlassian, Deloitte, Fishbowl, Jet Propulsion Laboratories, Juniper Networks, Kelly Services, Medtronic, Microsoft, New York Life, Pandora, Regeneron, The Gap, Workday...

These companies stand out for taking a lead in trying new approaches, and being willing to share their successes and lessons learned. Many more organisations (such as the ones quoted anonymously in this report) are undergoing a similar transformation, but are not yet ready to share their story with the world.

> "More emphasis on teamwork and collaboration.
> More emphasis on employee growth and development.
> No more curve. No more ratings."
>
> *– Lisa Brummel*
> *Microsoft's executive vice president of human resources (in a letter to employees announcing the changes to performance management)*

It helps to understand from these companies the outcomes they were chasing, or the pain points that drove them to rethink the process. The top items mentioned include:

Performance benefits / increased contribution	Heightened Satisfaction (which leads to more contribution)
• Increase in productive conversations that result in performance improvement • Reduce bureaucracy and free up managers • Increased innovation Increased nimbleness and ability to react; people focused on what matters now • Focus on improving top performance, not remediation at the bottom	• Increase in trust • Less stress on managers and employees alike • Reduced turnover • An approach that supports espoused corporate culture • Increased perception of fairness • Better career progression decision • Improved focus/emphasis on developing people

These issues were frequently unearthed through internal engagement or climate surveys, employee suggestions / feedback, or simply identified by leadership as key areas of improvement.

A growing wave – as more companies fine-tune the model we will learn more…

Every new movement has pioneers and early adopters, but we are now seeing this movement grow. We predict that most progressive organisations will be shifting away from talent management approaches that are counterproductive and viewed negatively by managers and employees, and moving towards approaches that place more value on retention, engagement, collaboration and workforce participation.

As we discuss this topic in workshops and at conferences, we hear many instances of organisations that are in the early stages of revising their approach to performance management.

A Case Study with Jet Propulsion Laboratories

In 2012 Jaime Gonzales attended a conference with the wishful title of *"Reinventing Performance Management."* As the Section Head of Professional Development at Jet Propulsion Laboratories (JPL), Gonzales was keen to hear from organisations that had taken a progressive approach to overhauling this industrial-era process, but the conference, it turned out, was disappointing. Little "reinventing" was taking place and most companies were merely tweaking the traditional performance management approach. "I went looking for new ideas from other companies and, frankly, there weren't a whole lot," said Gonzales. He and JPL set out to change their process on their own.

JPL opted to use BlessingWhite's coaching programme *Helping Others Succeed* (HOS) as the core solution to build upon. "We settled on BlessingWhite principally because of the X model. The dual focus helped transcend this effort from a 'feel good' HR programme to one that had an emphasis on both employee development and business purpose as well."
They did away with all of the documentation requirements for performance management, and instead focused on coaching. The discussion could range from accomplishment to development to career interests.

Gonzales was bracing for a potential dip in people's satisfaction with the process. After all, most big change initiatives take some time to settle in. But results were very promising after just one year. In the spirit of the X model, the JPL team was interested in the impact of both employee satisfaction and individual work performance. In the first (pre-change) survey, 47% of JPL respondents agreed or strongly agreed that *"the coaching conversations I had with my direct supervisor in the last year contributed positively to my job performance."* In the second survey (post-change), that number had reached 63%. A similar uptick occurred with regard to conversations having "a positive impact on their job satisfaction" – from 53% to 62%.

"Remember one of the things that we were stressing: we wanted managers and employees to have more frequent conversations (formal or informal) about their work performance, their professional growth and their career interests," said Gonzales. So the team was encouraged when the survey revealed that 30% of employees reported an increase in the frequency of conversations with their manager about work performance and professional growth. Twenty-five percent also reported more frequent career conversations.

Overall, 68% of respondents found the conversations useful, which was consistent with the first survey result. But when asked more specifically, 73% reported the work performance conversations to be useful, 71% reported the professional growth and development to be useful, and 68% found the conversations around career interests to be useful. So more frequent conversations were taking place ***and*** the conversations were adding more value. In addition, the survey highlighted both an increase in "Quiet Hour" events (one-on-one time spent between an employee and a manager), and an increase in ad-hoc conversations taking place. Twenty percent reported more frequent formal conversations and 32% reported more frequent informal ones.

