

## Five questions to fix performance management

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The performance management processes found in most companies can be traced to methods pre-dating 1990. Not surprisingly, companies often see limited strategic value resulting from these outdated practices. Fortunately for all of us who either manage or are managed, these traditional performance management processes are starting to be seriously challenged and redefined. This change is driven by two underlying themes. First, as talent becomes more critical to business success, companies are appreciating the value of effective people management. In other words, crappy management methods are not tolerated as much as they used to be. Second, advances in mobile, social and cloud technology make it possible to conduct performance management in ways that were simply not possible before this technology existed. The result is that companies are rethinking both what's possible and what makes sense when designing performance management systems.

Performance management is defined broadly as “processes that communicate job expectations to employees, evaluate employees against those expectations, and utilize these evaluations to guide talent management decisions related to compensation, staffing and development.” This definition goes well beyond the concept of the traditional “once a year annual review”. Performance management actually consists of at least seven distinct phases focusing on different types of conversations and decisions involving employees, managers, and business leaders <insert link to previous blog Fixing performance management: solving the problem by addressing its parts>.

- **Setting Expectations:** What are employees expected to do in their jobs? What do employees expect to get out of their jobs and how do their jobs help them get there?
- **Discussing Progress:** How effectively are employees carrying out their job responsibilities? What activities do they need to start, stop or continue to achieve job expectations? How can the manager support the employee to meet their own goals / career objectives? Where does discussing potential and how to find opportunities to help the employee meet that potential?
- **Assessing Contributions:** Have employees done what they were expected to do? Did they exceed expectations? What could they have done more effectively? How can the manager better support the employee (e.g., 360 feedback)? What are the sources of feedback and how is that feedback collected?
- **Planning Development:** What should employees focus on in the future to build their capabilities, increase their performance and advance their careers? What capabilities are needed by the company versus the employee, and how are the gaps covered?
- **Evaluating Performance/Providing continuous feedback:** Which employees are providing the greatest value to the organization? Are any employees having a negative impact on workforce productivity? How do you know? What are the factors? Traditional and non-traditional? Is this just based on manager evaluation? Are there other ways to measure this (e.g., the employee's social network, perception by others, accomplishments . . .) How can we be clever to collect info that's not subject manager evaluation? Karie's idea – Employee is responsible for building their portfolio and collecting the artifacts and feedback, building their brand. (“Flash brand” concept)
- **Allocating Resources:** What investments will encourage, reward, develop, and retain valuable employees? How can managers be given the power to allocate these resources without using a top-down process? What actions will address employees displaying counterproductive behavior?
- **Assigning Job Roles:** What changes in employee job assignments, promotions or transfers will maximize workforce productivity and engagement?

These phases occur in every organization regardless of whether it has a formal performance management system or not. For example, every company evaluates performance of employees to determine which people in the organization should receive greater investment in the form of pay increases and greater job responsibility. The question is not whether business leaders evaluate employee performance – they do. The question is whether performance evaluations are based on accurate and job relevant criteria, whether employees understand how the company makes decisions about pay and promotions that directly impact their careers, and how potential performance is evaluated. The core challenge of performance management design is determining how to effectively guide, develop, evaluate and invest in employee performance across large numbers of people in a fair, consistent, easy to administer and well-understood manner.

Given the complexities associated with measuring and improving employee potential and performance, it is unlikely any company will ever create a “perfect” performance management process. But companies that have the most success are ones that carefully think through key performance management design questions. In my experience, the following 5 questions are among the most critical to consider. It is important to look at these for each phase of performance management including Setting Expectations, Discussing Progress, Assessing Contributions, Planning Development, Evaluating Performance, Allocating Resources, and Assigning Job Roles.

#### ***Critical Design Questions associated with each phase of performance management***

- 1. When does it happen?** When does your company carry out this activity? Is it scheduled or spontaneous? If it is scheduled is the timing based the calendar year or it is tied to the company’s financial or strategic calendar. If it is spontaneous, how do you ensure it occurs in an effective and consistent manner across the company?
- 2. Who is involved and how are they held accountable for doing a good job?** Performance management actions usually involve employees and managers, but many also benefit from the involvement of co-workers, direct reports, human resource professional, senior business leaders, and outside customers. How should these different stakeholder groups be involved in each phase? And how can you be sure they are fulfilling the roles they are expected to play?
- 3. What aspects of performance are being addressed?** Employee performance can be defined in terms of three distinct elements: goals (what you achieved), behaviors (how you acted), and attributes (the skills, credentials or experiences you acquired). It often makes sense to focus on different aspects of performance at different phases of the process.
- 4. What data does it utilize and what data does it generate?** The value of performance management comes from creating better conversations and decisions about talent. One of the ways this is accomplished is by ensuring performance conversations and decisions are based on accurate data collected through previous talent discussions and processes. When designing phases of performance management identify what qualitative or quantitative data is used by the phase and where the data comes from. Also define what data will be generated by the phase and how it will be used by other phases.
- 5. Does it vary based on individual differences in employees?** This is a critical yet often overlooked question impacting performance management design. How different phases of performance management are carried may vary considerably based on the type of job, the motivational

characteristics of the employee, and the employee's past performance. For example, assessing contributions or planning development is likely to be much different for a high potential employee compared to an under-performing employee. How does your performance management process need to flex in order to accommodate different types of people and different types of jobs?

Companies have been struggling to create effective performance management processes for decades. If there were easy answers to the challenges of performance management we would know them by now. But we may find the right answers if we ask the right questions and get serious about challenging pre-existing assumptions about what should go into a performance management process.