

A New Approach to Performance Management.

Sylvia Swierkowska

Executive Summary

Traditional Performance Management designed to help business to separate top performers from low which began to play a role in compensation, promotion decisions, and employee development programs (Morris.D, 2016). Traditional performance review is one of the most disliked actions in work by manager just after firing an employee. The process is annually in that case employees can not perform and develop quicker for further promotions as a result of backwards process. (Business.com, 2015) Traditional performance management processes are viewed by many HR professionals and leaders as a high effort, low return check-in activity. The process is time-consuming and costly, many managers say it takes them away from 'real work'. (Deloitte.com, 2015) Over 54% of people stated that traditional performance reviews are inaccurate (fastcompany.com, CIPD, 2015), 71% of employees prefer immediate feedback, even when negative and 70% think that reviews should focus on development. A separate study reported that 41 percent of companies found widespread manager bias, and 45 percent believed performance evaluations did not motivate employees. (Deloitte, 2015, GHCT, 2015)

"Google" believes that "Traditional performance management systems make a big mistake. This company continued success is certainly evidence of the effectiveness of their new approach performance management system. Google believes happy employees increased productivity and overall company success. "Level of productivity has pushed Google stock into the success". However, "Adobe" has deserted the traditional performance reviews that used to assess its 11,000 employees and It calculated that the annual process required 80,000 hours of time from its 2,000 managers. Adobe cannot claim that elimination of traditional performance is responsible for successful business transformation. (Kenny.G, 2014, Morris.D, 2016)

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Introduction

The purpose of this report is to understand the implications and importance of Traditional Performance Management. Traditional Performance Management designed to help business to separate top performers from low which began to play a role in compensation, promotion decisions, and employee development programs (Morris.D, 2016).

This report includes how Traditional Performance Management works in many organisations, and if it positively or negatively impact on employees and organisations. It states numbers of statistics, which proves how ineffective is Traditional Performance Management. It also includes the importance of rating system and “Data Algorithms” which helps reduce bias in organisations.

It can be witnessed through the report based on evidence on successful organisations such as “Google” and “Adobe”, that Traditional Performance Review does not help in creating an environment where people perform to the best of their ability in order to meet the company's goals.

Lastly, this report also recommends best practices for an effective performance management, and what systems can improve organisational productivity and overall success.

Traditional Performance Management.

Traditional Performance Management designed to help business to separate top performers from low which began to play a role in compensation, promotion decisions, and employee development programs (Morris.D, 2016). Traditional performance review is one of the most disliked actions in work by manager just after firing an employee. Employers are dissatisfied about how traditional performance review works in many companies. The process is annually in that case employees can not perform and develop quicker for further promotions as a result of backwards process. If the process was achieved more often it would be more likely to improve their performance and ‘step-up’. The process is simply not designed to improve performance and develop employees. Traditional performance review was designed to evaluate previous performance to determine an employee's annual raise and is rooted in a tradition that does not reflect how work gets done today. Today's businesses require setting short term goals, yet the traditional performance review process remains based on an annual cycle. (Business.com, 2015). CIPD report states that ‘half (49%) of the HR leaders’ organisations used annual performance review, most of these leaders (55%) did not consider them ‘effective’. Six Monthly appraisals seem to work slightly better, but were still seen as ineffective in a third (37%) of cases. Senior leaders from outside HR were even

more critical, three in four (73%) considering annual reviews are ineffective and nearly half (46%) considering six monthly appraisals ineffective'. However, 92% of HR leaders and 79% of non-HR leaders think coaching and mentoring is effective. (CIPD, 2015)

Traditional performance management processes are viewed by many HR professionals and leaders as a high effort, low return check-in activity. The process is time-consuming and costly, many managers say it takes them away from 'real work'. Furthermore, there is a high cost for staff hours to set performance goals, complete evaluation forms and conduct formal performance reviews each year (Deloitte.com, 2015). In fact automating performance management process can cost thousands of pounds , but definitely companies could invest money to save unnecessary labour hours. Many businesses hesitate to change their present perspectives fearing for extra costs. Poor performance management can induce poor morale in work environment and fail to deliver value.