A more comprehensive review of JPL's initiative is available online at www.blessingwhite.com/JPL

One Size Won't Fit All, But There are Some Guiding Principles

Organisations are hungry for the "right" system that consistently produces high performing employees, but there is no "one size fits all" answer. As you map out your own "best fit" solutions, we offer 6 best practices to maximise the impact of whatever approach you choose.

Principle 1: Keep an eye on what is really happening

The gap in perceptions between levels in the organisation (see: "Mixed reviews: the end-of-year performance appraisal") suggests that senior managers and individual contributors experience performance management in different ways. This disconnect isn't unique to performance management: the higher up you are in the organisation, the more favourable the impression of most operational practices and policies.

In the large retail company we spoke to, the assessment reviews of senior executives do not go into the system. They are not given a rating and their competencies are different than the rest of the organisation. It's no wonder they don't know what the front-line employees experience. In addition, in this same organisation, the employee's experience is largely based on their manager – whether or not they set goals, give feedback, have regular discussions, etc.

Yet it's important to understand perceptions of fairness and effectiveness if you're going to create a performance management approach that benefits everyone. Whichever approach you settle on make sure you set up and maintain a feedback loop to keep a finger on the pulse.

Many initiatives around performance management are trigged from engagement survey results or some other effort to understand the biggest areas of improvement. If you do not currently solicit feedback on how the performance management process is experienced, this would be a good place to start.

Principle 2: Stop looking backward and begin looking forward

Traditional performance management approaches look back upon the year or half-year to assess behaviour and performance. By that time, it is too late to re-align priorities or make meaningful change. Employees are motivated by what they can do to contribute to the organisation, as opposed to what they did or didn't do 6-12 months ago.

> "We wanted performance management to be less 'event-oriented' and to be something that manager and employees engage in as a regular part of how they do business together—not a look back at last year and assigning a grade to it,"
>
> *– Connie Symes, EVP-HR, Expedia*

> "Because we no longer use formal ratings, the interaction is much more forward-looking and positive."
>
> *– Manager write-in*

In our Employee Engagement report series, we found that many employees reported "greater clarity about what the organisation needs me to do – and why" as a top driver of **contribution**. They are hungry to do meaningful work, and yet performance management tends to focus on what they should have done. As the director of Global Talent Management of a large pharmaceutical company said, "the most ideal state is when you're working in such a way that you can take the performance management process out of the equation and the right work would still be getting done well."

Principle 3: It's all about the conversation

To bring the process of performance management back to its core focus – that of *managing performance* – set the groundwork for more productive conversations between a manager and her/his direct reports.

It's about more frequent conversations

Our findings show a clear correlation between coaching and effective performance management, and the HR leaders we interviewed were unanimous: managers and employees need to talk more throughout the year and focus on the quality of the conversations.

> "People felt we were spending a lot of time on [the process], but that it wasn't much use. We want to move away from a bureaucratic approach, moving away from talking about people to talking to people."
>
> *– Stevan Rolls, Deloitte UK head of HR*

Saving performance conversations for the end of the year, or even for the "recommended" mid-year point, doesn't provide the right rhythm to guide day-to-day performance. The most impactful feedback or coaching takes place as soon as possible after the performance is observed. Briefing a team member on something they did 3 months ago has much less impact than feedback 3 hours after the event. While the best managers do both, too many rely on the end-of-year conversation to put everything on the table in one sitting.

We're not the only ones making this recommendation. Deloitte's Human Capital Trends report for 2015 suggests that organisations "reinforce the importance of a coaching and feedback culture and teach leaders how to be authentic and transparent" and that they "encourage ongoing feedback, enable effective coaching through training, and shift the performance management culture from an emphasis on top-down evaluation to continuous development."[9]

Admittedly, this recommendation is easier said than done.

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[9] Global Human Capital Trends 2015 – Deloitte University Press

There are many barriers (perceived and actual) that interfere with coaching and many misconceptions about what coaching really is. For additional strategies about creating a coaching culture, check out BlessingWhite's *Coaching Conundrum* report[10].

