

Performance Management is Killing your Business

The rapidly changing environment in which organizations operate has profound implications across all sectors, requiring a fundamental reappraisal of many of the leadership and organizational practices that have served them well in the past. In particular, many organizations are finding that historic approaches to performance management no longer deliver the performance outcomes necessary to sustain competitive advantage in the new emerging world. This paper highlights some of the shortcomings of existing approaches and proposes a way forward designed to radically transform the impact on individual and organizational performance; in particular how employee engagement and performance management need to be inextricably linked.

The Presenting Issue

Evidence abounds to show that employee engagement matters - organizations with high levels of employee engagement are more productive, provide superior levels of customer service, deliver higher quality outcomes and generate higher levels of income, profit and shareholder returns¹. The current climate however poses real challenges for many organization, striving as they are to 'do more with less', and whilst many organizations now recognize the importance of employee engagement as a prerequisite for delivering sustained organizational performance, many are still failing to stimulate the levels of engagement necessary. There are a number of reasons for this (and the tendency of organizations to revert to command and control leadership in times of adversity certainly does not help), but one of the fundamental obstacles that few organizations have succeeded in overcoming is this:

'Performance management and appraisal processes (ie the processes which are specifically designed to improve performance), seldom stimulate engagement and more often than not destroy it. Consequently their real impact on organizational performance is minimal'

It therefore follows that if an organization is serious about improving its performance, its approach to performance management / appraisal needs to be radically rethought; what was good enough in the past will no longer be sufficient to support organizations in the economic and political environments of the future.

What Engages Employees?

Employee engagement is a complex area and as such does not lend itself to quick fixes or 'copycat' solutions – every individual is different and every organization has a unique culture and style. However extensive research over many years, across many different sectors and types of organization, has revealed some common themes. One key finding is that whilst the loci of engagement for individuals can differ and may change over time (for example job challenge, colleague relationships, customer service, organizational identification all have different levels of utility for different people), the importance of the role of the manager is critical in all cases.

Another important consideration is that employee engagement is an ‘emotional choice’; engagement cannot be mandated, it is a state which employees, often unconsciously, choose to adopt in response to the working environment and culture in which they find themselves.

It therefore follows that **managers have a crucial role to play in creating a working environment that enables employees to become engaged**. Managers therefore need to be aware of how their behavior impacts on employee engagement and how to create the conditions that are most likely to stimulate engagement for different individuals. In particular they need to understand how to make the performance management / appraisals process an ‘engaging experience’ in order to achieve both the stimulation and alignment required for sustained high performance.

A New Approach

The transformation of performance management processes is not about wholesale abandonment of what has gone before; rather it is an evolution in mindset and approach that challenges some of the received wisdom of the past in order to create a new approach that is more in keeping with the realities of the future. In particular there needs to be greater clarity regarding the primary purpose of performance management, less reliance on process and a greater emphasis and value placed on the conversations that take place between managers and their direct reports. These critical considerations are expanded on in the rest of this article.

1. Clarify Purpose

It is important to establish a real and shared sense of clarity throughout the organization regarding the primary purpose of ‘performance management’. All too often performance management processes attempt to address a multitude of different aspects simultaneously; reviewing past performance, agreeing future goals and objectives, providing feedback, identifying training needs, assessing potential, rating performance, considering future development, determining the basis for pay increases etc. Whilst all of these are important it is critical that the overarching purpose of the process is not lost which is to **create an environment which enables an individual to become engaged in order that they can give of their best**. If a performance management process fails in this endeavor then it is failing in its core purpose and needs to be changed.

2. Change Mindsets

The prevailing mindset and thinking that all too often underpins the alleged ‘need’ to have a performance management process is one of control; it might not be overtly stated but the belief that, if we don’t closely manage, monitor and control then individuals will fail to perform, is deeply rooted in the DNA of most organizations. This default mode of thinking is seldom questioned or subjected to scrutiny but if we are serious about creating engaging work environments and liberating potential then we need to give serious attention to the prevailing mindsets and attitudes that exist in our organization – do we really believe that people can be trusted, are motivated to excel in their work and have the ability to grow and develop or are we just paying lip service to this? Almost certainly there will be individuals who are untrustworthy, lazy or incompetent – but do we not risk destroying the motivation of the many by the processes and approaches designed to remedy the shortcomings of the few?

3. Change the Dynamic

The traditional approach to performance management has revolved, for the most part, around the annual appraisal meeting, perhaps interspersed with two or three additional review meetings throughout the year. This dynamic needs to change so that regular ongoing conversations become the 'modus operandi' with the year end conversation having no more or less significance than the other conversations conducted throughout the year. This may appear to be a semantic change in emphasis but it is of critical importance if engagement is to be enabled; the focus needs to shift from 'how best to conduct this meeting' to 'how best to conduct this conversation' in order to enable an individual to become fully engaged and perform to the best of their ability. The nature and content of these conversations and the nature of the interaction between manager and direct report becomes fundamentally different as does the outcomes with both parties feeling that they have engaged in a fulfilling and enriching, as opposed to frustrating, experience.

