

The Performance Management Process

IS IT TIME TO CHANGE THE TUNE?

By Dr. David S. Cohen

Is the traditional performance review process worthwhile?

According to Mercer's 2013 Global Performance Management Survey, only three per cent of organizations say their performance management system delivers exceptional value, while 48 per cent say their overall approach to performance management needs work. Some companies are scrapping the process altogether. How did such a valuable tool become so questionable?

It helps to remember how we got here.

TIME, MOTION AND RESULTS

Managers were not subjected to formal performance reviews until the mid-1950s, when Peter Drucker introduced the concept of "management by objectives." Therefore, the first phase of modern performance management was based on setting objectives. It was a top-down assessment activity, suitable for hierarchical organizations, and directly affected salary and employment. Feedback was based on hitting numbers. Employers began tracking results and monitoring those who contributed to results. Performance rating scales were also put into place.

STANDARDIZATION

By the late 1960s, guidelines for a more fair and objective selection process came into effect. This impacted the performance appraisal, and the era of formalization and standardization began.

The foundation for the review was the prior year of employment. Skills to be developed were based on the requirements of the job itself, and assessed by how the employee performed the previous year.

Soon companies began to build more strategic performance management systems using the appraisal to develop skills needed to achieve the coming year's objectives. In this way, individual objectives were linked to the business strategy, which was operationalized by the business unit or department. Employees began to get a clearer understanding of how they contributed to overall results.

Fairness and objectivity was still at issue in those sensitive times, and the status quo became the standard for reviews, so managers ended up comparing direct reports rather than focusing on the individual. Development remained focused on skills and knowledge,



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however, and performance management continued to be a frustrating and consuming activity. Nevertheless, employees, in theory, had a better grasp of what their bosses thought of them and expected from them.

DEVELOPMENT

As the system evolved, the performance management process began to focus on the development of behaviours or attributes, as well as skills and knowledge. It was believed that productivity increased when individuals were a better fit for their role.

People development became central and companies began to train their managers with coaching skills, since research showed that companies that coached for development generated twice the revenue of those that did a poorer job.

FORCED RANKING

At the same time that coaching was increasing in popularity, another performance management perspective was evolving. Forced ranking, or forced distribution, was made popular in the mid-1980s by GE. Regardless of how well an individual performed, they were ranked against their peers. The bottom was cut, and the middle and top were nurtured.

This approach was adopted by many Fortune 500 companies, and it put the emphasis on individual success just as organizations were becoming more teamwork-oriented. Not surprisingly, ineffective behaviors – like putting self before team – were reinforced as a result.

ACCOUNTABILITY

In the past few years, we've learned that forced ranking creates disarray and dissension, while pay-for-performance is demotivating. Accordingly, organizations are looking to shift or eliminate their performance management process.

If pay is not a motivator, what is? We turn to accountability and the idea that when people are successful, the organization is successful.

This idea, by its nature, takes a manager's eyes off the rear view mirror and turns the gaze forward. Improving the individual contributor's performance improves the team's performance, which improves the organization's performance.

It's necessary in such a system for the employee to have a clear understanding of the company's values, the behaviours that produce success in that culture and the goals that help that employee advance the strategic business plan. This gives everyone a clean line of sight from the present to the future of the business.

PERFORMANCE DIALOGUE

Performance management needs to become an ongoing dialogue in which manager and report both have responsibility for helping each other succeed. In such a system, formal reviews would be eliminated but performance conversations would be frequent and reports would feel as entitled to initiate them as the manager. "Big data" could play a significant role in such conversations, providing insights and reinforcing strategic goals, but the focus would be firmly on the needs of the future, not the past.

Starting in late 2011, Adobe has broken ground with a transformation of their former performance management process to a series of "check-in" dialogues. The process has three forward-facing steps:

1. The manager and employee come to a mutual understanding of what is expected of them and why.
2. The manager meets with the employee at least every two months for a check-in, providing feedback and gathering information on how to help the person be successful in meeting their commitments.
3. Manager and employee must talk about expectations and frame the discussion as an opportunity for growth.

Adobe has introduced this approach in all its global locations. By and large, they have found that, by severing compensation from the performance dialogue, motivation has actually increased.

This is a positive development, and a healthy sign that performance dialogue remains a critical tool for developing people according to organizational values and strategic needs. It shows that people respond to open, timely and future-focused conversations that help them improve and succeed.

During more than a century of performance management, our goals remain the same. It is only our understanding of what motivates people and leads to better results that has improved. ■

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