Flex to generations, but don't stereotype

In many industries where talent is scarce, tailoring the approach to performance management helps when it comes to younger workers. Gen Y workers display a greater appetite and expectation for lot of feedback and reinforcement that they are on the right track.

Some organisations go as far as providing formal reviews and smaller salary bumps every 3 months for new employees to provide an ongoing sense of progression, an approach which has helped them retain young workers who otherwise don't have the patience to wait a whole year for their next merit increase[11].

Young people may expect more frequent feedback, but so will people new in their role or new to the organisation.

It's about different conversations

Abandon the annual goal-setting

High-frequency conversations about performance are also more in line with the cycle of the business – what goals set 9 or 12 months ago remain relevant in today's business environment? Performance management of business results has to happen at the same pace as the business runs to keep team members focused on what is important now.

These days, organisations can shift quickly. Yet organisations still provide a handful of goals for the entire year, and then measure employees against those goals. By the time December comes around, shifting priorities have outrun the annual goals. As a result the process now feels pointless as managers are rating direct reports on irrelevant milestones – while failing to recognise other important priorities that arose later.

According to Rob Ollander-Krane at GAP, "...the goals are dynamic; meaning, you don't create them in the beginning of the year and then put them in a drawer and not talk about them again until the end of the year. You talk about them regularly..." Revisiting goals every couple of months will provide employees something tangible and realistic to strive towards, and managers will benefit from an engaged employee with identified guideposts of performance that are nimble and dynamic... just like the organisation.

Measure contribution, not goal achievement

We should begin thinking less in terms of goals, and more in terms of contribution. How can we maximise the contribution the employee provides the organisation? Only 41% of performance management approaches include an evaluation on "achievements outside my prescribed role or set goals." What happens to the employee who takes the initiative to start a new project, or manage a new staff member, or join a project team, or just simply goes above and beyond? In traditional performance management, employees aren't evaluated on their contribution, but rather against the goals set for them months prior.

As the AVP of Talent and Development at an insurance company said, "besides a 'yes or no' of meeting expectations, we have no idea what else [the employee] does." Possibly, this employee will stop taking initiative, cease their quest for more or greater responsibility, or worse – quit!

Build separate career and growth conversations into your performance management approach

BlessingWhite's Engagement Model presents two factors which together make up engagement: the contribution the employee gives the organisation and the satisfaction the employee gets at work. When you maximise both, you have engaged employees and a high-performing organisation. Career development, personal goals, and professional growth may appear to be primarily about personal satisfaction at work, but in fact drive both satisfaction and contribution. Yet performance management often focuses on contribution factors alone.

Organisations need to let go of the "what have you done for me lately" attitude, and adopt more of a partnership mindset. Part of that partnership requires the manager to inquire about (and advocate for) personal development opportunities in line with the organisation's needs. The discussion needs dedicated attention, and to not be relegated to the last 5 minutes of an appraisal where evaluations and compensation decision overshadow any rich exploration of personal growth.

Employees certainly need to take ownership of their own career. Our research also suggests that they benefit from tools and resources to do this. In our *Navigating Ambiguity: Career* research report, we found that only 24% of employees knew what their employer had in mind for them for their next job. In our last engagement research report, two factors consistently topped the list of satisfaction drivers for employees in nearly every region of the world and across every engagement level: "career development opportunities

[10]See http://blessingwhite.com/research

[11]See The Wall Street Journal "When One Pay Raise a Year Isn't Enough" July 2014 – http://www.wsj.com/articles/when-one-pay-raise-a-year-isnt-enough-1405454289

and training" and "more opportunities to do what I do best."

Principle 4: Balance structure and trust/skills

The end goal is to see frequent conversations taking place between manager and direct report. Ideally the frequency would be as often or as seldom as required – from the perspective of the employee primarily, but also from the perspective of the manager when opportunities to improve performance arise.

This said, the process will benefit from some structure and some encouragement – not to say some enforcement – from the HR or OD perspective. The degree of structure and the amount of reinforcing that will be required depend on three factors:

1. The degree to which trust has been established between the manager and the direct report(s).
2. The level of skill managers have in holding conversations around development, performance, career or engagement.
3. Any regulatory compliance that may be required (this is specific to certain regulated environments).

