



Many silver linings but no silver bullet to better performance management

Context and background to the discussion

"Don't panic, tread cautiously" were the watch words at MDV Consulting's roundtable at The Gherkin on how to engender better performance management and feedback conversations. The event was attended by HR directors, talent and OD leads from a range of major organisations.

Taking time to reflect on what is needed from the performance management process is an undervalued priority in an environment where organisations are under significant pressure to do away with existing structure and radically revamp processes.

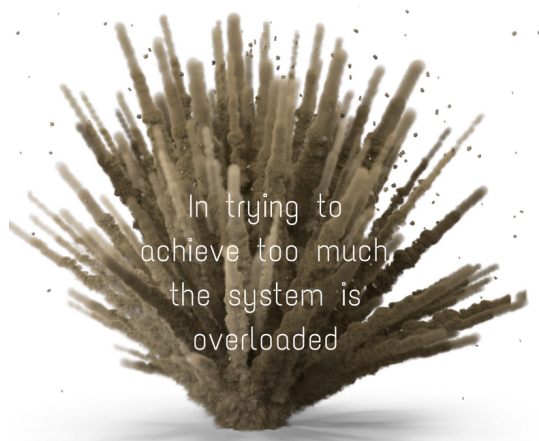
Organisations have been going through significant changes over the last decade; we are truly living the VUCA world. The nature of work is becoming more complex, fast changing and ambiguous, leaders are facing pressure of broader responsibilities. Spans of control are widening.

Traditional performance management approaches originating in the industrial era were focused on the output versus time and cost to produce it. These approaches have been evolving to reflect the changes in the organisations, laws and regulations, and the generations of workers involved. And this evolution continues.

Approximately 86%¹ of organisations are currently considering redesign and/or simplification of their current performance management process. Organisations such as Microsoft, GAP, Deloitte, Accenture, KPMG and even GE have been dramatically changing their approach to performance management, moving away from performance distribution curves, ratings and yearly goal setting. But are we being too quick to disregard the old methods, following the new 'trend' and looking for a new 'right' way to support employees and facilitate performance, failing to recognise intricate differences between organisations? What is working and not working in the newly adopted approaches? What challenges do business leaders face when thinking about the performance management process in their organisations?

What's happening with Performance Management?

Keith Robson opened the event and described how this pressure to change is being driven by the realisation that not only has the world of work changed, but performance management has historically been expected to achieve an unrealistically high number of different human capital agendas. These include evaluation for pay and promotion, career planning, staff engagement, dealing with poor performance, recognising high potential and not least ensuring individual goals are aligned to overall strategy.



Keith described how a changing and more complex business landscape complemented with technology is shifting the focus of performance management upon driving better performance. He emphasised that there are still questions to be answered if moving to a performance focus rather than a more traditional backwards evaluation such as: *Are we changing too fast? Are managers equipped to raise the quality of the conversations and how can we support them? How will we recognise high and low performers?*

"What we are trying to drive is better performance but the challenge is pulling it off."

With 30 years in HR, Keith wondered whether the profession had lost control of the debate and was struggling to play catch up? He also identified key areas he believed required changing when reviewing performance management:

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Loosen the connection between pay and performance evaluation

There needs to be a loosening of the connection between pay and performance management if performance management is to become more developmental focused. Guests acknowledged that even when this is done, there needs to be a framework in place to assess an individual's contribution to the organisation.

Loosen the connection between talent potential and performance management

Attendees felt that organisations' attempt to map the multidimensional aspects of an individual's 'performance' and 'potential' on a typical two-axis grid, vastly over-simplified a complex issue.

How can you tell someone: "You're a high performer but low potential"?

Loosening the connection between the performance evaluation process and the identification of talent potential was seen as important. 'Potential' overall is hard to define and organisations may benefit from introducing 'development readiness' rather than 'potential' as a broader view to inform how an individual is likely to stretch in the future. 'Development readiness' looks at aspects such as an individual's capacity and willingness to develop at that point in time.

Guests also talked about taking a 'moderation' approach to ratings as opposed to using a forced distribution of ratings. It's easy for "*managers to hide behind ratings*". This acknowledged a loosening of the connection between evaluation of people solely by the individual's line manager to more widely involving manager communities to comment on where they see an individual's potential and developmental readiness. Guests commented that this approach and greater transparency helps reassure individuals who may not have the trust in their line manager evaluation. One of the guests reflected that "*It helps to be transparent with the moderation process – that people know there are background checks being done after the appraisal.*"

Continuous feedback

There is a clear drive towards offering a more frequent and regular feedback by organisations. Examples given were Deloitte, which is moving to quarterly feedback sessions similar to other consultancy firms who use evaluation after the completion of each project.

Key considerations for process design

The overall complexity and multiple expectations underlying a company's performance management system, reinforces the view that there is no one silver bullet to getting it right. Guests discussed several considerations which would help when defining new approaches.

Consideration 1: Balancing structure with guardrails

In the wish to redesign and simplify processes, many organisations have abandoned structure in preference for a tailored, individual-led approach. Less structure, however, leads to ambiguity about the expectations of the performance conversation. This places greater pressure on managers who may not be ready to cope with the added complexity and find guardrails and structure in the process very useful. Organisations are trusting that managers can deliver high quality coaching style performance conversations with reduced structure to support this. While more experienced managers are likely to welcome the freedom to work with the appraisee, less seasoned managers may want a clear framework to understand what goals and objectives they should be facilitating within the performance conversation.

Consideration 2: Trialling pick and mix approaches

Given the pace of organisational life, shorter project lifecycles and ever changing priorities, it is perhaps self-evident that the more traditional annual performance appraisal approach is less relevant. Imposing a standardised one-size-fits-all approach within large organisations and those operating globally is difficult as a result of the different cultural expectations across countries and different divisions.

