New Directions for Performance Management

By Michael Stanleigh, CMC, CSP, CSM

It's time for traditional performance management systems to change towards a newer, more effective, coaching system that focuses on employee achievement of measurable goals and objectives rather than formalized annual appraisal systems that only communicate one-way.

The Problem with Traditional Performance Management

The current model of Performance Management uses the annual or twice-a-year "Performance Review" to provide employees with feedback on their job performance. The problem with this system is that it's disruptive and counterproductive.

According to Dr. Samuel A. Culbert, professor of management at the UCLA Anderson School of Management, "A one-side-accountable, boss-administered review is little more than a dysfunctional pretense. It's a negative to corporate performance, an obstacle to straight-talk relationships, and a prime cause of low morale at work. Even the mere knowledge that such an event will take place damages daily communications and teamwork."

And Dr. Culbert is not alone in his viewpoint. Joris Luijke, VP of HR/Talent at the Australian software development company, Atlassian agrees. He says, "The twice a year model (of performance reviews) did exactly the opposite to what we wanted to accomplish. Instead of an inspiring discussion about how to enhance people's performance, the reviews caused disruptions, anxiety and de-motivated team members and managers. Also, even though our model was extremely lean and simple, the time investment was significant."

Perhaps this is because performance reviews and appraisals are rarely given in an environment where true coaching and feedback to employees can take place. Managers are often under a misguided pretense that they are actually coaching; whereas they are really just giving one-way feedback, from manager to employee, about the employee's work related performance. These reviews are held in an environment and use language and processes that are not aligned with coaching. And employees know it. Any pretense towards some form of coaching is met with distrust on the part of the employee. As a result, performance reviews rarely achieve what they set out to accomplish.

It's Time to Get Rid of your Performance Reviews

The Performance Management System goal should be to provide on-going coaching and feedback to employees about their job performance, their goals, their approach to innovation and the opportunities before them to create value for their department and its customers. Compare this to the process for readying Olympic athletes for top

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performance. Olympic athletes don't receive reviews a couple of times of year. If they did, they'd fail. Rather, they receive on-going coaching. This type of feedback creates an *immediate* awareness of what they're doing right and what they need to do to overcome barriers and do even better.   With this in mind, perhaps it's time to throw out this current process of Performance Reviews and replace it with a more effective method for developing performance.

There are progressive companies out there that have moved away from traditional performance reviews, in favor of creating cultures of coaching, feedback, development, and high performance. Such organizations have managed to re-shape their cultures to ones based on coaching; where everyone in a leadership role is trained on how to coach. In this way, leaders give their employees *constant* performance feedback, which in turn, engages employees and creates a desire to continuously improve. According to Ken Blanchard, a global leader in leadership training, it is "the breakfast of champions." This is because, rather than once or twice yearly, coaching happens throughout the year; possibly every day. And because it is on-going, it eliminates the need for formal annual appraisals and reviews.

One such company is Atlassian, an Australian software development company. On the basis of their concerns with their traditional approach to performance appraisal and managing performance and their inability to find viable alternatives out there, they made innovative changes that have worked well.   To begin, they analyzed their traditional performance review model in detail. They asked what made people perform better and what parts of the reviews worked well. They talked at length with other tech companies about their experiences and asked if the negative aspects of reviews, mainly related to de-motivation and the high levels of anxiety, tend to disappear after a while and found out that they don't.

As a result, they replaced the traditional performance review structure with a more lightweight, continuous model. They incorporated the constructive aspects of reviews in the existing one-on-one meetings but used their regular weekly one-on-one meetings with team members as an opportunity for feedback and coaching. Now, every month, one of these meetings is dedicated to a discussion on how the person can enhance their own performance and play to their strengths. In so doing, they removed the unconstructive focus on ratings and distribution curves.

Atlassian also modified their compensation system by eliminating individual bonuses, paying top market salaries rather than bonuses, and offering stock options to all employees so people will benefit from the company's growth/increased value over time.