As the managers progress from low skills and/or low trust to a situation of high skills and high trust, the amount of central supervision and requirement for more structured conversations can be diminished. Organisations rely on surveying and other feedback from employees to gauge how much support and structure to provide in the process.

Low Trust / Low Skills	Med Trust / Med Skills	High Trust / High Skills
May be characterised by… • high turnover (7%+) • new managers • recent acquisitions/mergers • an employee engagement diagnostic that says trust is low between immediate manager and employee • primarily logarithmic / linear tasks • managers who haven't been exposed to much skill training • a large virtual workforce • low productivity	May be characterised by… • turnover under 7% • managers that have had some training/skills in management basics – feedback, setting goals • an employee engagement diagnostic that says that there is trust between immediate manager and employee • some virtual employees	May be characterised by… • low turnover, less than 3-4% • an employee engagement diagnostic that says there is high trust between immediate managers and employees • highly autonomous workforce, lots of heuristic/ creative tasks • few, if any, virtual employees: managers and employees physically see each other often • high productivity
High structure / Strong mandate. Support is directive.	Medium structure. Conversation guides. Some oversight. Support check-in.	Little structure, manager and employee set agenda. Minimal oversight, support as needed.
Example: One conversation per quarter using conversation guides. Managers and employees report back on quality of the conversation, themes. Add ideas/actions for improvement. For example: Q1 discuss 3-6 month goals, Q2 check in and re-adjust, Q3 career conversation, Q4 review goals and salary conversation	Example: Email reminders with conversation topics and guides. Managers and employees confirm conversation is taking place. Support offered but not compulsory – for example, by tenure in the role for staff members or experience level, i.e., a new employee will have 6 conversations per year, new managers use structured process in first year only.	Example: Resources provided on a self-serve basis. No specific conversation topics recommended (manager and individual set the agenda as needed). No formal documentation.

Principle 5: New skills are required – for both managers and employees

To transition from a performance-management philosophy based on ratings to one based on coaching, new skills will be required. This is true of the managers, but also of individuals who will be expected to participate more actively in the planning and development process.

Organisations that have moved down this road have found that managers need support on two levels:

1. In making the frame-of-mind shift from assessing to coaching.
2. In developing the skills and habits of engaging in coaching conversations around performance, satisfaction, development and career.

To affect change, managers find they need to take off their "manager mask" and put on their "human mask" and allow themselves to be known by their employees. It means sharing what motivates you as a leader, why you chose to come to this company, and why you stay. It means sharing the challenges you face, and even weaknesses you have – not topics generally referenced in a performance management conversation.

By sharing more, managers can build trust with direct reports – a foundation for effective coaching. We've also found compelling correlations between an employee knowing their manager as a person and key working dynamics such as effective use of talents, rewards and recognition, and providing regular feedback.

While most organisations do focus their development resources on the managers, most eventually discover that some context-setting, support and training is beneficial for individuals also who now have to engage more fully in the development conversations.

Principle 6: Empower the employee

Too often employees feel that they are the passive recipients of the performance management process, rather than active participants. To develop an approach that builds engagement and commitment, it is important to put employees in the driver's seat. This will typically occur over time once employees realise they can open the door to new types of conversations on career, engagement, satisfaction, ideas for innovation and personal development.

This has several benefits:

- It builds the commitment and engagement of the individual
- the conversation more naturally turns to career and engagement topics
- it takes much of the pressure off the manager
- it puts the manager is a supportive role rather than being cast as "judge and jury" – opening the door to more effective coaching and future-development focus.

On training the masses

Due to the size of this population in most organisations, training opportunities will be short and have to be targeted. Organisations have had the best success in providing training and context-setting for individual contributors around the following topics:

- What to expect in a performance coaching conversation.
- How to prepare for a coaching conversation.
- When and how to initiate a conversation with your manager.

Most organisations have found it beneficial to train managers first, move to the new process, let the process run its course for a while, then gather feedback from employees to find out if the conversations are taking place, if they are providing more value, and what other support is required. This approach will allow for a more effective targeting of resources to address the needs of employees.

