

## Part 1: Performance Management Takes on a Life of Its Own

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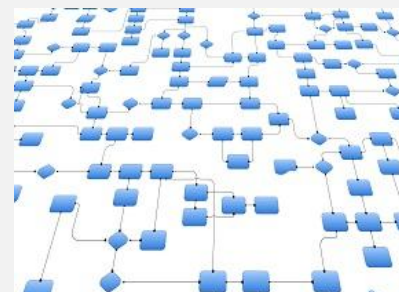
Recently, I heard a story about a colleague whose company had been acquired by a larger firm. The colleague was chastised by his new management team for not having completed his quarterly reviews. He responded, "I talk to my people every day. They know when I'm happy, they know when they're on track, and they know what we're all driving toward."

This story isn't unique. In an effort to make everything airtight, businesses seek to institutionalize processes, thinking that technology is the solution to everything. However, rather than encouraging managers to manage, today's performance management often leads to massive amounts of wasted time and dollars.

### A Five-Minute History of Performance Management

Not so long ago, employees were judged based on whether they were completing specific tasks—had they created the expected number of widgets? Were they made correctly? Did they show up every day? Performance was easy to measure.

As the nature of work has changed, management by objective (MBO) became the norm. MBO was revolutionary in the way it utilized a systematic approach to weighting objectives and evaluating progress toward each one. That's when things began to spiral. Today's version of MBO includes self-evaluations, 360° reviews, complex goal setting and detailed documentation designed to memorialize it all. The process has become a dreaded end-of-year ritual, not an ongoing career development priority.



The focus of work today is on how a person thinks, grows and manages complex tasks. Unfortunately, many performance management solutions try to reduce people to algorithms and checkboxes. In an effort to be more comprehensive they became unwieldy. Then, to simplify, they provide employees with canned paragraphs of text instead of thoughtful feedback.

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### 3 Signs Your System Isn't Working

1. Reviews are rarely completed on time without continual reminders.
2. The vast majority of your employees consistently score a four or five on a five-point scale.
3. Voluntary turnover is high in certain areas or across the organization.

## Just How Much Time and Money Is Being Wasted?

For many organizations, it can be difficult to quantify how many hours are spent completing annual or quarterly reviews. Fortunately, Deloitte did the work for us. In 2015, Deloitte determined that performance management tasks consumed close to two million hours a year, in addition to vast amounts of money spent on the technology to support the effort.<sup>1</sup> Even more notable, Deloitte felt these huge expenditures weren't driving engagement or higher performance.

## Recognizing Issues in Your Performance Management Process

Generally speaking, 80% of any company's employees will perform acceptably. Another 10% are likely to exceed expectations, and 10% are underperforming.

If you look at your managers' reviews, then, you can learn a few things about your performance management process. For example, if you see that:

- **Nobody is completing reviews on time**—This could mean that your system is too cumbersome or just not fitting naturally within your culture.
- **Everyone is being rated a four or a five**—High marks across the board can be a sign that managers aren't confident in giving honest feedback. This can be an issue later, if an employee needs to be terminated and the review forms all say they've been doing a great job.
- **Voluntary resignations are above industry standard**—Confined to a specific area, this may mean that you have a manager who could benefit from coaching. If it's a broader-based issue, it could be a sign that employees don't feel that the company is committed to growing their careers.

Any of these is a red flag, suggesting that you may want to take a closer look at how you're managing and motivating employee performance.

## Back to the Beginning: The Goal of Performance Management

The primary purpose of performance management is to help employees develop. If we keep that in mind, the solution is evident. Performance management should be positive, motivating, transparent and not just an annual behind-closed-doors discussion. Certainly, there are times when performance management has to act as the hammer—tracking poor performance or behavior to support termination—but in a healthy environment, that is a distant second or third place.

## What Should Performance Management Look Like?

Your performance management program should be based on what's best for your organization and employees. Manager check-ins once daily may be overkill, while

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once-per-week chats might be just right. This will depend upon the type of work being performed, the organizational culture and even demographics, as younger employees, in particular, are more likely to expect continuous feedback.

Ultimately, it's important that your program include:

- ☑ Clear, actionable goal setting (more on this in part two)
- ☑ Conversations about goals, tasks and achievements at regular intervals
- ☑ The ability for people at all levels of the organization to have input
- ☑ A platform or methodology for capturing what comes out of these interactions, as well as other noteworthy events
- ☑ The flexibility to adapt to individual employees' needs and circumstances, changes in the organization, shifting projects, etc.
- ☑ Brief annual conversations about compensation and benefits—the content of which should not come as a surprise, given the open dialog that's been occurring throughout the year

By putting good communication ahead of rules and processes, managers can stay focused on helping employees develop to their full potential. Note that, even though we included the need for a platform or methodology to capture appropriate information, this can really be anything that works for your organization, as long as it isn't so hard to use that managers just don't bother.

Ultimately, any technology you choose should support, not drive, these important conversations between managers and teams.

### At Review Time, the Work Is Already Done

If your managers are engaging with people regularly and you have a running record of achievements and contributions, there's no need to "write" a review or sit through a tense conversation. The best, fairest performance management is individualized, authentic and human. Because "fair" doesn't mean everyone gets the same thing. It means everyone gets what they need to be successful.

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<sup>i</sup> Harvard Business Review. Reinventing Performance Management. April, 2015.