



HUMAN ASSETS
CONSULTING

Partner of
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Performance Management - Preempting empty chairs in your organization

Did they just kill performance management – or did they step up the game?

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Lately several companies (GE, Accenture, Deloitte – to name a few) have discontinued their annual rating process. Some voices claim that this marks the end of performance management. Taking a closer look at this trend you will find that performance management is far from dead – in reality the mentioned companies stepped up their game.

Developing people – building organizational leadership

We believe that performance management should be derived from a true commitment to build organizational leadership.

Done right building Organizational Leadership has three distinct traits:

- **Business Driven;** ensuring close linkage between strategic aims and the approach to strengthening leadership
- **Transparent Development;** Fully leveraging and developing both recognized and latent leadership talent across the organization
- **Producing Leaders;** Doing this consistently over time, to build a real pipeline of high-quality leaders

Development requires an honest discussion on where the individual is right now – it requires performance discussions. If you are planning to run the New York Marathon, you need to evaluate where your current performance is and train accordingly. If you can't run 10K right now – well that is your first goal. The same logic applies to professional development – at what level are you performing now, what is desirable and what can be done about it.

Is performance management dead?

It is true that both e.g. GE, Deloitte and Accenture have publicly announced that they discontinued their annual review process. Both Accenture and GE even stopped their – somewhat controversial – forced ranking¹. We have met with some executives who interpret this as shift away from feedback and performance discussions. It couldn't be further from the truth.

None of these organizations have stopped providing feedback and development. On the contrary they intensify their feedback and development discussions, providing formal and informal feedback on a frequent

basis. Things are addressed when it happens and suggestions are provided close to the events. Some use terms as "continue doing" and "consider changing", and the focus is on development and ultimately strengthened performance. Both companies articulate their "shift" as an acceptance of performance as an ongoing activity and the fact that an annual cycle is simply too infrequent. GE has even developed an app to facilitate, communicate and capture continuous feedback and evaluation (PD@GE).

"By intensifying the feedback, we believe they are demonstrating a true commitment to development – and continue to see this as a business critical activity for managers"

Performance management – more focus on development less on accountability

A decade ago I was involved in designing and implementing a new talent management system for a Fortune 50 company. It was a brand-new world for the leaders and it was challenging for the organization to shift its focus towards fact-based assessment and development plans. An honest discussion on actual performance can be challenging at an emotional level. As a manager, you are required to deliver very direct and concrete feedback to your people – positive and potentially negative feedback. I still feel privileged to be part of the team that served the CEO and literally thousands of managers in this journey. One year into the transformation I did an analysis of more than 1500 – anonymized – ratings and development plans. There was a clear trend towards "lumping at the middle". Managers were avoiding the outliers and tended to rate their people as average.

One might think this analysis would prove the need for a forced ranking system to create a fair system – however; upon interviewing the managers at multiple management levels I discovered a simple truth. Yes – managers were shunning high and low ratings because it was uncomfortable to differentiate performance. But, they were also avoiding the challenging development discussion because it had to be concrete. Fundamentally they cheated low or high performers out of accurate advice on what to continue doing and what they should consider changing – despite having a very advanced toolbox available. The brute force solution would be to implement forced ranking, but that would not address the reasons as to why leaders were shunning this.

I interviewed several honest and ambitious leaders on this topic and I discovered that their focus was skewed towards accountability and less on development. Performance discussions was perceived merely as an assessment on performance and a way

to make people accountable. While managers were required to do this, they were avoiding the reward/punishment side of the discussion by lumping ratings towards average. Some even kept their private "actual rankings" in their desk to keep track but shunned the opportunity to have a real discussion on current performance and suggested development plans. In all fairness, this skewed focus is not completely inaccurate: in those days, performance management systems often had goal to create accountability in addition to drive people development.

"A shift in focus; it is important to understand that the most important part of performance discussions should be the development aspect."

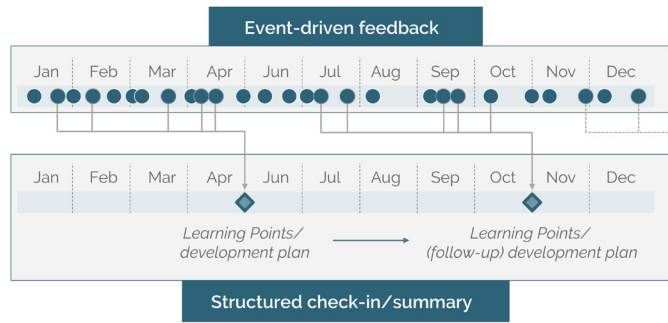
With the specific client, it was important to stress that the ambition was to develop people, not solely to create incentives. Monitoring the distribution of ratings continued to be important, but the insight was that the rationale for doing so shifted. Distribution was not a goal in itself nor was it an indication of fairness and accountability, it indicated how committed leaders were to address development of individuals.

Accepting that the discussion is not about accountability the focus shifts to continuous development. We are not advocating an all-inclusive, detailed and rigid definition of performance. However, we believe continued development and assessment of people dictates a shared insight to what good performance looks like in concert with an honest discussion on individual performance.

Continuous feedback and communicating the "bigger picture"

Frequent feedback – as it happens will reduce the feeling of "suspense" for the individual and allows for potential adjustments in real-time. It also caters for a universal need to be recognized and get confirmation on our contribution. The frequent and event driven feedback does not replace the need to discuss the overall picture – and articulate a development plan. Exhibit 1 shows how event-driven feedback should be summarized and result in feedback on overall performance and provide recommendations for development.

Exhibit 1: Summarize the learning points and identify the development plan



Source: Human Assets Consulting

Event-driven feedback – while being useful and important – is by nature anecdotal. Unless the overall performance is identified the development can become “perfectly wrong”. If the event-driven feedback focus on a symptom rather than the root cause of the problem, the reaction can be positively wrong.

If a manager receives push-back for not participating in enough internal department meetings the response could lead to her stretching her time even thinner and delivering mediocre results. She meets the requirement

of being visible, but by doing so she reduce the overall quality of her work. Potentially the advice (development need) should have been to prioritize her time better.

Anecdotal evidence/feedback needs to be placed in a context. Part of the context can be a form of prioritization of what to focus on – e.g. “what is the actual pattern or drivers, what needs to happen?”. Another part of this context is a description of how you are doing against expectations -e.g. “You are doing as expected, but can strengthen the following to exceed expectations”. While we are strong

supporters of frequent feedback, this does not replace a structured check-in on overall performance. A structured summary and subsequent development plan is necessary to secure that the individual understands what to focus on and to discuss how she is doing. It promotes development and secures a transparent and fair discussion on performance.



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Human Assets Consulting was founded by seasoned executive search and management consultants. We aim to provide clients with a truly bespoke service, focused solely on identifying and developing human assets.

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