Performance Review Management.

Performance review plays an important role for employees helps them realise how they are doing compared to others in the company and allows them to see areas of improvement. It is very essential to measure performance if an employee meet all criteria for specific job role. Performance review also helps employees to look forward to the future and stay motivated. They have some goals to work for and become higher performing employees. Higher performing employees can burst companies efficiency, productivity and increase business development.(Lei,. Y., & Tian.B, 2016)

Not many managers likes to give constructive feedback to employees that are underperforming, but it is important that employees get true feedback about their performances otherwise they do not know what are their weaknesses.Giving constructive feedback can let employees know how and what they need to do to improve. However research states that negative feedback has an opposite effect, rather than motivating employees. Even positive feedback can be interpreted wrongly. Setting short-term goals and objectives would be the way managers could track if the improvement improved.Managers should focus to write up clear goals, and the review should be based on those and make sure employees fully understand. Not every goal will motivate employees, research states that if an employee is committed to the specific target, meaning that they have good reason to be determined to reach it. Good communication between managers and employees is essential. When performance reviews are completed managers can analyse who is

underperforming and who needs more training. However, over 54% of people stated that traditional performance reviews is inaccurate. (fastcompany.com, CIPD, 2015, Lucas, S. 2014)

Research states 71% employees prefer immediate feedback, even when negative and 70% think that reviews should focus on development. Research points to new trends in performance management that lead to happier, more engaged, higher performing employees, which ultimately creates a reduction in turnover. (cbsnews.com, 2016, Lucas, S. 2014)

Five-scale Rating.

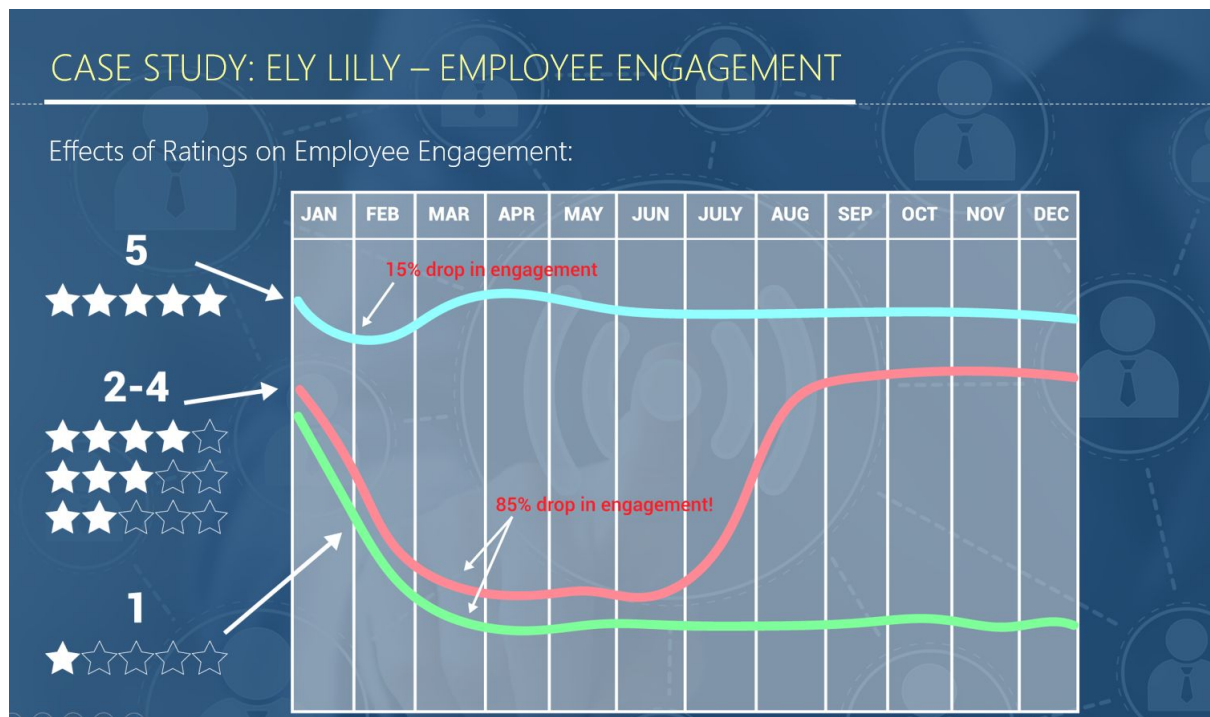
Five-scale rating is a tool that rates employees performance which are:

