A GUIDE TO *PERFORMANCE MANAGEMENT:*

Four powerful strategies for HR Leaders

Executive Guide

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Introduction

It's time to rethink traditional forms of performance management.

According to the Society for Human Resource Management 90% of performance appraisals are painful and don't work[1].

Digital technology, driven by mobile devices, social networks and real-time information, is disrupting almost every type of workplace process including HR.

For example, when you hire someone they may move from team to team rather than remaining in one position. These teams often comprise a diverse and multigenerational group of people. Your talent often works outside the nine-to-five, sometimes full-time, sometimes part-time and, in growing numbers, as a contingent workforce.

Your colleagues need performance reviews that take into consideration what they've learnt and their contributions to multiple teams, rather than individual performances. They also need feedback early and often so they can help your business grow.

You need to be able to retain your talent, transform them into star performers, and add to your company's bottom line.

All of this means an annual performance review is not the answer. This type of review is infrequent, slow and linked to outdated models of performance management.

The question for forward-looking business leaders and HR professionals is clear:

How can you manage the performance of your talent in a way that helps them (and your business) grow?

In this guide, we'll reveal four strategies that will answer this question and help you excel at managing the performance of your talent.

Digital technology is disrupting every type of workplace process, including HR.

Sources: 1   Meinert, Donna. Is It Time to Put the Performance Review on a PIP? 2015. Society for Human Resource Management, 2015. Available at https://www.shrm.org/hr-today/news/hr-magazine/pages/0415-qualitative-performance-reviews.aspx

Strategy #1
Check-in early, check-in often

Most people want to know how they're doing and where they can improve. But how can you expect employees to improve if you only offer constructive feedback once or twice a year?

Reviewing the progress of your employees more often is less intimidating for all involved, and this way of working will help you and your colleagues set better goals.

Take the case of Adobe.

In early 2012, Donna Morris, senior vice-president of global people resources at Adobe, was tasked with finding a new approach to performance management that reflected the company's real-time business model and reduced attrition rates.

Morris recognized that the old system of ranking employees meant every interaction with a teammate could be viewed as competition rather than collaboration.

The power of frequent feedback

After months of brainstorming and feedback from employees, Morris and her team landed on a solution – check-ins. Now, Adobe's check-in culture revolves around clear expectations and frequent feedback, without ratings or rankings.

This new model of performance management allows different parts of the organization to determine how frequently they should hold check-in conversations according to their work cycles.

Confident, empowered managers

What's more, managers are confident and empowered to make decisions about salary increases and more.

"Employees are engaged in feedback; we are saving approximately 80,000 hours of our manager's time in the annual review process; and our voluntary attrition continues to trend downward," Morris writes[2].

"We continue to enrich the check-in approach and use it as a foundation for fostering employee growth, leadership, and talent development."

The research supports Adobe's way of working.

The NeuroLeadership Institute[3] revealed that managers will talk to their teams more often about their performance once the pressures of justifying ratings are removed.

More frequent communication helps with employee engagement, development, and fairer pay, as managers better understand how their people are doing.

Establish a cadence of fortnightly check-ins with your team members, wherein you discuss their progress.

Sources: 2   Lessons learned from check-in. Donna Morris, Adobe, 2014. Available at
                  https://blogs.adobe.com/conversations/2014/03/lessons-learned-with-check-in.html.
            3   What really happens when companies nix performance ratings, David Rock, HBR. Available at
                  https://hbr.org/2015/11/what-really-happens-when-companies-nix-performance-ratings

Strategy #2
Separate performance management from salary

Let's face it.

The old models of performance management put the manager and the employee at odds. Typically, a manager will want to discuss performance while and employee will want to talk about career advancement and compensation.

Today, decoupling the link between an evaluation and compensation is a crucial feature of the new models of performance management.

Liz Ryan, Forbes columnist and CEO/founder of Human Workplace, describes the traditional evaluation practice as, "the best culture-killer and trust-destroyer ever discovered."

"You want your team to be focused on their goals and the team's goals. You don't want them to stop and wonder, 'Am I doing okay, in my manager's eyes?'"

Liz Ryan, Forbes columnist

"Performance reviews are one of the biggest impediments to the team mojo that every leader needs to have flowing freely on his or her team, because they pit your employees against one another."

Focus on goals not ratings

"You want your team to be focused on their goals and the team's goals. You don't want them to stop and wonder, 'Am I doing okay, in my manager's eyes?'"

Instead of holding annual performance evaluations, separate ratings from salary and shift towards focusing your team on their goals. Then, coach employees to work towards their goals, without being worried about taking risks. This enables your team to focus on their work rather than getting ready for an evaluation.

To succeed at this approach, you and your management team will need to develop the skills to coach and mentor others over time.

You will also need to mark the progress of your talent and celebrate them publicly. This open approach to performance management encourages people to check their goals more often and see what colleagues are saying.

