WARNING

Your Performance Management Practices May Be Covering Up Your Organization’s Real Issues

The People Advantage

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Introduction

Almost all organizations use a set of practices to manage performance. In many cases, the practices are defined by a broad performance management process. In fact, it would be difficult to find an organization that does NOT have some approach for setting expectations for employees and performing an evaluation.

Numerous studies indicate that over 90% of organizations have performance management systems in place. Although the order of priority varies, performance management is seen as the primary driver for compensation decisions, the alignment of individuals to the priorities of the organization, and understanding development needs.

Given the prevalence and importance of performance management, can we assume that organizations do it well? Unfortunately, no. Here are some statistics to prove it:

- **According to Mercer's 2013 Global Performance Management Survey, just 3% of organizations worldwide report their overall performance management system provides exceptional value.**
- **A recent US poll of 2,677 people (1,800 employees, 645 Human Resource managers, and 232 CEOs) by the San Francisco-based consulting firm Achievers revealed that 98% of staff finds annual performance reviews unnecessary.**
- **A study of 1,000 employed Americans spanning a variety of ages and experience levels conducted by Ceridian found that only 59%of respondents had formal meetings with their bosses to discuss job performance in 2012.**
- **Hay Group found that half of public sector workers and one-third of business leaders describe appraisals as a box-checking exercise.**

Introduction

The data suggests a considerable gap between the impact performance management NEEDS to have on performance and the impact it DOES have. The presence of this gap is even more disturbing when you consider the time and effort some organizations spend to perfect practices. So the big question is – why is something so important such a mess?

That question leads to the core premise of this paper - that performance management systems are expected to do too much… that they are often built to address other organizational deficiencies… that they mask poor leadership and a lack of courage.

The bottom line is that performance management should be a tool that helps leaders make the right decisions and have the right discussions. It is not intended to make up for weak leadership and poor decision making.

The rest of this paper is focused on the warning signs that your performance management system may be asked to do too much - that it is concealing other organizational deficiencies that should be addressed. My intention is that it helps you to think about performance management in a different way than you have in the past. Ultimately, I hope you will better understand the factors that are keeping your organization from performing at its highest level.

WARNING 01

Performance Management Is All Science and No Art

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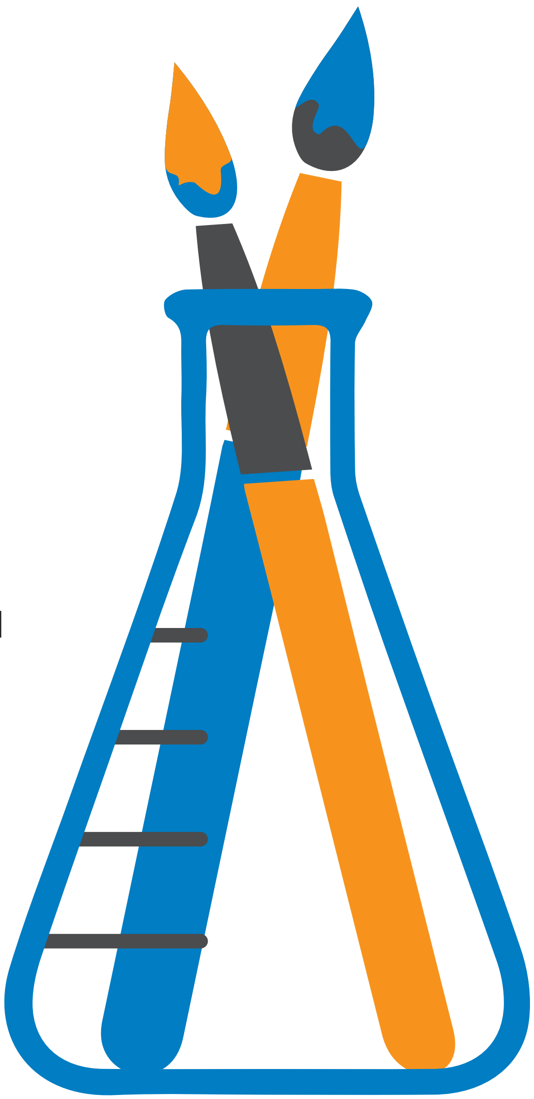
The science aspect of performance management – activities, tools, timelines, and administration - is important, but it cannot make a difference by itself. Art aspects of performance management include conversations, development and engagement. Effective performance management requires *both* science and art.

Viewing performance management as a science only takes the spotlight off of the activities and skills that truly make the difference. Mercer's 2013 Global Performance Management Survey cited the ability to have candid dialog as the skill area that would have the most *dramatic* impact on the organization's overall performance. Now that's art.

The moral of the story is that while the science element is necessary, it is the art aspect of performance management that determines the *impact* managing performance can have on results. Performance management without well-defined expectations, clear performance and development discussions, encouragement, and recognition is like going through the motions without seeing tangible results.



