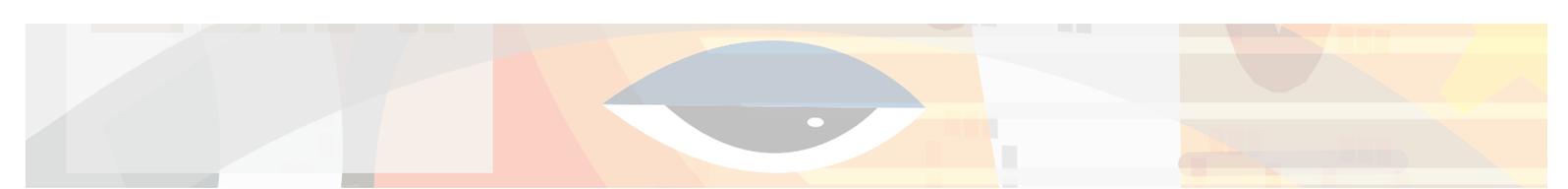




Transforming Your
Performance
Management System:

6 COMPANIES
THAT ARE LEADING
THE WAY

By Sherman Morrison
&
Don Weobong



Think through your PM system again in greater detail using these four basic PM objectives to help pinpoint areas where your system is clearly falling short. When it comes to effectively addressing organizational problems, getting a clear picture of the situation is more than half the battle.

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Annual reviews have received a seriously bad rap in recent years, as indicated by such headlines as *Time to Scrap Performance Appraisals?* *Is it Time to Give Up on Performance Appraisals?* and *It's Time to Abolish the Employee Performance Review*. Typical problems with performance reviews are summarized below. How many of them feel all too familiar to you?

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If you've ever felt a kind of mind-numbing effect when it comes to performance reviews, you're not alone. As one author put it, "A friend of mine was recently dinged in a performance appraisal for being 'too enthusiastic.' Translation: Be less alive, more like a zombie." Some neuroscientists are beginning to apply knowledge from their field to leadership, and when it comes to performance appraisals, the news isn't very good. By focusing on what an employee did or didn't do well during the year, the annual review creates a fear-state in the brain that then limits the ability to absorb any useful information.

ENDLESS TINKERING

Your company might actually be paying attention to its PM system, even making changes from year to year, but is it real change or just tinkering with an already broken system? If the tweaking of the system amounts to changing from a 3-point to a 5-point rating scale, or making slight adjustments to the rating criteria, your company is missing the more substantial issues at the root of performance management. This

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Then there's the temptation to use performance appraisals in the kind of force-ranking system popularized by Jack Welch at GE, wherein managers are only allowed to hand out so many appraisals at each performance level, and those that are forced into the bottom ranks can expect to kiss their jobs goodbye. It's still a surprisingly popular approach in spite of the fact that Microsoft is the latest company to scrap the system because it does more harm than good. Meanwhile, Yahoo! is actually ramping up its forced-rankings system. When you set up a system in which failure is inevitable for some people, you'll wind up with employees who will do whatever it takes to beat the system. That's hardly the kind of positive atmosphere we want for our organizations.

TOO LITTLE TOO LATE

The way most performance reviews are constructed lead to a baffling set of questions: If performance is so important, why in the world would we review it only once, or in some cases, a few times a year? Shouldn't employees be receiving valuable feedback all the time? Can one single person really do an adequate job of analyzing an employee's entire productivity over the course of 12 months in one sitting? Since when does any employee's work involve primarily a 1-to-1 relationship with a single manager or supervisor? If someone really is a poor performer, wouldn't you want to show them the door before an entire year has passed?

WHY CHANGING YOUR PM SYSTEM IS HARD

Given the depressing statistics and outlook on annual performance appraisals, you'd think companies would be jumping at the chance to overhaul or even abolish such systems. Think again! There's an incredible amount of inertia to making such changes. Besides the general resistance to big changes in modern organizations, there are many reasons

¹² Forbes: <http://www.forbes.com/sites/joshbersin/2013/05/06/time-to-scrap-performance-appraisals/>

¹³ HRMagazine: <http://www.hrmagazine.co.uk/hr/features/1075041/is-performance-appraisals#sthash.07sq1lk0.dpuf>

¹⁴ Psychology Today: <http://www.psychologytoday.com/blog/wired-success/201006/its-time-abolish-the-employee-performance-review>

¹⁵ CBS Money Watch: <http://www.cbsnews.com/news/is-your-company-turning-you-into-a-corporate-zombie/>

¹⁶ CEB: <https://www.executiveboard.com/blogs/is-the-performance-management-system-dead-or-creating-zombies/>

¹⁷ Harvard Business Review: <http://blogs.hbr.org/2013/06/give-your-performance-manageme/>

¹⁸ Forbes: <http://www.forbes.com/sites/petercohan/2013/11/13/marissas-second-epic-fail-microsoft-abolishes-stack-ranking-as-yahoo-ramps-it-up/>

¹⁹ SHRM: <http://www.shrm.org/about/foundation/research/Documents/1104Pulakos.pdf>

Introduction

WHAT'S WRONG WITH PERFORMANCE MANAGEMENT & ANNUAL REVIEWS?