According to BetterWorks, employees who review their goals ten or more times over the course of a quarter are 21% more likely to achieve them compared to those who check their goals infrequently.

Separate conversations with colleagues about their performance from conversations about their salaries.

Strategy #3
Redefine how your company
gives and receives feedback

How do colleagues in your company give and receive feedback?

Josh Bersin, founder and principal at Bersin by Deloitte, believes we should use the concept that "feedback is a gift". We give it kindly, we receive it carefully, and we thank the giver.

"If we think about feedback in this way, we can open the floodgates to constructive suggestions – and find a myriad of ways to run our operation better," says Bersin.

A modern approach to feedback

General Electric, a company that initiated traditional performance management, has adopted a new approach to giving and receiving feedback.

GE developed an instant feedback app called PD@GE (Performance Development at GE), so its 300,000 employees worldwide can gain feedback on their performance 24 hours a day.

Peer evaluation is one of the most effective ways to give (and receive) feedback about an employee's performance too. This involves assessing the views of managers who have worked, but not necessarily managed, an employee, alongside the views of their peers and colleagues from other departments.

"Employees value recognition because it's coming from colleagues they have daily contact with"

Josh Bersin, Bersin by Deloitte founder

Crowdsourced Recognition

A report by Globoforce[4] showed that 80% of employees see crowdsourced feedback as more accurate than traditional forms of performance management, with 76% of employees saying crowdsourced recognition data should be added to performance reviews.

Although crowdsourced feedback may be a new idea to HR, consumers are comfortable with it – having rated holidays, restaurants and products for years.

Employees value recognition they receive and respect the insight into their strengths and weaknesses because it's coming from colleagues they have daily contact with.

Whether it's a 'thumbs up' or written comments, your performance management solution should capture this information over time. This way, you can build a complete picture of an individual's performance.

Gather feedback you receive about your team members over time and encourage your colleagues to do the same.

Source: 4 Summer 2013 Workforce Mood Tracker survey, Globoforce, 2013. Available at
            http://www.globoforce.com/wp-content/uploads/2013/09/Summer2013Moodtracker.pdf

Strategy #4
Celebrate a culture of continous learning

Your company values innovation and your employees want to advance their careers. So, how can you balance both sets of interests?

"You often hear companies saying that their people don't innovate," says J.T O'Donnell, CEO of career and HR coaching company Workitdaily.com.

"That's often because they have a performance appraisal system that only rewards them for being right. So... they make sure they're always right. There's little or no opportunity for trying new things."

Experience, learn, grow

For employees to feel confident about trying (and learning) new things, O'Donnell recommends managers give employees stretch assignments and adopt the concept of 'experience, learn and grow' – even if this sometimes means failing.

"You're giving [employees] opportunities to learn new skills," she says

"An employee comes to you and presents exactly what they've learned over three months, six months, a year. They talk about what they've learned and...how what they've learned has made them grow and do their job better."

"Give employees stretch assignments and adopt the concept of 'experience, learn and grow"

J.T O'Donnell, CEO of career and HR coaching

The path to personal and business growth

Helping your team establish learning development plans enables them to take ownership of their personal development – whether that's through mentoring, skill-assessment programs, online learning, in-house development and so on. These learning reviews should be held within the context of the individual's ability to contribute to the company's revenue and performance overall.

Once you do this, people who want to develop their career will look for feedback and expect answers to questions like: "What skills and training do I need to get to the next level?"

If you can answer these questions and mark the learning milestones of your employees, you will retain and turn your employees into star performers over time.

That's good news for a business that wants to innovate.

Rather than asking your employees what they achieved, ask them what they learnt and how they intend to put these learnings into practice.

The journey of your talent (and your business)

Today, your approach to performance management must allow for social feedback and regular check-ins. It should also link performance to goals, learning and peer recognition. And you need all of this in real-time.

In 'HR Technology in 2017: Disruption Ahead', Josh Bersin describes the need for technology to give employees 'journeys' and 'solutions' to their day-to-day transitions.

"In every case, we want to integrate all the various transactions, support, and advice employees need into one place," he writes. "We have to consolidate HR and people data in a meaningful way."

A solution that supports the employee journey

An integrated, cloud-based HR solution, supports this concept of the employment journey. By bringing together all your people into a single, secure system of record, performance management is no longer a siloed function, but integrates with your company's talent development, payroll, core employee records, learning management and career planning.

When your HR processes are in one place, Bersin believes you transition "away from systems to manage transactions and HR processes toward systems to make employees' work lives better."

Sage has a cloud-based solution that will help your performance management strategy succeed. Our solution works on any device, and it brings payroll, learning and talent management together. Best of all?

It's what you need to get performance management right.

"When HR processes are in one place, you have a system to make employees' work lives better"

Josh Bersin, Bersin by Deloitte founder

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