Casting the Manager as Coach. What is the Impact?

A turning of the tables

In the traditional, old-school approach to performance management, managers could hide behind the process. Often feeling uncomfortable with having to give critical feedback , managers would provide a one-sided assessment of their direct report's performance, and with little dialogue they would close the book on the year.

Under the new approach to performance management, managers are cast in a coaching, supportive role. This can be a significant shift and managers will need help in transitioning to this new setup. The expectation is that managers will provide coaching and support on a regular basis, as-and-when the direct report requires it.

As part of the evaluation of the new approach, most companies will be shifting focus from the documentation of performance assessments to asking employees this: "Is your manager providing you with valuable coaching?" and "Are conversations happening more frequently?" Inevitably, some managers may feel the tables have turned and they have gone from being those doing the assessing to those whose capabilities are being assessed.

Manager's belief in potential

There is a growing, compelling body of work that demonstrates that a manager's expectation of his or her direct reports will have a direct impact on how well they perform. If the manager believes the direct reports have reached their peak and have no more to offer, they will typically stagnate. Conversely if a manager believes her or his direct reports have growth potential and can exceed their own current expectations, they are much more likely to do just that.

This body of work is not new, having been pioneered by the likes of Robert Rosenthal, Professor of Social Psychology at Harvard University, whose studies date back to the 1950s. But the concept has recently enjoyed renewed interest, widely popularised by Stanford professor Carol Dweck[12], and is referred to as a "growth mindset" (as opposed to a "fixed mindset"). The concept of a growth mindset underpins the current movement of redesigning approaches to performance management.

Before embarking on this journey of transformation, it is worth examining this aspect of your culture: do managers in general carry the belief that team members have untapped potential, and can be coached to higher levels of performance?

Coaching the individual

Many managers will have been through basic training on how to coach. But such programmes tend to emphasise coaching skills and models (active listening, appreciative enquiry, the GROW or CLEAR model, etc.). While skills are important, starting with a trusting relationship, a belief in the potential of the direct report and a genuine commitment to the coaching process are more beneficial that the technicalities of how to coach.

This means that managers need to first understand the individuals on their team on a personal level before they can coach effectively around performance – they must know their strengths, development areas, interests, and personal values. Managers need to understand the members on their team, and individualise their coaching approach.

While all of the above is achievable, many managers hold back on coaching based on a belief they should come to the discussion equipped with the "right" answers. Most managers also report lacking the time to commit to a coaching relationship.

Coaching for contribution and satisfaction

Managers who do engage in coaching conversations often find the conversation drifting back to tasks and deliverables. However managers need to focus on both contribution and satisfaction to be effective in achieving sustained levels of high contribution. This requires being ready to guide the conversation back to what is important to the individual.

Moving away from conversations about the work (past or future) and focusing on topics such as career, satisfaction and future development may not come naturally to many managers, and the organisation should be prepared to provide guidance, structure and potentially some support to get the process underway.

When the manager isn't the manager

In many organisational structures, employees may have both a line manager and a project or functional manager(s). While this allows the organisation to be nimble and juggle resource allocation, it doesn't bode well for these employees in receiving performance feedback and coaching.

While 56% of employees overall report receiving coaching from their immediate manager, this drops to 48% among "consultants" and 51% among "Team leaders / project managers."[13]

[12]See http://www.ted.com/talks/carol_dweck_the_power_of_believing_that_you_can_improve

[13]"Administrative and Clerical" staff reported the lowest levels of coaching and support at just 43%.

In mapping out the best approach to performance management, employees operating in a matrix or project-based environment might need more support in getting the coaching and performance feedback they need.

Moving towards a coaching culture

Ultimately the goal is to move away from "coaching as an event" and to build a culture of ongoing coaching in which managers use coaching as a way of directing the team and addressing performance, and team members are open to input and ideas for improvement.

When asked if she could create her own performance management system with no constraints or parameters, the manager of Talent Management at the entertainment/gaming company said, "If I had a magic wand, and was able to correct all the kinks, performance management would be the most natural thing people do. Because you are having frequent conversations with them, you know what engages them, you know who the high potentials are, and they are getting mentored and coached. This would just be 'what you do.' This would be how we do business. It's simple – you talk to your employees, you give them feedback."