If your performance management is more about science than art, it may be a sign that:

- **Your managers are *deficient* in crucial skills such as assessing performance and having critical conversations**
- **The organization places too much emphasis on performance management compliance**
- **Your culture lacks a performance element**

WARNING 02

Performance Goals Were Established Without Knowledge of Organizational Objectives

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Performance Goals Were Established Without Knowledge of Organizational Objectives

If you are confused about your priorities or cannot articulate the focus of the organization for the next six months, don't bother setting performance goals for your employees.

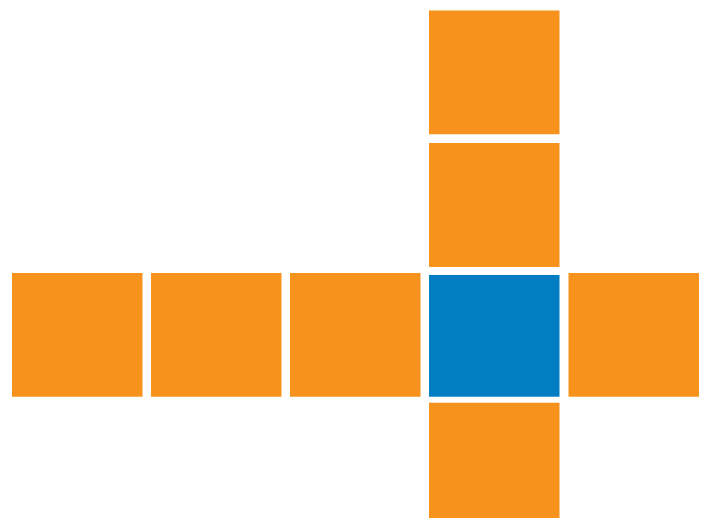
Achieving the alignment of objectives down through the organization (vertically) and across the organization (horizontally) will result in a higher level of organizational performance while having a profound impact on employee engagement.

For a high level of engagement to exist, employees need to understand *how* their work fits into the bigger picture. Vertical alignment provides that clarity. As collaboration becomes increasingly important, horizontal alignment ensures that employees from different parts of the company can work together without being distracted by conflicting priorities - a true productivity killer.

Spend the time necessary to achieve clarity. If you cannot attain that clarity, you'll be spending your time seeking a new organization! You won't be successful if you're expected to hit an invisible target – and neither will your employees, an alarming thought since your success depends on theirs.

If your organization lacks processes that align objectives vertically and horizontally, it may be a sign that:

- **The strategic plan does not exist or is ineffective**
- **Communication is deficient**
- **The organization lacks the discipline to develop a plan and stick to it**



WARNING 03

Performance Planning Is Done On An Annual Basis

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In today's fast-paced world, only a crystal ball could help you predict 12 months into the future. Competitors will come and go, legislation can enable or disable you, your employees may change, or you might develop a breakthrough innovation. These are just some examples that could drastically change your circumstances within a short time. So, why would you ever establish a 12 month plan through the performance management system?

I can predict your response - that your performance management system provides for re-planning throughout the year.

Great! Now, how often does that actually happen? If your organization is like most, probably never.

Break expectations up into smaller segments - six months, three months, or whatever timeframe makes the most sense given the expectation. Avoid being overly confident - - this will allow you to build more organizational agility and be more focused.

Easier said than done, right? Let me explain.

Do you have a six-month priorities speech (let's call it the priorities elevator speech or PES for all of the acronym junkies)? In other words, what words would you use to describe your near-term focus in 15 seconds?

Mastering the Rockefeller Habits is a great read if you are interested in a systemic approach to managing priorities. The author, Verne Harnish, describes the importance of understanding the top 5 priorities and the top 1 of 5. Even though the concept seems straightforward, I suspect the majority of us would flounder when asked these simple questions.

What are your top 5 priorities for the next six months? What about your top 1 of 5?

If performance planning is done annually, it may be a sign that:

- **The organization lacks the agility to shift gears when necessary**
- **Goals are unrealistic and lack measurable detail**
- **The organization needs to pay more attention to changes happening in the environment**

WARNING 04

Every Employee Received A Performance Evaluation So I Know Performance Management Is Getting Done

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Compliance does not equal impact.

Let's consider an organization that has no performance management capability today. When it decides to commit to performance management, it will most likely begin to work through the typical steps - develop a performance philosophy, design and maybe even purchase an electronic tool and communicate a new organizational process. Once that is done, we can declare performance management to be in place, right?

Not so fast.

Each of these steps is important, but a key element is missing. Managers and employees must be proficient in the underlying skills, not the least of which is conducting critical conversations. Chances are high that these skills are new - which is probably the reason the organization began thinking about formalizing a performance management system in the first place.

According to a *WorldatWork* study, only **28%** of organizations feel their managers focus on having effective performance conversations rather than completing the required forms. Building organizational capability by teaching new skills is the most vital part of the process. Bad things can happen when tools are put in place without the ability to properly use them.

