

# Performance management for the next generation

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## The headlines: truth or fiction?

Harvard Business Review – “Kill your performance ratings”

Bloomberg – “Microsoft kills its hated stack ranking”

Deloitte – “Reinventing performance management”

Accenture – “getting rid of annual reviews and rankings”



Why Millennials Think Reviews Suck

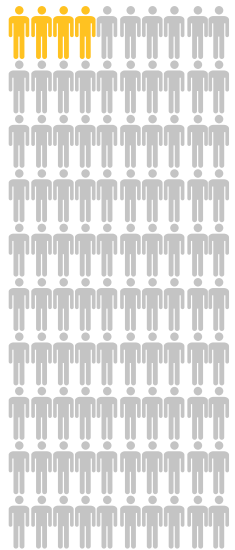


# Getting behind the headlines, a different picture emerges

Although change is happening

**70%** of companies have already or intend to make changes to performance management

What we're seeing isn't as radical as recent press might lead us to believe...



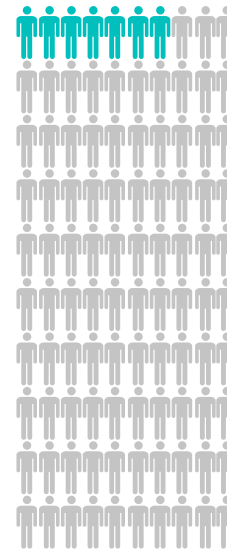
**4%**

of companies have or are actively working on scrapping performance management altogether



**71%**

of companies with performance ratings / scores have no intention of eliminating their use any time soon



**7%**

have taken the decision to implement a ratingless approach to performance management

# What's driving the desire for change?

1

Perceived effectiveness – employees and employer

2

Cost / time – too little or too much?

3

Technology – it's getting better!

4

Following the 'crowd' – let's go ratingless!

# Employees continue to say that performance management – as they experience it – is not very helpful

1

## Perceived effectiveness – employees and employer

The extent to which you agree with the following statement:	UK	Global
People are held accountable for their performance at my organisation	53%	56%
The people who evaluate me have clear visibility of my performance on the job	51%	56%
My performance was accurately evaluated in my most recent review	49%	52%
My organisation explaining our performance management process well	50%	50%
My performance reviews have helped me improve my performance	40%	48%
High-performing employees in my organisation are rewarded for performance	43%	46%
There is a clear link between my job performance and my pay	37%	45%
I am satisfied with the performance management process at my organisation	29%	31%

# While more favourable, employers are not enthusiastic about their performance management process either

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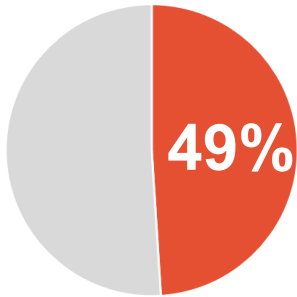
## Perceived effectiveness – employees and employer

The extent to which you agree with the following statement:	UK	Global
Aligning individual performance objectives with strategic business priorities	63%	76%
Identifying high, average and low performers	72%	74%
Reinforcing key organisation-wide values and desired behaviors	78%	73%
Providing a mechanism for differentiating rewards	65%	70%
Driving high performance across the workforce	57%	67%
Informing development needs and plans	64%	64%
Providing a mechanism for determining talent program eligibility	44%	60%
Encouraging employees to set stretch goals	45%	60%
Creating a positive employee experience	41%	51%
Clarifying accountability of specific roles	32%	47%

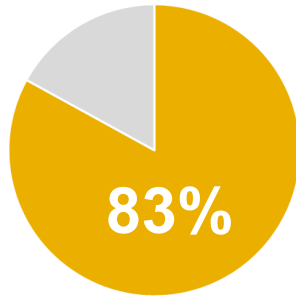
# Most companies admit that the time spent on performance management could be better allocated

2

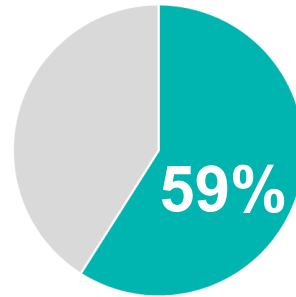
Cost / time – too little or too much?