1. Well Below Standards
2. Below Standards
3. Meets Standards
4. Exceed Standards
5. Well Above Standards

That tool is created to evaluate people's performance in the organisation. It helps recognise which ones are underperforming and who is ready for promotions or bonus. Its recognise as an approach of annually firing the 10% underperformers but exists more commonly by setting targets for the employees to be rated as, for example, 'Below Standards' and 'Meets Standards'. (opm.gov, 2017)

Below, 'Figure 1' indicates how ratings affects employee engagement. For employees rated '5' there was a 15% drop in engagement and employees rated '4' and below there was an 85% drop in engagement for a three months after an annual performance review. It is important for business to remove surprises reviews for employees by re-tooling traditional once-a-year reviews with continuous feedback and status updates. CIPD analysis states that every six month performance reviews work better than annual reviews, in that case every quarter review would be even more effective. (CIPD,2015, employee-performance.com, N.D)

Figure 1.



(employee-performance.com, N.D)

Studies states that people progress more if they track their own performance and setting their own goals. It provides the opportunity for the person to examine and reflect on their progress toward the goal over time, and potentially identify actions that promote or hamper goal progress. Setting their own goals employees are more determined and more likely to achieve their set goals. analysis showed that people report stronger well-being while they are tangibly making progress towards their goals than they do after the goal has been attained. World's biggest organisations such as Adobe®, Deloitte®, Microsoft® are all examples of organisations that committed to ending using a single number to define performance. (Klug and Maier 2015, Harkin et al, 2016, CIPD, 2015, Lei,. Y., & Tian.B, 2016)

Bias in rating system.

Bias is described as "conscious bias that is the result of motivated behavior, such as the desire to avoid discomfort." This motivation, referring to inaccurate assessment, results from specific attributes of rescuers, such as personalities, and the context of the assessment, in particular the responsibility of the assessor. Although the effect of the ratings are not relevant to the assessment of the employee's performance in a given task, the fact that the assessor likes or dislikes a particular employee may affect that person's assessment and affect a better or worse results. (Spence and Keeping, 2011, O'Leary, 2011)

Employees who give managers a sense of accomplishment are more highly rated. The manager's attitude towards accurate assessment is defined as the overall favor or disagreement of rendering accurate performance assessments for a particular subordinate, in a specific context at a given time. Being bias at performance review is problematic because it hinders making the right personnel decisions, such as promotions. Eighty percent of managers admit that the fact that they like or dislike an employee affects their appraisals.(Moers.2005, Spence and Keeping, 2011)

New Approach to Performance Management.

The traditional annual performance measurements, created in the 1970s, is clearly not effective anymore. In 2015, research showed that 82 percent of organisations reported that performance evaluations were not worth the time. A separate study reported that 41 percent of companies found widespread manager bias, and 45 percent believed performance evaluations did not motivate employees. (Deloitte,2015, GHCT, 2015)

One of the new tools for measuring performance management system is the 'performance snapshot'. That system is more reliable, quicker, freeing managers to spend more time engaging with people and boosting morale. A study of the practices of the best team leaders reveals that they carry out regular checks with each team member about short-term work. These short conversations enable leaders to set expectations for the coming week, review priorities, comment on recent work, and provide course adjustments, coaching, or important new information. The conversations provide clarity about the expectations of each team member and why, what a great job looks like, and how everyone can do their best job in the days to come. (Lei,. Y., & Tian.B, 2016)

Performance Management in Google.