On a scale of 1 to 10, how would you rate the quality of your organization's performance discussions? What about the ability to conduct critical conversations?

If your organization relies on compliance to judge the quality of performance management, it could be a sign that:

- **A method to assess the quality of performance discussions should be implemented**
- **Your organization is overspending on resources to track compliance and follow-up with managers - ultimately because of a lack of management accountability**

WARNING 05

Your Performance Management Tool Is State Of The Art

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You don’t have to have a high-tech, multi-screen electronic tool to utilize effective performance management practices. In fact, sometimes the tool can interfere because it is difficult to use, inflexible, or inaccessible.

The ***magic*** of great performance management lies in the clarity that arises from discussions about priorities, performance, and development. An electronic system is merely a way to capture data and ensure that the right steps are being taken.

If the system you have in place is so rich with functionality that you’re only using the most basic of its features, is it possible that you purchased a sledgehammer to kill an ant? More functionality typically comes with less flexibility, which often results in too much focus on the tool.

Does the system in place distract you from the more important aspects of performance management?
How can you manage that balance?

If your performance management tool has significantly more functionality than you need, it could be a sign that:

- **Your organization is confused about the purpose of the tool**
- **Investment is being spent in the wrong place – buying a system instead of building skills**

WARNING 06

Your Organization Has A Prescribed Distribution Of Performance Ratings

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While it is true that the distribution of performance ratings should be managed, establishing hard rules is exactly the wrong way to do it. Establishing hard rules will create unintended consequences that can diminish the employee experience.

To explain this concept, you will need to buy into a key assumption – **that the most important outcome for each employee is that they have a clear understanding of their performance evaluation and how that can be a platform for growth in the future.** If you can't buy into that theory, then please skip to the next item.

If you are still reading, then I will ask you to entertain another concept – that the distribution of ratings should be aligned to the overall performance of the unit. So if unit A performs at a higher level than unit B, then unit A will have a distribution of ratings that is skewed higher than unit B. Beware if this alignment is missing and is justified by excuses such as:

- *"We are not able to give well-deserved high ratings because we do not have the budget to give good raises."*
- *"If we give poor performing employees low ratings, then they will leave."*
- *"That is not how we've done it in the past."*

If your organization thinks it needs a prescribed performance rating distribution that applies to all units regardless of performance, it could be a sign that:

- **The organization has difficulty discerning levels of performance**
- **Leaders are not trusted to evaluate performance in a pure, non-political manner**
- **The organization struggles with critical decisions and conversations**

WARNING 07

The Words You Use For Ratings Are Adjectives And Not Verbs

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Parents who try to raise kids with high self-esteem understand the difference between what their kids do and who their kids are. They can fully disapprove of their child's behavior and at the same time love them fully for who they are. This distinction allows parents to discipline and teach new behaviors to their kids for higher levels of success without demoralizing them.

With that as the backdrop, deciding what words to use for performance ratings is critical.

Ratings become labels that employees carry around for the duration of the performance cycle. Given that, care should be taken in determining the words used for ratings. *Think verbs.* They *should* describe the work or the outcomes or the results. They should not describe the employee's skill level or value or standing.

As an example, let's contrast the ratings 'met expectations' and 'adequate'. Which would you rather carry around – an understanding that you did 'what was expected' or a proclamation that you are 'adequate'? The former probably would seem like an evaluation of your work while the latter would feel like an evaluation of YOU.

Ratings should be able to change from cycle to cycle as determined by what was done. Avoid words like the following: adequate, skilled, accomplished, proficient, expert, and novice. These describe someone's skill level, not their performance. Instead, use phrases like: met expectations, achieved goals, did not achieve goals, exceeded expectations, or got more done than we could have imagined.

Ratings that describe employees' worth lead to a cultural viewpoint that who you are matters more than what you do - the opposite of a performance-based culture. What unintended messages are your ratings sending to employees? Are they labels for the person or the work?

If your organization uses adjectives to describe performance ratings, it may be a sign that:

- **There is organizational confusion on how to differentiate between employee performance and level of talent**
- **Performance evaluation measures the behaviors employees**
- **exhibit and not the results they produce**
- **The words used for performance ratings were poorly chosen and should be replaced**

Conclusion

The most essential outcome of performance management is that employees have a clear view of how they contributed to the organization's success and what can be done to achieve even higher levels of future success. The best way to make that happen is to ensure that performance management is built to support leadership versus to replace it.

Using the material in this document will help you understand whether your approach to performance management is enabling success or if it is covering up your organization's real issues. If you detect a cover-up, address the real issue head-on. Your organization's future depends on it.

About the Author

Steve Harris is the Founder and President of The People Advantage, a firm that helps leaders whose success depends on increasing the alignment of their organizations.

Steve created the firm in 2010 after 25 years of experience in two large corporations. He has had the opportunity to work in a variety of sectors, including manufacturing, financial services, technology, education, religion, and public service.

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