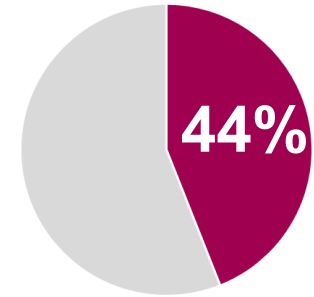
of companies report that **too little time** is spent on performance management



invest less **than six hours** per year on each employee



invest less than **four hours** per year on each employee



want **more frequent touch points** between managers and employees

The general perception is that **too much time** is spent on the **wrong things** (box ticking, filling in forms) meaning that investment in performance management can see little return

# Which is why technology and a forward looking focus are so important

3

## Technology – it's getting better!

### TECHNOLOGY

47%



of companies have either or are about to make changes to implement new **technology**

### FOCUS

33%

Have already or plan to change the focus of performance management to place more emphasis on **forward looking potential**

## Companies are looking to:



- Spend **more time** on the **right activities** (discussions, calibration)
- Focus on improved **manager capability and effectiveness**
- Shift the emphasis of performance management from a once or twice yearly event to an **ongoing conversation**



# A number of companies have moved to a ratingless performance management approach without really thinking things through

4

## Following the 'crowd' – let's go ratingless!

### Expectation

Managers can better engage employees

Time spent on informal increase will increase

Quality of manager conversations will improve

Managers will be able to better differentiate pay

### Reality for most\*

Employees are less engaged

Managers have more time but time spent on performance conversations declines

Manager conversation quality declines

Perceptions of pay differentiation decrease

*Source: CEB Corporate Leadership Council, 2016*

# Great performance management starts with a clearly articulated philosophy

Why is performance management **important**?

What is the **purpose** of performance management?

- **Focus:** Short term performance improvement vs. long performance and development of potential
- **Performance:** Identifies performance excellences vs. expected performance

Is performance management a **learning and development** tool or **performance and reward** tool?

Should performance management be a **single consistent system** applied across the organisation or be segmented reflect local needs and practices?

Will performance management be a **formal annual review** process or more informal and frequent?

Is the emphasis on **differentiating** according to performance or on improving everyone's performance?

Is the focus on **KPIs** or employee **behaviour**?

Is the emphasis on **consistency** or on one-on-one discussion and **tailored outcomes**?

Will performance management be driven by **top down** business goals and need for business alignment or **bottom up** by employees and their roles for engagement purposes?

# Engage managers in the process and remember that they're employees too

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**56%** of companies are concerned that **managers don't have the necessary skills** to support an effective performance management process

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**39%** think that line **managers don't see the value** in the performance management process

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**26%** of companies cite **low levels of senior manager support** as a barrier to effective performance management

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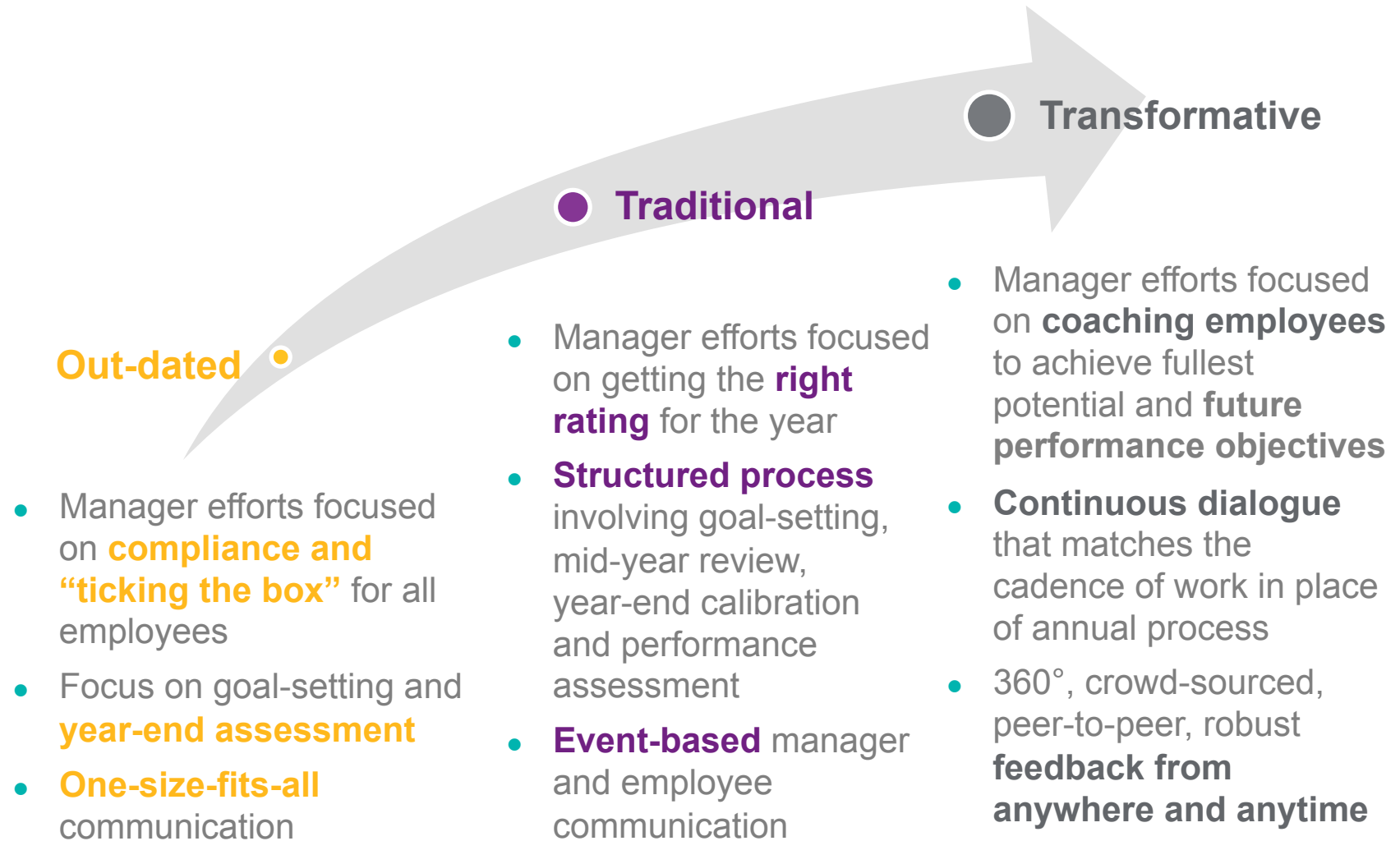
Provide practical **tools** to support performance conversations:

