The New Wave of Performance Management

Our Tandem

Contents

If you do
not change
direction, you
may end up
where you are
heading.
—Lao Tzu

A Moment of Change

As we navigate the world of Teams, Zoom and a geographically scattered workforce, how does the new reality shape our performance management practices? Does remote working hinder teams from building a truly collaborative network and having authentic, progressive conversations?

A moment of change has arrived, and with it has emerged a new wave of practices that define and shape the way we manage our people. We've realised (or perhaps, re-discovered) that human connection is at the centre of our workplace. While we may have taken it for granted when we found ourselves in offices, with easily accessible opportunities for connection. What's clear 12 months on is that we cannot achieve our potential, individually or collectively, without ensuring we maintain the connection in a more dispersed world.

Greater focus on wellbeing and the employee experience must now take centre stage, to ensure our employees enjoy a positive experience, regardless of the circumstance of their work. However, can these initiatives work in isolation and have a sustainable impact, when arguably the greatest cornerstone of your experience is how you are managed?

Performance management sits at the heart of both the employee's experience and indeed their wellbeing. As such, can we really address our employees experience and wellbeing without addressing our fundamental approach to managing their performance, their career, their growth, and development and indeed their aspirations. Performance management determines the direction of the true experience of our people.

Performance Repurposed

When considering performance management's original purpose, we must remember that it was defined to accelerate the performance of the organisation. Over time, additional controls were layered and eventually it was burdened with the bureaucracy of timelines, calibration, ratings, and salary outcomes, all linked to a complicated means of defining the compensatory outcome for an individual. The lack of differentiation in compensation levels led to much acrimonious debate and ultimately to a thinly veiled rationale for justifying a particular pay increase. Inevitably, it lost its way in living up to its true purpose of accelerating performance but found itself justifying complex processes and fighting off grievances from employees who found it unfair. It became, at times, more famous for driving low trust and cited as a 'reviled practice (HBR)' than a means to accelerate performance.

"Low trust breeds bureaucracy, and bureaucracy breeds low trust. In low-trust organizations, bureaucracy is everywhere."

Then four years ago, changes began to navigate it back to its original purpose. The practice of continuous real time feedback and continuous conversations were hailed as a new means to reinvigorate the tired practice of performance management, that had found itself with an alarming number of new dissenters. Many organisations voted with their feet and implemented these new practices to much fanfare. It's clear the past year has accelerated these practices beyond original recognition. In a recent report by HR.com on the State of Performance Management, 85% of respondents cited that COVID has changed the practices of performance management within their organisation. What's interesting is how it's changed, and how many employers have weaved a greater focus on growth and development, wellbeing and truly human connections into the core strategy of their new practices.

Implementing Continuous Performance Management (CPM) – The Reality

So where are we now with CPM and how has it fared?

There's been a mixed reaction to the introduction of new practices and it's evident that the mixed outcomes reflect the varied choices in how it was implemented. For many, bringing in Continuous Performance Management meant an entirely new way of doing things; out with the old and in with the new. They threw out the traditional layers of ratings, calibration and even the end year meeting, in favour of continuous dialogue without the daunting imposition of the rating. While this worked for some, many neglected to inject moments of accountability into the practice, leaving it to managers to define their own practices, with loose guidance. Without clear direction, their management teams created their own practices, shadow ratings, shadow calibration practices and indeed sometimes the pure lack of conversation dominated the agenda. This led to a sense of dissatisfaction with the whole experience for those involved.

Others tried to tie the old world and the new world together, introducing Continuous Performance Management on top of already complex practices, effectively burdening the manager with both the old-world practices with the new layered on top. This mixed bag led to confusion and a lack of clarity on what the new practices brought to the table when the old practices continued to be the dominant player, bringing it with some cynicism and a lack of belief in true change.

Then there are those who got it just right, defining the new practices and supporting managers with the skills to execute on it by introducing technologies that ensure practices were sustainable and measurable over time, so that they could effectively understand the true impact on the organisation. Many focused on the development of the individual to accelerate the performance and so positioned the growth mindset at the heart of the experience.