Case Study: The GAP

Global apparel retailer the GAP, Inc. is one of the pioneers in performance management. Rob Ollander-Krane, the Vice President of Organisational Development, has been a champion of this transformation internally and has graciously shared the GAP story for others to learn as well.

There are three things that stand out about what the GAP is doing with performance management:

1) The GAP eliminated ratings, incorporated regular conversations between manager and employee

"The 'touch-base' is the new center of performance management. We require monthly discussions between a manager and an employee, and because they're talking regularly, we were able to eliminate the review. There's regular check-ins where you talk goals, you talk about the performance standard, you talk about key relationship effectiveness, you talk about a development plan if you have one, and you don't wait until the end of the journey to course-correct." The system is called GPS. While it stands for "grow, perform, succeed," it is also representative of the actual device (and the GAP's stock symbol). "[GPS systems] help you get to your actual destination. [They] don't wait until you've arrived to tell you that you made a wrong turn. We wanted managers to give performance feedback all along the route, so that employees didn't get too far off the correct path during the journey," said Rob.

2) The GAP made goal-setting nimble

The retailer shifted from the old standard of "did you achieve your goals or not?" to a new standard that incorporates the behaviours people are expected to exhibit. This new standard does not include ratings or forced distribution. It is a simple statement of expectations. There are now no more than eight goals (compared to 15+ previously) that are SMART and focused. Rob said they don't want tasks, they want outcomes: "What's going to be different in the world if you've succeeded at what you're doing?" And the time frame for these goals is no longer annual. "If the business process is a three month process, or a seasonal process, your goal is whatever the business timeframe is. If the business needs change, the goal changes."

3) The GAP separated rewards from performance

The rewards discussion happens once at the end of the year. "This should be a simple conversation. There should be no lack of alignment on performance going into that discussion," said Rob. The conversation is really a recap of how the business did, how the business unit did, and what the manager is giving the employee based on the individual performance he/she has seen. Prior to the rewards conversation with employees, leaders get together and "discuss how the business performed, and what that created in bonus spending," said Rob. From there, managers are given a description of stellar performance, and the funding allocated to bonus compensation. "With those two data points, we feel that every manager given a budget can allocate rewards based on their assessment of performance."

Results are showing

After just one year, 89% of employees said they are having their regular touch-base meetings with their managers. "That alone is a major accomplishment," Rob says. While this is a three-year process for the GAP, they are seeing evidence that they are making progress, and the "growth mindset" seems to be permeating through the company. On a 5-point scale, the organisation received an average of 4.1 regarding the quality of the conversations between manager and employee.

Is the change right for you?

Overhauling an organisation's approach to performance management can have a profound impact on performance, engagement and culture. But it is a significant commitment of resources and requires a broad base of support to be successful.

This undertaking may not be the best bet for your organisation. Yahoo!, for example, concluded that current levels of staffing and performance are not where they want it to be, and have opted to maintain a more competitive performance assessment approach.

But if you do decide to go down this route, we share with you a high-level set of steps and learning points from those pioneers who made the switch.

4 Phases – Define, Set Accountability, Educate/Communicate/Support, Connect to Other Processes

Phase 1: Define

The first phase in making this transition is to map out the journey ahead and the right design for your organisation.

Propose at the top.

A conversation about the pros and cons of performance management is easy to facilitate at the executive level. A CHRO can take the pulse of the other senior executives. If the general agreement is to challenge the current approach and see if a better alternative is out there, a simple survey (or adding questions to a current survey), along with a few focus groups with managers, will provide good insights into the current state of play.

Do your homework

A growing body of case studies and guidance is available from which you can document examples and glean ideas on the approach that will best match your company's culture and preparedness[14].

Get lots of input

Organisations that successfully overhauled their approach report the need to involve a lot of stakeholders before finalising any plans. Find out how people perceive the current approach, but also challenge stakeholders to think through what they might miss if it was done away with completely. By the end of this process you should have a good picture on the appetite for change, where your strongest support comes from, and potential pushback.