- Technology to prompt and document feedback collection
- Career pathways
- Capability frameworks

Demonstrate **value** through linkages to:

- Pay and promotion decisions
- Employee engagement
- Competency frameworks
- Business performance

# Listen to and focus your efforts around what employees want



# Don't be afraid of technology

Some organisations are considering how they use technology to collate feedback and drive high performance. For example using social media based platforms to crowd source feedback to provide it in real time

Individuals today work with greater emphasis on matrixed relationships, and 'network' performance

Organisations are leveraging crowd-sourcing - colleagues provide performance ratings; the people manager still maintains a role in shaping the performance rating, but the involvement of peers shifts the culture of accountability and transparency to include horizontal feedback

Mobile software and social media innovations in web-based social Performance Management software help improve performance through social goals, continuous feedback and meaningful recognition

## Peer-based performance evaluations example:

Feedback providers (inputters) are selected not based on formal reporting relationships but rather on visibility into peers' work (decided by committee chairs)

- Inputters rank employees based on contribution to enterprise not detailed performance criteria (i.e., not based on objectives or competencies)
- Employees may be given equal rankings if value is perceived as equivalent
- Contribution committees attempt to reconcile divergent/contradictory input

These technology platforms promise to drive results-based cultures, people know where they stand in real-time, with transparent results and accountability

## Highlights of One Contender: work.com

- Each employee's profile contains their work objectives and results
- Real-time feedback via mobile apps occurs through comments and Facebook-esque "likes" and badges
- Online coaching empowers just-in-time learning
- Employees can invite others to commit to shared goals

The screenshot shows a user profile for Dan Perkins, Manager at Elliot Executive, with email salpert@salesforce.com. The profile includes tabs for Feed, Overview, Recognition, Goals, Feedback, and Coaching. The 'My Goals' section is highlighted, showing a table of goals with icons, titles, descriptions, progress bars, and dates.

Goal Title	Icon	Description	Posted By	Date
Key Win	🏆	Great job helping me close the deal today! It was definitely a key win for us!	Elliot Executive	Sep 27, 2013
Be a Superstar	🌟			
Holiday Hotshot	🎉	Amazing job having the most pipeline for the year Dan! Enjoy your free vacation!	Elliot Executive	Sep 27, 2013
Go the Extra Mile	🏅			
Deal Maker	💰	Awesome job crushing your numbers for this quarter! Maybe try and share some tips with the newcomers	Elliot Executive	Sep 27, 2013
Great Customer Satisfaction	⭐	69% <div><div></div><div></div><div></div><div></div><div></div></div>		Aug 30, 2013
Improve Team CSAT by 25%	👥	50% <div><div></div><div></div><div></div><div></div><div></div></div>		Aug 15, 2013
Increase Pipeline by 25%	📈	7% <div><div></div><div></div><div></div><div></div><div></div></div>		Oct 15, 2013



## Measure, measure, measure (the right things)... and improve

To reinforce the importance of performance management, there has to be alignment between the objectives a company sets and the way effectiveness is defined and measured. As things stand some of the value is lost through a “tick box” approach to measuring effectiveness:

76%

measure the **number of performance reviews** completed on time

30%

**don't measure anything**

20%

look at the **quality of goals** set and feedback provided

8%

assess the extent to which feedback and coaching is provided **throughout the year**

## In summary...

**Use technology better.** Technology is the key enabler of a more efficient performance management process. Make sure it is tied to other HR processes and that the user experience enables simple feedback documentation

**Give managers the education and support** they need to do a good job of performance management – don't expect it to come naturally. Provide the tools to support effective performance management conversations, for example career pathways and competency frameworks

**Make evidence based changes** rather than changing for the sake of change or because market practice, or the press, suggests something new

**Involve people** in changes to performance management. Collect their feedback, act on it and make them accountable for doing something with it

**Focus on the things that matter.** Avoid turning performance management into a tick box exercise by measuring, and communicating, what matters and why

# Questions?



# Contact me!

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