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PERFORMANCE RATINGS - STAY OR GO?

HR SURVEY INSIGHTS | GROWTH MIND-SET | PERFORMANCE MANAGEMENT CULTURE

SPEAKER PROFILE - GENE JOHNSON

Gene is an Organisational Psychologist with expertise in Talent and Leadership. He has 25+ years of experience in corporate, consultancy, government and academia. His specialist knowledge areas include: Talent Management, Leadership Development, Organisational Development, Change Management, Learning & Development, Selection & Assessment, Employee Engagement and Diversity.



PERFORMANCE RATINGS

INTRODUCTION

2015 saw a significant number of high profile companies ditch the annual performance review and performance ratings for a more ongoing, fluid system giving timely feedback. But many organisations still feel they might not be ready for such a change.

WHY DO WE 'DO' PERFORMANCE MANAGEMENT?

From our survey* we see that motivating performance and allocating performance related (financial) rewards are the top two reasons for having performance management (PM) systems in place. The psychological reasons that underlie PM include a need for feedback on our goals; companies need to track if employees are achieving their goals; there is a need to reward goal achievement (and not reward failure); and a need for equity in reward distribution (via ratings).

CURRENT PERFORMANCE MANAGEMENT PRACTICES

In reality, the traditional PM process involves completing a form, objective setting; development planning (short and long term if you are lucky); and a review 12 months later measured (perhaps) through a forced distribution. The majority of employees surveyed in 2014 by CEB in their Enterprise Contribution Workforce Survey (10,531) felt that the traditional PM process/system is too bureaucratic, takes too much time, is not taken seriously, is too complicated, interferes with productivity and is not very relevant to their job.

The CEB survey also found that managers are spending (on average) 77 hours a year on formal performance management activities and 86 on informal which is in total, equivalent to about one month. Non-managers are spending about 2 weeks.

FREQUENCY

Our survey showed that 50% of organisations carry out performance reviews twice a year; 31% once a year; 10% a mix of 'as and when', not at all or once a month; and 9% three times a year or more.

RATING POINTS

For those interested in rating systems, the CEB survey showed that most companies used a 5-point scale (62%). However according to research, the optimal number of rating points is 3. When it comes to ratings, W. Edward Deming believes that, given most employees are ultimately judged as being a high, average or low performer, the 3 rating points keeps things simple for managers.

SOME OF THE PROBLEMS

PM is largely managed as an admin process and so focus is put on the tools and mechanisms rather than the performance conversations and behaviour; real-time feedback is rarely given; ratings are reviewed as subjective and sometimes arbitrary; people don't want to be rated as just 'satisfactory' or have negative feedback (which sets off the fight or flight reactions known as the Brain Hijack discussed below). All this means linkages with pay and other decisions become problematic.

In our survey we wanted to know what organisations have done over the past 3 years to improve their performance management process. The top 3 were: up skilling managers in feedback and coaching; simplified performance review forms; encouraging employees to initiate feedback conversations.

On average firms change their PM process once every 3 years in the hope that it will lead to more effective performance management, when what is usually required is a change in the performance culture.

CREATING A PERFORMANCE CULTURE

Organisations who review their PM approach in order to create a performance culture need to consider some or all of these things:

The basis of performance management

Ensure PM is aligned to strategic business goals and the values of the organisation. In our survey* only 32% felt goals were very aligned to business objectives.

The process

Simplify performance review forms; eliminate ratings; having more feedback conversations

Delivery

Managers as coaches and employees driving the process as well.

PDRI research on the topic said that if managers are acting as coaches they need to focus on 4 behaviours critical in creating high performance:

1. Inspire - managers have to help link or show the individual that their work is linked to the organisations.

2. Adapt - less process driven to allow changing situations through

* Survey refers to the Macmillan Davies Survey of the HR community carried out in 2016 with over 430 respondents.

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setting short terms goals

3. Align - regular and informal feedback in real time
4. Grow - providing development opportunities on the job

WHAT ARE OTHER ORGANISATIONS DOING?