The short answer to the above question is plenty. Few things in life produce more moans and groans in the workplace than the mind-numbing, fear-inducing ritual of annual performance reviews. In recent years, there have been calls for companies to free themselves from this burdensome practice. If you don't believe that the performance review or performance management (PM) in general is in dire straits, read on.

10 STATISTICS ABOUT PERFORMANCE MANAGEMENT THAT WILL BLOW YOUR MIND

1. 45% of HR leaders do not think annual performance reviews are an accurate appraisal for employee's work.
2. CFOs spend at least 40% of their time on business performance management, but they estimate that 30% of their company's performance potential is lost due to ineffective performance management processes and behaviors.
3. Only 23% of HR executives think that their PM process accurately reflects employee contributions.
4. Only 8% of companies report that their performance management process drives high levels of value, while 58% said it is not an effective use of time.
5. A poll with 2,677 respondents revealed that 98% find annual performance reviews unnecessary. Among the respondents were 645 HR managers, 232 CEOs, and 1,800 other employees.
6. Only 14% of organizations are happy with their performance management system.
7. Two-thirds of performance management systems misidentify high performers.
8. In 2013, most organizations

needed a 20% improvement in employee performance, but typical performance management can only improve performance by 5%.

9. 58% of organizations rated their performance management systems as "C Grade or below."
10. 30% of performance reviews end up in decreased employee performance.

Clearly, something is amiss when it comes to performance management and annual reviews. In fact, given the above statistics, it's a relatively safe bet to say that performance management in your own company is lacking in some way or not delivering the kind of value you wish it could deliver.

GETTING BACK TO BASICS

According to PM expert Edward Lawler, Director of the Center for Effective Organizations housed at the University of Southern California's Marshall School of Business, you need to keep in mind the four primary objectives of PM:

DEFINE WHAT PERFORMANCE IS NEEDED

You have to know what needs to be done and how it should be done, and there has to be agreement on this throughout the organization.

DEVELOP EMPLOYEES

The point of PM has to be to help employees develop the skills and knowledge they need to contribute to the needed performance that has been defined.

MOTIVATE EMPLOYEES

The third thing your PM system should do is motivate employees to perform as effectively as possible. You can have all the highest talent in the world, but if they aren't motivated to perform, you're not going to get very far.

PROVIDE USEFUL DATA

Your PM system should be your go-to source of data on that can measure the skills and knowledge of your workforce, as well as whether or not employees are performing as well as you need them to perform.

¹ Globoforce: <http://www.globoforce.com/news/press-releases-archive/shrmgloboforce-survey-reveals-growing-impact-vof-recognition-programs-on-performance-management/>

² CEB: <http://news.executiveboard.com/index.php?s=23350&cat=2682>

³ CEB Blogs: <https://www.executiveboard.com/blogs/three-key-shifts-shaping-hrs-agenda-in-2014/>

⁴ Deloitte University Press: <http://dupress.com/articles/hc-trends-2014-performance-management/>

⁵ HRMagazine: <http://www.hrmagazine.co.uk/hr/features/1075041/is-perfor->

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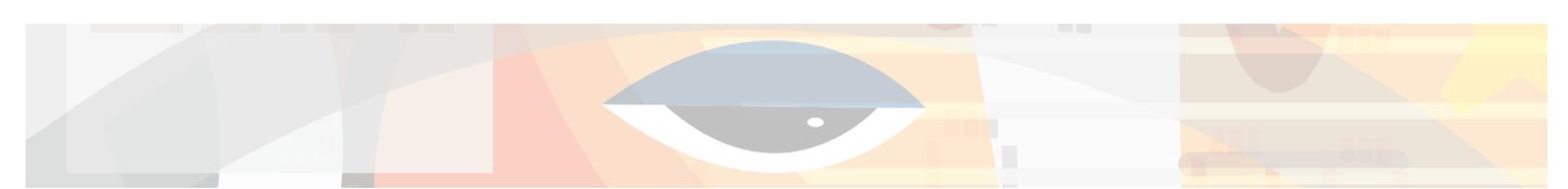
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⁸ CEB: <http://www.executiveboard.com/exbd/shl/talent-expert-series/performance-in-new-work-environment/index.page>

⁹ WorldatWork: <http://www.worldatwork.org/waw/adimLink?id=44473>

¹⁰ Psychology Today: <http://www.psychologytoday.com/blog/wired-success/201006/its-time-abolish-the-employee-performance-review>



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