



## THE PERFORMANCE MANAGEMENT PARADOX

### Better Performance Management

Here are a few tips from the UGM toolkit that you could use to improve PM.

1. Are your PM criteria linked directly to your drivers of value? i.e. Are you focussing on those critical few areas that move the organisation's needle?
2. Make sure individual and business objectives are aligned. So obvious but so often overlooked.
3. Find a way for your people to generate or, at least, contribute to both the goals and the standards. Lack of buy-in is a common derailer of PM processes.
4. Ensure consistency. When it's not consistent, it's not fair! Unfairness triggers deep sensitivities. One way to do this is to ensure managers deploy the PM criteria consistently. 'Calibration' training for managers can be a tremendous help.
5. Hold regular, ongoing performance discussions, rather than storing it all up for that one, dreaded meeting. In that way, when the annual PM report is finalised, it will reflect the performance journey over the year and there'll be no surprises.
6. Don't shy away from the negatives, but focus predominantly on key strengths. Make sure that the negatives you raise are really detrimental to key performance drivers.

#### *Just who is this serving?*

A few minutes earlier, the workspace was a hive of frenetic activity. Now it lay empty. Its owner, Alistair Smith, CFO, somewhat apprehensively occupied "The Cage" - the affectionate name given to the glass-walled meeting room on the floor.

"It is", he thought, "a pretty accurate description for how I feel right now". For a moment his mind skipped to a scene in the movie, *Gladiators*. He peered self-consciously out across the floor. Although no one was even looking his way, he felt as if there were crowds, baying for blood.

Suddenly a large shadow appeared on the frosted glass wall. Backlit by a bright spotlight, it grew larger as the figure approached. For just a moment, Alistair was in the gladiator's arena. His heart started racing. He swallowed uncomfortably. When Reg Egan, one of his direct reports, materialised in front of the glass door, he snapped back to reality. "Come in", he said, beckoning Reg with a wave of the hand.

Reg also appeared a little tentative. Rather out of character, until this time of year! Come to think of it, end-of-year results had never caused Alistair similar discomfort. Why did the annual Performance Management process always cause so much grief? Nobody liked it! Yet everyone did it, year after year. "How bizarre", he thought, as his attention turned to Reg, now seated in front of him. "Just who is this serving?", he thought. Alistair resolved to find out.

#### *Among the most hated management tasks*

Regardless of when a business completes its annual performance review cycle, it's often something that hangs over the appraiser and appraisees alike. In fact, one recent study suggests that it takes up about 5 weeks of an average manager's time. For that cost, you'd want to be sure you were seeing a solid ROI.

However, although they may express it in slightly different ways, the mantra is pretty universal. Performance Management (PM) is one of the most hated management tasks. Frankly, not too many employees enjoy it either!

When he was Global HR Chief at Altassian, Joris Luijke oversaw some enterprising human capital approaches. Altassian's remarkable global success was achieved, in a hyper-competitive sector, through innovative approaches. Among those, its inventive approach to managing performance which won a slew of prestigious awards.

"Twice a year the [old PM] model 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." Luijke set out to change that, inviting public scrutiny.

HR consultant, Duncan Brown, reached an even more damning conclusion, while chairing a session at a Chartered Institute of Personnel and Development conference. After a day of excellent speakers on the topic, he polled the audience. The conclusion: "Performance management isn't working!"

Adopting UGM's evidence-based perspective, we ask if there is any substance underpinning these reactions to PM. Our own anecdotal evidence, as participants in numerous systems over the years, has been worse than 'ordinary'. Additionally, work that we've done with many clients also suggests that few are satisfied with their PM processes. Deloitte's Global Human Capital Report 2017, reminds us that, in 2015, "82% of companies reported that performance evaluations were not worth the time". Yes, there is a problem!!

Actually, in 2017, 79% of the executives in Deloitte's global research rated performance management redesign as a high priority. The great news is that 90% of companies that have implemented redesign report direct benefits. 83% note better quality performance conversations. Many others though are still stuck!

#### *What's wrong with Performance Management?*

You can immediately hear some shout out, "Everything!!", in response to the headline question above. But that doesn't help much, so let's look at some of the major problems with PM.

A key finding of an Institute for Corporate Productivity study was inconsistency in quality of individual performance appraisals. Just 13% of respondents felt the PM process provided great value, organisation-wide. Nearly a third reported that half or less of their people participated in quality performance appraisals. Three key areas were consistently identified for improvement. 1) Better alignment of employee and business goals. 2) Increased performance related interactions throughout the year. 3) Improved clarity around performance expectations.

Another major source of inconsistency that UGM has found is managers' ability to run high quality performance management reviews. For many, it's foreign and uncomfortable territory, best avoided.

No doubt that feeling of unease is confirmed when there is a lack of clarity in the system, particularly when the criteria don't relate directly to employee's work. Worse still, there is usually no ownership because neither manager nor employee was involved in creating or updating PM criteria. Naturally, both look forward to exacting revenge in the next Engagement Survey!!

#### *Make a difference to PM*

Chances are you undertake PM in some form. What can you do to improve it? See the sidebar for tips.