4. Abandon the Safety Net

The thought of abandoning the 'safety net' of forms, structured processes and timetables and ratings may be seen as a step too far for many organizations- after all how is consistency and fairness to be achieved in their absence? There is no doubt that this is a valid consideration but these 'safety nets' simply provide an illusion of consistency and fairness – what they really do is reduce the scope for engagement and performance to flourish. What needs to happen is that these rather rigid and mechanistic processes and mechanisms need to be replaced with a much greater emphasis being placed on trust and faith in managers' judgment. This won't happen overnight and in some cases may end up being misplaced but the answer is not to stifle the whole organization in order to safeguard against the inappropriate or ill considered behaviors of the few – there are better ways of addressing this issue which don't have the unintended consequence of killing motivation and performance.

5. Replace Annual Ratings

Another contentious issue and again one that many organizations may feel is a 'step too far' – particularly if performance management ratings are used in pay determination. Nevertheless there is a wealth of well researched evidence that the way in which performance is commonly rated (even without the use of quota distributions which makes the situation immeasurably worse) acts as a major demotivator, irrespective of how positive the preceding conversation has been. The concept of annual ratings, no matter how carefully they are defined, will inevitably lead to some people feeling disadvantaged and unfairly treated with the attendant negative effects on engagement and performance – even amongst those that receive 'positive' ratings. The 'annual rating ritual' therefore needs to be replaced with an approach which is considerably more nuanced – regular ongoing feedback and assessment of contribution which is accepted willingly and non-defensively by the individual in question but which still can provide an objective basis for determining reward or assessing talent potential if necessary.

6. Devolve Ownership

As stated at the outset of this article, many managers and employees feel that performance management is a process that is being ‘done to them’; it is something they need to comply with but feel that they reap little or no benefit for the time and effort that they put in. For both parties to become truly committed they therefore need to develop a true sense of ownership – they need to see the conversations as being genuinely of value from both an individual and an organizational perspective. In order for this to happen there therefore needs to be greater latitude around how and when conversations take place, tailored to take account of differing individual and operational needs and business dynamics. What works for one individual or for one team or business unit may not be appropriate in other situations so managers and employees need to lie at the heart of determining what the most appropriate approach should look like for their given situation.

7. Change the Name!

Most people have had a demoralizing ‘performance management experience’ at some point in their careers and in many organizations the words ‘performance management’ or ‘performance appraisal’ have hugely negative connotations. If an organization is really serious about signaling a departure from the past, with all its attendant baggage, then it is important to send explicit signals to the entire organization that this is their intent. This is more than just a symbolic gesture- it is about setting new expectations and severing the encumbering legacy of the past in order that the new approach is given the best opportunity to succeed.

Conclusion

The following table summarizes some of the key topics and themes addressed in this article:

From ←	→ To
Management and measurement of performance	Enabling and alignment of engagement
Assessment and correction	Learning and building of capability
Fixed mindset / control	Growth mindset / trust
Annual ‘formal’ cycle; mechanistic, rigid approaches	Continuous ‘embedded’ behaviors; organic, dynamic approaches
Rules and procedures	Guidelines and judgment
Focus on forms and compliance	Focus on conversations and engagement
Annual rating of performance	Ongoing assessment of contribution
One size fits all	Tailored approach
Organization led / manager administered	Manager and employee ‘owned’

Predominantly backward looking	Future focused
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There is no disputing that change isn't easy and in times of uncertainty and concern about individual and organizational survival, attitudes to change can harden as people understandably seek comfort in what is familiar to them. But adherence to the status quo can often provide a false sense of security and sometimes what is required is for someone to have the courage to take the brave step. Transforming an organizations approach to performance management will take time – it is not about simply changing the forms and sending managers on yet another training course! It is about changing mindsets and attitudes, redefining the role of the manager and expecting all employees to engage with each other, and the organization, in a different way. This will not happen overnight and hence management of peoples' expectations and the provision of ongoing support will be critical but with courage and persistence the benefits that can be realized can be immense.

About Cerus Consulting

Doug Crawford is the Managing Director of Cerus Consulting and a specialist in employee engagement and performance management. He has over 20 years consulting experience across a wide range organizations, both in the UK and internationally. He is a member of the Engage for Success Guru Steering Group and actively involved in the London Practitioners Group, the Engagement in the 3rd Sector sub group and the special interest groups on neuroscience and engagement, performance management and leadership. For further information contact douq@cerusconsulting.co.uk or visit www.cerusconsulting.co.uk

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ⁱ 'Engaging for Success' by David McLeod and Nita Clarke provides a wealth of research evidence