> "…changes were based on feedback from more than 10,000 workers and interviews with more than 50 senior executives."
>
> *- Lisa Brummel*
> *Microsoft's Executive Vice President of Human Resources*

What about addressing performance that falls short of expectations?

Organisations eventually need to ask regarding this new process: how do we make sure under-performance is addressed?

Sadly, many organisations have concluded the old-school approach is not very effective at rooting out low performers. Furthermore, if addressing below-par expectation is built into the same process all employees go through, the system ends up being geared towards the 5% and imposed on the other 95% of the workforce.

Through ongoing feedback, getting the message to a low-performing employee becomes a more gradual effort and even the most conflict-avoiding manager can gradually ratchet up the pressure on a poor performer.

Performance Improvement Plans (PIPs) should be separate from general performance conversations. If a manager gets to a point where an employee needs to go on a PIP or be terminated, this will create a much clearer delineation and a more reliable approach from a legal perspective.

What about compensation? [separate the process]

Finally, organisations see one big hurdle in changing the process: how will pay raises be determined? Organisations that have made the switch have, for the most part, decided to distance the two events: namely giving feedback on current performance and any pay increases.

Naturally, companies should still be paying for performance and disproportionately rewarding high performance. But talking about compensation immediately adjacent to performance distracts from the conversation. If the employee is expecting to hear whether or not they get a pay increase at the end of the performance conversation, that data point alone tends to distract from all the other feedback the manager may have.

Employees should see a fairness and direct connection between compensation and performance. As mentioned earlier, this perception of fairness is driven largely by a manager's willingness to give regular, ongoing feedback on performance. Managers who coach all year round generate fewer surprises and are seen as handling pay in a fair way. Managers who do not, and who have to deliver performance and pay news in one meeting, end up creating compensation justification not performance management.

Companies still tend to have merit increases once a year, based on a fixed amount of money or an overall average percentage raise allowable[15]. This becomes a null-sum game across the group. Managers have input into a broader process of balancing advancement, pay increases and identification of top-talent. By broadening the process beyond an immediate team, entire departments can balance out the budget. This avoids the challenge of having to average a given raise across a handful of individuals who may all be performing well, or rewarding a team with average performance.

[14] If you are a member of Bersin by Deloitte, we recommend Bersin's "High-Impact Performance Management" series by Stacia Garr.

[15] This practice may also be revisited as performance management evolves, and financial systems become more automated.

Be prepared for pushback

As organisations announced the demise of their traditional forms-based performance management approaches, they expected widespread support and applause. Given the complaints they were hearing about the old approach, this was a reasonable expectation, so the amount of pushback and where the pushback came from was a surprise. The following are the main areas of pushback they experienced.

HR hesitation

HR groups who have lobbied for investments in HRMS and have pushed the old model may now be hesitant to push for a replacement. HR Leadership should be prepared to position the new effort if their team is risk-averse. Innovation and reducing bureaucracy are on every executive team's agenda, so support from above should be easy enough to garner.

Organisations like Kelly Services report getting pushback from their own HR system provider to make the customisations required to support their new approach. In reality, organisations have found that the new approach can be very light on technology or IT support.

Managers

Despite the lack of enthusiasm for performance reviews, many managers will still be concerned about the change and loss of process, and will have questions on what they are now accountable for. Managers may also adopt a wait and see stance as they expect this change to be the new fad.

Preempt broader questions by running smaller focus groups across departments. If managers feel a need for structure and support, or want to keep parts of the current process that work for them, the suggested approach is to let them retain those elements, but advise them that this will not be part of any formal record.

Managers may also be taken aback by the idea that their direct reports will now be scoring their performance, in so far as they are expected to meet the needs for coaching. Providing guidance and training should help address this concern, in part.

Employees

Employees may welcome the change, but still have concerns on how feedback will be given, pay raises decided, etc. Here, communication is key. Make sure every individual is provided with the context and intent of the change. In time you may decide to provide more formal training to individuals on how to prepare for and make the most of coaching support from their manager.

Legal/finance

Based on the experience of pioneering companies, legal and finance are less likely to object, but it is worth involving them in the decision-making early.