Our learnings on the more established practices are that they can be deeply effective when implemented well. Key features of a good implementation include supporting managers with the skills to have good coaching conversations, great technology enabling, sustaining, and measuring the experience and a fresh experience that puts people at the centre of the process. Ultimately, every organisation must define their unique approach and adopt a 'best practice' mentality. Tamra Chandler summarises the situation well in her book 'Why is performance management killing performance':

"Every organization is unique; therefore, every organization deserves a performance management solution that supports that uniqueness. Even discrete employee segments have attributes that can differ greatly... when you drill down to the individual level, we all know that each and every one of us is our own special snowflake. No two of us are alike, so what works well for one may not work for the other."
– Tamra Chandler

The Cutting Edge of Continuous Performance Management

Continuous Performance Management practices have been around for quite some time but have refined and innovated since first born. At it's core, it addresses the key elements such as:

Continuous and real time feedback practices

Frequent check-ins, incorporating a greater emphasis on coaching

A new approach to goal setting that facilitates greater agility

Growth and Development

Everyone is Talent

To Rate or Not to Rate

The Role of Technology

When we review these practices, it's interesting to consider how they have evolved and what the world of COVID and distributed teams has done to accelerate them.

Continuous and Real time Feedback Practices

Continuous and real time feedback has been an aspiration of many organisations but in reality has been challenging for some to sustain. It's implementation again brings different outcomes and it's worth considering the purpose of continuous feedback when introducing it.

When at the introductory stage, it's important to be clear about it's purpose. There are two main reasons for introducing it. The first, many organisations have gone down the path of; peer and stakeholder feedback in advance of a performance review. Our employees see the world clearly and recognise that if they seek feedback that serves a positive review, it has favourable outcomes for both their review and their compensation outcomes. In this world, they are more likely not to seek growth oriented or constructive feedback but will more likely seek feedback that is selectively positive. It won't

have the impact of building a rich feedback culture in your organisation, aligned with high performance organisational culture.

The second reason for introducing continuous feedback is to build a culture that is oriented towards an individuals' growth and development. In this scenario, organsiations are not introducing it for the purpose of performance review input, but to foster an environment where individuals feel comfortable with the art of giving and receiving feedback. High performance organisations are synonymous with strong feedback practices and these organisations are more interested in building up capability in the organisation for both positive and growth oriented constructive feedback. This latter scenario is more likely to see greater levels of feedback rise among their population with multiple pathways of constructive advice, including peer to peer

and upward levels of feedback too. In our experience they are also more likely to enjoy higher levels of positively positioning and growth oriented feedback, as their people have become comfortable with the practice over time. The important aspect of this scenario is that the employee understands the comments are for their growth and development and for that purpose only. As McKinsey suggests in a recent article:

"One way to address these fears is to distinguish the systems that evaluate employees from those that help them develop….when employees open themselves to honest feedback from their colleagues about how to do their jobs better, they're vulnerable—particularly if

these development data are fed into evaluation tools. That also undercuts the purpose (and ultimately the benefits) of digitally enabled feedback."

With regard to continuous feedback, we see some newer trends rising, such as new frames of reference – insights rather than the word feedback; asking for advice rather than asking for feedback. This change of reference can change the outcome, so it seems feedback is a 'dirty word' in the minds of our employees and managers, as coined by Laura Grealish and Tamra Chandler in their highly engaging book 'Feedback and Other Dirty Words; Why we fear it and how to fix it'.

Frequent Check-ins

"More frequent and substantive performance coaching will become the most important work managers will do".
Korn Ferry, 2020

The practice of check-ins or frequent 1:1s is not new by any means and been a long-established practice in many organisations. What is featuring in the newer Continuous Performance Management (CPM) practices are more purposeful conversations.

In the past, our ask of managers was to meet their people frequently, but levels of interaction varied widely depending on how your managers interpreted frequently. Everything from quarterly to monthly and even to weekly practices were expected. However, at times vague instruction led to managers focusing primarily on the task and not the person behind the task.

2020 saw a big change to these practices with the need for humanity, empathy and compassion taking centre stage. Suddenly our people were faced with challenging domestic situations including home schooling, caring for loved ones and anxiety all playing a role in needing to address the human behind the task. HR stepped up to the plate and started to weave new conversations into their check in format and the concept of purposeful conversations were born. The core concept of purposeful conversations was to go into your regular check in with a clear purpose. Sometimes it was designed to address wellbeing, sometimes progress on performance, unforeseen challenges (of which there were many in

2020!) and at times individual growth and aspirations. In a recent report from HR.com on the area of performance management 40% of respondents indicated that wellbeing now forms part of their regular check in conversations.