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Overcoming Resistance to the New Model

I've often heard that managers resist the concept of on-going coaching because they believe it is too time-consuming. Actually, it is quite the opposite. Managing poor employee performance is extremely time consuming. This is because managers have to provide written reviews, spend time with employees to discuss these reviews, monitor progress made based on these reviews and provide corrective feedback as required. In contrast, on-going coaching might take 5 minutes of a manager's time every week. Yet it is a powerful force in demonstrating the concern the Manager has for the employee's development. With such enhanced and regular communication and interaction, corrective measures are more easily and seamlessly applied and results are visible fairly quickly.

Measuring Management's Performance

Most Performance Management Systems focus on employee performance and rarely touch on management's performance. Yet managers cannot achieve their performance goals on their own. They accomplish their goals through their employees. If they're not constantly coaching their employees, how can they be certain their goals will be met?

Management's performance is generally assessed on their ability to:
- Create value-added products, services and ideas
- Engage staff in creating new ways of working and new work processes
- Ensure their customers are satisfied

To achieve these goals, managers must be trained to ask staff:
- What are you working on? (i.e., not just about the day-to-day job but about any ideas for change, improvement, etc.)
- What are the potentials? (of their ideas)
- What are the applications this might have in the future? (i.e., To improve the department, its customers and employees)
- What are your challenges? (So the manager can immediately explore, with the employee, ideas on how to overcome these challenges)
- How can I help? (Which is a critical element in coaching)

These questions ensure that managers fully engage their employees by involving them, informing them and inspiring them.   It leads to greater empowerment among staff because it unleashes their creativity. As management consultant Peter Drucker once said, "So much of what we call management consists in making it difficult for people to work." Therefore, in our jobs as managers, we must actually: develop people, support them, and then get out of the way.

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A New Performance Success Process

The thing with traditional reviews is that, despite good intentions, these reviews tend to focus mainly on two sections: the manager rating and the employee's weaknesses. As a result, even if a person receives a "good" rating, most of the interview time will be consumed by justifying why the person didn't get an "outstanding" rating. This limits the value of these sessions.

Therefore, it makes more sense to discuss specific topics as separate conversations; dispensed continuously throughout the year, in bite-sized chunks. These conversations provide the employee with more complete feedback about strengths, weaknesses, and/or career development. The outcome is that the feedback becomes more actionable and motivational. As well, it provide an opportunity for managers to mentor and coach for success.

So how do you begin?

1. **Rip apart the traditional performance review**
   - Start by analyzing your existing Performance Management System and identifying what is working and what is not. Incorporate the constructive aspects of reviews into existing one-on-one meetings and coaching opportunities and create a policy that requires all managers to engage in on-going, one-to-one coaching sessions with their employees on a regular basis. More often is better. Consider doing it at least monthly.

2. **Provide managers with tools and training to conduct coaching and on-going staff development conversations.**
   - Possibly split the review sections into bite-sized chunks of separate conversations and allow managers to incorporate them with their own coaching topics as well as business plan objectives. Ask managers to allocate one of the weekly one-on-one meetings to a coaching topic.
   - Train your managers to provide coaching that focuses on goals and objectives rather than competencies.
   - Create conversation guides to help everyone stay on topic, and to supply tips and tricks on how to facilitate the conversations.

3. **Support performance with appropriate compensation strategies**
   - Consider how the compensation structure is working to support the productivity goals and objectives for your organization and look for ways to optimize it.

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Summary

The ideal process for managing performance is one that successfully motivates and supports staff to contribute to the achievement of the goals and objectives of the organization. A continuing process that encourages on-going communication and coaching between managers and their employees has many benefits and advantages over traditional Performance Management.

Re-think how your organization manages employee performance. Create performance terms that identify how each employee's efforts link to the organization's mission, vision, values and overall business plan. Then give employees feedback about their individual performance and coach them to succeed. With continuous feedback and coaching it will become easier to realize organizational performance goals because employees are more aware of what's necessary for them to improve and managers are able to incorporate on-going changes to the business plan throughout the year into every employee's performance deliverables.

About the Author

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