Generally, the legal team will welcome the less-formal approach: examples abound of legal teams trying to address the challenge of having to let an underperforming employee go, yet finding the employee's manager has rated them as exemplary for several years in a row.

As discussed earlier, if you do need to engage in a formal Performance Improvement Plan, a separate process is the best approach.

Depending on your proposed structure for handling pay adjustments, finance will want to be informed and to have a say in the process, but pushback is unlikely as long as the process is not cumbersome.

Phase 2: Set accountability

A change in process means a change in roles. Take the time to document the role each team will play in the new approach, take the time to ensure people will commit to their part of the process, and handle any questions, resistance or fine-tuning at this stage.

Stakeholders/roles include managers, employees, the executives, teams currently involved in talent mapping, legal, finance, teams with variable comp plans (i.e., sales). Using representative teams for each population, fine-tune the communications before going out to a broader audience.

Phase 3: Educate, communicate, support

Once you have your course set and the key players are clear on their accountability, it is time to start the education and training process. Do not underestimate the size of this effort. Your ambition should be to touch every employee and provide rich context to each manager across the organisation.

Adobe, for example, held 19 broadcast sessions to share the plan with all employees. More than 5,000 staff members watched the live or recorded sessions.

When we asked the JPL team what they would have done differently if they could wind back the clock, they said: We would have called on senior leadership to be more involved in training and communication. Having them be more visible during the process would have helped build confidence that this truly was an effort across the entire organisation, that it had the backing of the most senior leaders.

Many organisations also consider the branding of the effort. HR/OD tends to favour terms such as performance conversation or Yahoo!'s "Quarterly Performance Review" (QPR) system. To make the events more accessible to managers and employees alike, the pioneers thought of terms that would make the events more accessible such as GPS at the Gap, Check Ins at Adobe, and Quiet Hours at JPL.

Once the new process is rolled out, ensure you have measurement in place to track high-level progress. For example, track how many conversations are taking place, if the conversations are valued, and high-level feedback. Stop short of asking specifically what is discussed to give managers and employees room for maneuvering.

Phase 4: Connect to other processes

Many important processes flow from the performance conversations, but do not sacrifice the value of performance management at the expense of these other activities. Allow managers to focus these conversations exclusively on sustaining performance, development, and supporting the employee going forward.

From here, plan the other processes of talent mapping, compensation, succession etc. in related but separate conversations.

Typical timeline

Organisations that have gone down the path of overhauling the performance management process have successfully designed, agreed on and implemented a new approach within a 12-month window typically in between normal performance review cycles. The most aggressive have completed the process in just six months.

Phase	Typical duration
Phase 1: Define	4 to 6 months. Includes desk research, socialising concepts and building consensus around the approach. Finishes with a plan in place on which all stakeholders agree.
Phase 2: Set accountability	Tackled in parallel with the above, but plan an additional month to straighten out and confirm.
Phase 3: Educate, communicate, support	Budget 3 months ahead of the process rollout. Sustain communication and measurement of progress.
Phase 4: Connect to other processes	Budget 3 months of sustained effort, trailing off thereafter.

ABOUT THIS REPORT

The Methodology

Our online survey consisted of 15 multiple-choice items. Everyone answered the first 10 items. The remaining items varied based on respondents' answers to item 11, which determined whether they had direct reports.

The survey link was distributed by email and social media from 12/15/14 to 2/15/15.

To round out the multi-layered workforce perspective, we conducted about 10 interviews with HR leaders throughout North America.

Profile of 1,006 survey respondents:

- 68% reside in North America, 28% in EMEA, 3% Rest of the World.
- 60% are female, 40% male.
- 59% hold executive, management, or supervisory titles, with 8% indicating that they are a vice president or above.
- 1% were born before 1945, 44% were born between 1946 and 1964, 40% were born between 1965 and 1981, and 15% were born between 1982 and 2004.
- 28% work in organisations that employ more than 10,000 people and 60% work for organisations with fewer than 5,000 people.
- 29% have worked three years or less with their employer, and 50% have been with their organisations for more than seven years.
- 13% have held their position for less than a year, and 27% have held their position for more than seven years.

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Ref. Code: Performance_Management-Assess_or_UnleashA406.04.2015_06.04.2015.indd