Another key trend is how the employee takes a bolder approach when driving their own development. It no longer relies on all conversations manifesting themselves as a top-down linear approach to a manager driving the direction. Employees are now hungry for greater opportunities to discuss challenges, progress, growth, and their aspirations. We see this play out every day in Tandem where one in five check-ins are created and driven by employees, not managers or HR.

In many organisations, HR have brought their managers through guided conversation, providing tips and techniques to draw out the right conversation at the right time. This change in direction brought clarity and coaching to managers who formerly found the world of coaching quite the mystery. Through delivering bite sized conversations of coaching, HR and People and Culture organisations prompted the right type of coaching conversation in a digestible format for their managers and employees.

Goals Fit for an Agile World

Goals frameworks have been a topic of much debate in the past few years with a clear shift away from the traditional approach to more flexible and agile goals structures. While OKR's saw a growth in popularity, many organisations found it difficult to make them work in their fullest form. What was common was the move toward goals that facilitated greater flexibility, greater agility, and a clear line of purpose to the wider organisational mission.

In traditional forms, cascade often was a long and laborious task, translating high level strategic direction into daily pragmatic goals- a stretch for many large-scale organisations. By the time the strategy was cascaded, it was often dated and in need of a new direction, adding to the confusion and the lack of clarity in the whole process. A speedier and more pragmatic approach lay in focusing on alignment. Cascading top-down goals often doesn't translate to the bottom-line worker. What is relatable is seeing your responsibilities as they are today and linking them to a wider purpose. As such, giving employees a clear line of sight to where their goals link to wider goals not only provide clarity and direction but give people a sense of purpose to their working lives. It has the added benefit of ensuring that there is true alignment as opposed to forced or artificial alignment that was often the case with traditional cascade.

The other key feature that has dominated performance management is the greater focus on the need for collaboration and working in teams. According to a recent EY article: *"If you're looking to drive collaboration, connection and innovation, swap out those individual mechanisms for team-based models. Simultaneously, create team processes and muscle to set goals and commitments within and across teams."*

The need for creating and measuring team goals became paramount and goals systems that don't facilitate this are getting left behind. It moved beyond the traditional hierarchical layers of the organisations and meant that not only managers of people, but managers of projects who often had no direct reports also needed the ability to set direction and goals, measure outcomes and feed into the wider performance management dialogue. As managers became more and more distant to the day-to-day reality of project demands, they needed more sophisticated means of collating the feedback on their direct report so they could fairly and accurately review the performance and capabilities of their people. It's also clear that these same managers cannot fall into the trap of collating that feedback once a year in advance of a specific review period, as the feedback becomes increasingly selective when delivered solely for that purpose.

A new era has born for goals, and it is one that demands that goals can be as quickly changed as they are set up. It requires the greatest flexibility, facilitating anyone to create a goal at any time, but even more importantly, with the capability to change or update a change in direction at short notice. Korn Ferry perhaps put it best in their recent report when they identified that *"more flexible goal-setting processes will be implemented, with more flexibility in redirecting goals as needed. For many roles, we also expect annual goal-setting processes to be accelerated – to semi-annually or quarterly -given challenges in unstable economic environments".*

The Role of Growth and Development

In a recent report on the State of Performance Management, HR.com reported that 33% of respondents believed that their performance management resulted in better development. While many organisations aspire to fuel their organisational growth by accelerating individual performance through their performance practices, many fail to execute it at the core of their processes. A big factor can be the positioning of when and how growth and development gets discussed as part of the performance processes, and the subsequent link to the development strategy. It's a common practice to tuck in career aspirations and development topics into the end of the performance review, often seen as the last stop on a performance review template. This is one of the core challenges, as if it's left to last, we often fail to even get there. Recently, many organisations have separated out the conversation to ensure it gets the attention it deserves. It's also pivotal at what point of the year you introduce the conversation. For example, it's commonplace for it to be an end of year conversation on reviewing where the gaps lie. However, it may be best placed up front in the year when setting challenging goals, reviewing the capability requirements to deliver on same goals and beyond, topped up by a mid-year conversation on development progress and aspirations beyond. In this way organisations are optimising the timing and quality of the conversation.