Google - Project Oxygen

Project Oxygen was launched to as a research initiative to find out if managers matter and what successful Google managers did. Since the early days of Google, the engineers have long questioned the need for managers, but after 12 months of interviewing, analysing data, and observing manager behaviours, Project Oxygen found they were actually required. Using behavioural science methodologies the final result was a list of eight things great managers do. The top 3 were 'be a good coach'; 'empower - don't micro-manage'; be interested in your people's success and well-being.

'Google has high standards of proof...even for what...might be considered obvious truths. Simple correlations weren't going to be enough. So we ended up trying to prove the opposite case - that managers don't matter. Luckily, we failed'

Deloitte - Check-Ins

They have the 'leader as coach' approach; team member driven and frequent. Every team leader has a 'check-in' with their team member at least once a week. This is part of the approach rather than an add-on to their job but it's not a tick box exercise either so check-ins can be as needed.

Cargill - Everyday PM

This was a new mind-set for the organisation. Previously there was a major disparity between the PM process and how employees completed their day to day work. Managers were reluctant to give candid feedback.

PM is now a flexible, ongoing process with no ratings, forms to complete or annual meeting. Focus is on the day to day activities and practices will predict the PM quality rather than forms or scales.

Pfizer - OWNIT

Own the business; **W**in in the marketplace; **N**o jerks; **I**mpact results; **T**rust in one another.

Managers at Pfizer are accountable for substantively guiding performance and there are no ratings or forced distribution; they are empowered to spend within budget; simplify processes; and they have real-time performance and development conversations.

Kelly Services - My Career

The PM process is employee-led with no forms. It is unstructured and discussions do not have to be documented. They have a January-January Performance Focus and July to July Development Focus.

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Gap Inc - GPS (Grow, Perform, Succeed)

Gap took an academic approach to designing their PM. They eliminated performance rating and reviews; the manager and employee meet monthly; and they focus on goal progress and adjustment.

THOUGHT LEADERSHIP

When Gap decided to eliminate their ratings it was the views and opinions of Samuel Culbert, David Rock and Carol Dweck that helped them decide it was right for them.

David Rock who coined the phrase, 'Neuroleadership' is a leading neuroscientist who believes that ratings - positive or not - create a fear or social threat so it's nearly impossible to have a good conversation about performance if you are also discussing ratings.

It's called the 'Brain Hijack'. People tend to shut down cognitively and emotionally - that is they get upset and don't listen - in response to perceived negative feedback or less than 'top' performance ratings. This is because rating and labelling represent a social threat which elicit the 'fight or flight' responses.

Samuel Culbert is a clinical psychologist who thinks that reviews, ratings and forced distribution curves demotivate employees. He is a strong advocate of frequent informal performance conversations in driving performance.

Carol Dweck talks about the growth mind-set versus the fixed mind-set. Dweck believes that the growth mind-set is all about the effort you put in to learn, develop and grow. A fixed mind-set is where you believe can or can't do something and there isn't anything you can do to change it. The growth mind-set embraces challenges, persist in the face of setbacks, views effort as the path to mastery, and learns through feedback. Dweck argues that performance ratings imply and foster a fixed mind-set leading to mental paralysis.

GENE'S SUMMARY

For an organisation considering a change in their PM approach Gene's top tips are:

- to eliminate performance ratings you need a culture that is open to having meaningful discussions where employees can trust their manager and talk openly. Employees must also want the feedback.
- you need supporting systems in place such as the use of goal-setting; feedback training to up-skill managers and employees; and employee surveys and audits to find out if/when/how the conversations are taking place
- provide feedback in the moment when needed - to be effective, basic psychology says you need an immediate time connection between behaviour and feedback
- prime for a growth mind-set through the language managers use "you did well; you must have worked hard" or "I see you put a lot of hard work into this" as opposed to "you did well; you really are talented"
- keep pay discussions and/or ratings separate from development discussions