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Organisations should be drawing from a wide range of methods and tools to develop a tailored system which meets their own organisational context and culture. One of the guests shared the development of a new performance management approach in her organisation, saying that *"we have been constantly testing and tweaking our approach, piloting a number of different methodologies and selecting the one that worked the best"*. They have currently moved to a flexible performance management process that is based on conversations between the employees and their line managers, and are seeing enhancements to the engagement of their people already.

Making performance conversations work

Successful performance conversations are based on clear communication, aligned objectives and a relationship between the employee and their line manager.

One participant described how their organisation recognises the different expectations of performance conversations. As a result, they are providing support for managers and appraisees to initiate four different types of conversation, each of a different nature:

- To set clear objectives
- To discuss career plans
- To focus on coaching your people
- Great end of year evaluations

Clare Cohen of MDV Consulting, explained that even within the same context and process for a performance conversation, the line manager and appraisee will have very different perspectives on how they:

- think about the appraisal process,
- view the dynamic of their relationship, and
- reflect on their own internal thoughts.

Understanding an individual's stage of development can provide additional information into how they might approach the whole conversation, their career development in general, learn, their feedback orientation and what might be most relevant to them at this point in time.

<p>Earlier stage appraisee <i>"Tell me what I need to say to get the right answer."</i> <i>"Who are you (the manager) to tell me about this?"</i> <i>"What is your expertise in this area?"</i></p>	<p>Earlier stage manager <i>"This is what I know about you and your performance."</i></p>
<p>Results oriented appraisee who seeks effectiveness and mutuality <i>"I need to demonstrate what I can do."</i> <i>"How will this help me to get ahead?"</i></p>	<p>Manager who understands complexity but seeks to minimise this in order to get things done, and looks for action <i>"How many goals have been achieved?"</i> <i>"How do we do even more?"</i></p>
<p>Later stage appraisee noticing the dilemmas in what the system asks of them: <i>"I'm being asked to do more with less but how do we attend to the competing priorities asked of us?"</i></p>	<p>Later stage manager Is likely to embrace less structure and ask novel questions. <i>"How would you interpret your year?"</i></p>

Considering the capacities required, the three that we regularly look at would all seem to be relevant to performance conversations: the conceptual – seeing patterns, the interpersonal – taking multiple perspectives, and the personal – managing self state. People will differ on each element depending on their overall stage of development. Taking account of this when shaping the process and designing development interventions is helpful in order to cater to appraisees and managers who will need varying levels of support.

Enhancing leaders' coaching capabilities

Whilst many were encouraging a more coaching style to conversations, participants highlighted concerns about the capability of managers to deliver such conversations, particularly where there were trust issues between the individual and their manager. Training and support to develop managers' coaching capabilities was seen as a priority. The notion of fully being able to open up to your boss was questioned by some. It was also felt that it was helpful to initially focus on 'performance coaching' skills.

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Practice makes perfect

Giving managers time to practise conversations in a safe environment with peers and with the input of professional facilitators was seen as valuable to give the confidence to venture into better coaching conversations. This intervention enabled the capabilities of managers at varying stages of development to be stretched. Managers who are at an earlier stage of development may need a structure and to be 'taught' how to effect a good two-way dialogue. Later stage managers are given the reflective space to practise more far-reaching questions.

Evaluation on behaviours

Guests talked about introducing behavioural frameworks to the mix of evaluating the impact made by an individual. This was seen as a useful tool in performance management and job specifications to help managers and employees frame conversations about performance and development. This raised questions on how to balance the 'How' or way that impact is made with the 'What' impact has been made. A guest said that at American Express, one of the goals is to help someone else. They use two ratings for executives – one for the 'How' and the other for the 'What'. They explained: *"If an executive left blood on the carpet, they would never get ahead."* Another participant shared that their new behavioural framework was helping their managers to focus their conversations through providing a structure and definition for what was expected; less experienced managers valuing the guardrails the framework offers.

"Our behavioural expectations were developed by our staff themselves. They do actually talk about these. In some ways, they went further than if management had designed these", shared one of the participants.

Mutual accountability

Accountability for conversations should be shared more actively between the employee and the line manager to ensure ownership to drive performance lies with the employee. As a guest said, *"We are emphasising the mutual accountability of conversations: The leader enables and structures the conversation but employees are being empowered to own and drive the conversation."*

Summary

So whilst under real pressure to change the traditional appraisal system and improve performance conversations, organisations would be well advised to pause for thought to reflect on some core aspects before proceeding. In particular:

- be clear what they need their evaluation process to achieve
- improve the coaching capabilities of managers, giving them time and support to practise different types of conversations
- don't seek an off the shelf approach but test many different methods and tools to gauge appropriateness for your context
- ensure the process and developmental interventions account for the developmental stage of the individual and the line manager
- loosen the connection between evaluation for pay and promotion and identifying potential but understand that frameworks will still be needed to deliver these objectives.

First rate performance conversations are never simple to achieve but taking the time to contextualise your approach and working through these aspects will help organisations go some way towards helping everyone work towards their full potential. In times of complexity, resisting the urge to look for a "silver bullet", rather "blowing gently" on the system, in order to make real lasting changes.

With thanks to our contributing organisations:

Cluttons LLP, eBay, Equiniti, Financial Conduct Authority, Go-Ahead Group, King, London Stock Exchange Group, Mackem HR, Open Consulting, Saffery Champness, Slaughter and May, Smiths Group, Stonewall, Vodafone.

References:

1. Bersin 2015 HR predictions report.

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