From Top Talent to Everyone is Talent

The other big shift we see is a move from selective talent management practices for top talent, featured with succession planning and high potential conversations, to a shift to a newer frame of reference – 'everyone is talent'. With this in mind, the way we approach those conversations shifts naturally to optimising the talent of everyone. Giving managers guided conversation prompters can be an incredibly powerful way of supporting all managers to drive a high-quality conversation. Increasingly, the opportunity to link performance to your overall learning strategy and driving your people seamlessly from a performance conversation into your learning solutions, has become popular and increasingly used to ensure the conversations result in real action.
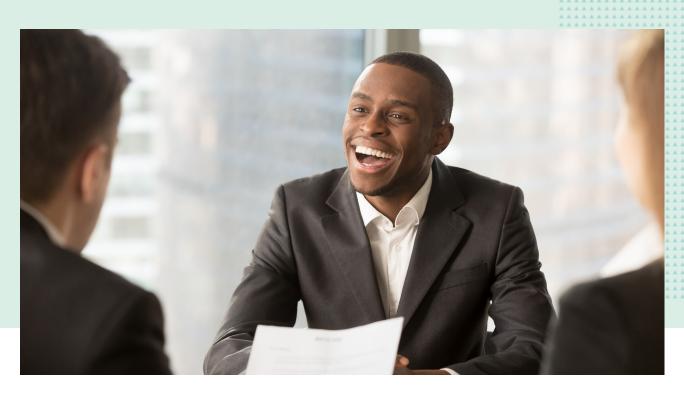
To Rate or Not to Rate

Many organisations continue to grapple with what now is a well-established discussion in the performance management arena; should we rate, and if so what are appropriate ratings? For those who choose not to rate, the more burning questions quickly becomes 'how do we compensate in a rating-less environment?'

Thankfully, we are no longer shooting in the dark on these topics and some tried and tested techniques have come to the fore. Early adopters have the led the way, made the mistakes, and learned the lessons that you can avoid.

For those who want to take the bold step, there are a variety of new compensation models forging the future of rewards. Everything from market rate pay to a change in direction for bonuses and variable aspects of reward. To quote a recent article from EY on the topic

"Lean into micro-rewards that are tied directly to the contributions your people are delivering now. Timely, bite-size rewards not only provide immediate feedback and reinforce desired behaviors, they also minimize the risk of bias and inequities that are often the product of annual review decisions. Most importantly, micro-reward strategies allow us to recognize progress and celebrate the value that's being delivered throughout the year. A series of bite-sized rewards may or may not carry the same financial weight, but they certainly aggregate into greater good for your people's souls."

McKinsey endorses this view, advocating for a return to on-the-spot bonuses. Furthermore, they believe in the concept distributing high end bonuses to the exceptional, setting 15-20% differentiators in performance rewards while lowering the differentiation of the middle of the curve.

McKinsey recommends keeping ratings for the highest and lowest performer, and celebrate the good performance in between, avoiding the small distribution of ratings in good performers. Instead, focus the conversation on the developmental aspects.

"With middle-of-the-pack performers working in collaborative team environments, it's risky for companies to have *sizable* differences in compensation among team members, because some of them may see these as unfair and unwarranted."

For those not ready yet to remove the ratings, there are a new set of practices that have emerged to build the bridge between traditional performance management and the features of CPM.

New thinking has emerged on ratings which challenges what many of us previously saw as best practice. We see a strong shift toward a lessened focus on ratings, removing it from the process where it's not a necessity. For example, many companies have abandoned the practice of self-rating, noting that it unfairly biases specific groups. For example, it's been noted in recent article from titles HBR and Behavioural Scientist, that women will often put forward a more modest self-assessment rating than their male colleagues, ultimately biasing not their own ratings, but the perception of their managers.

A change to rating scales is evident also, with many companies moving toward a 3-tier rating scale and softening the language of ratings, facilitating a gradual move away from focusing on the rating as the sole means of evaluating compensation.

The focus is certainly shifting toward the meaningful conversation with the rating playing a secondary role in the process, a notable shift from the former heavy focus on rating as the most significant event in the process. Coupled with this shift is a move away from traditional calibration. In a world where the collective nature of teamwork is celebrated as the means to drive competitive differentiation, the individualistic nature of pitting one employee versus another has faded into the past for many and been replaced with a hybrid of approaches. Strong guidelines providing clarity on what is expected by great performance, clear differentiation guidelines, and for some a coached facilitated session between HR and managers are becoming more common place.

Therefore, in answering the challenge of 'to rate or not to rate', the answer lies with the maturity of your organisation and what's right for your unique culture. If you are asking yourselves the question, first look to the coaching capability of your managers. Are they capable of conducting a strong coaching and performance conversation without the crutch of a rating? If they are, it lends you great choice to decide on what's right for you. If not, then considering the means in which you can upskill your managers might be a better first place to start. Your answer lies in a myriad of approaches. It's true that training and learning opportunities can help, but technology can provide a real answer to disseminating capability to provide bite sized coaching opportunities to both your employees and managers in a sustainable way.

The Role of Technology

At the centre of many of the changes in the performance management space is the enabler: technology. For quick widespread changes to behaviours, mindsets and practices, technology can play a pivotal role in moving organisations at speed. Many of the traditional players in this space failed to spot the trends early enough and moved slowly but misinterpreted the direction of the change. McKinsey noted: "Digital technologies are power tools that can increase the speed and reach of a performance-management transformation while reducing administrative costs. They're generally effective. Sixty-five percent of respondents from companies that have launched performance-related mobile technologies in the past 18 months said that they had a positive effect on the performance of both employees and companies."

What has also become clear is that many organisations are embracing a hybrid approach to their technology, layering in best of breed performance technology on top of traditional ERP systems. In fact, in a recent report from HR. com 66% of respondents are using a specific newer technology to deliver their performance management solution.

As Josh Bersin put it "Now we need software that facilitates teamwork and agile goal management, helps people give each other feedback, and helps facilitate Continuous Performance Management and self-improvement". Fortunately, this software is now readily available.

Conclusion

So much has changed within the performance management landscape in recent years, and the last twelve months have accelerated the practices that are aligned to a greater employee experience, greater focus on wellbeing and a means to put employees firmly in the driving seat of owning their own development. Some shifts have been radical, others more gradual and for some incremental. What's clear is the business is demanding a greater focus on agility, flexibility and a goals framework that is fitting of our time.

What's driving the experience is a greater focus on real time continuous feedback, a focus on growth and development and a greater prioritisation of the 'fairness factor'. At the core of the new practices are the connections that bring our humanity to these practices; regular conversations, great listening skills, the ability to coach each other, not just from the perspective of manager to employee, but including peer to peer and even for the brave, employee to manager.

David Ulrich coined the phrase "positive performance accountability", which neatly describes the new wave of performance management. He suggests that perhaps the days of ranking and rating are dated, but there is still a need to let people know where they stand in a positive manner. In his recent book, he references the emerging practices as follows:

Have performance conversations in real time around events (celebration, salary, promotion) and more often, perhaps at the end of every project or every quarter

Look forward to seeing opportunity and create learning (what did you learn that can be applied to the future)

Focus on the sustainability of actions

Simplicity of the review is critical

Focus on what is right (keep a five to one positive to negative ratio)

Listen and engage in affirmative conversation about what could happen next

Focus on effort (you work hard) to create a growth mindset. Praise efforts as well as results

A leader's role is to coach and communicate by modelling both change and personal improvement

Prepare for a performance review by thinking about how to help the individual person

Finally, Ulrich references that many reviews of the past were oriented toward distilling employee performance down to a single number – a rating or ranking. "This new breed of review is more about generating richer, nuanced view of every employee to facilitate better performance."

Having researched performance management for the best part of 27 years, it's fair to conclude there's never been a more exciting or fascinating time to be looking at its evolution. The core purpose and philosophies of these strategies are accelerating at a rate of change not yet experienced, rapidly changing direction, with many striving just to keep up. Right now, it's probably more suitable to rebrand performance management as something which better reflects the totality of the evolution of these practices. That, however, can be a white paper for another day.

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