Google is managing a performance rating system that motivates, rewards, and retains talented. The company abolished the numerical ratings in April 2014, so every Googler is now subjected to a five-point scale, from "needs improvement" to "superb". Semi-annual reviewers are asked to indicate one thing that the reviewer should do more and one thing that can be done in a different way. Google use 360-degree feedback collection process which is an annual performance review comprased in two parts: "Preview" and "Complete Review". (F. Mello, 2019, opm.gov, 2017)

In "Preview" employees are asked what they think is one thing they need to improve on and one thing that they could do differently to have a better impact on the company. The managerial groups then jointly assess all employee ratings to reduce any personal bias that may unknowingly affect scoring and decide on final employee ratings. (F. Mello, 2019)

'Google' believes that "Traditional performance management systems make a big mistake. They combine two things that should be completely separate: performance evaluation and people development." (F. Mello, 2019) For instance, to reduce bias Google proposed solution to use systematic analysis of data on other words: use the algorithm. Modern approach improve employee retention, collaboration, and diversity in the workplace. That company uses algorithm that indicate which potential candidate is most likely to succeed at Google. "All decisions made by Google based on data and analysis." The goal is: "To bring the same level of rigor to people's decisions as we do to engineering decisions." .(businessinsider.com, 2016)

There have not always been major problems with previous Google performance management practices, but Google's continued success is certainly evidence of the effectiveness of their current performance management system. Google believes happy employees increased productivity and overall company success. "Level of productivity has pushed Google stock into the success, with share prices recently topping \$1000—no small feat, given that Google only went public in August 2004 at a price of \$85". (insightsforprofessionals.com, 2016)

Performance Management in Adobe.

Adobe has deserted the traditional performance reviews that used to assess its 11,000 employees. It calculated that the annual process required 80,000 hours of time from its 2,000 managers, the equivalent of 40 full-time staff. (Kenny. G, 2016)

Adobe uses frequent check-in process which are designed to simply communicate what is expected of employees, and to enable managers to provide and receive feedback, help employees improve performance and manage their growth and development. This process provides feedback that is more immediate and relevant than annually which is usually a surprise for employees. At check-in, no forms are filled in, and no technology is used to help managers perform their tasks. However, they are trained in the subtleties of giving and

receiving feedback through classes and by playing roles in realistic and sometimes difficult situations. (Kenny.G, 2014, Morris.D, 2016)

Adobe cannot claim that elimination of traditional performance is responsible for successful business transformation. The company saves important 80,000 manager hours from administrative tasks required by the old performance review and concentrated on company priorities. The company has improved 10 spots on the Interbrand Top Global Brands ranking to 68. Plus the company increased the number of people working for them by 30% since the adoption of “Check-in” which the total saving hour is 100,000 every year. (Morris.D, 2016, Kenny.G, 2014)

Recommendations

1. I suggest re-defining rating scales to make them specific to the criteria being 'rated'. Employees should be assessed on the basis of actions instead of subjective views of quality. It gives them the opportunity to follow their performance but excludes a negative mark associated with ratings. Using 'achieved', 'observed', 'completed', 'pending' or 'incomplete' can make people more happy and proud about their work performance in that area of feedback.
2. To discard traditional performance review which 80,000 hours of time are saved when having 2,000 managers to do annual performance review for 11,000 staff, the equivalent of 40 full-time staff. Average salary for Human Resource is £45k annually, which is on average £21 per hour. The company can save £1,680,000 annually.
3. The managerial groups should assess all employee ratings to reduce any personal bias that may unknowingly affect scoring and decide on final employee ratings. Using modern data such as use of "data algorithm" All decision made It can make employees happier and it proven by 'google' and 'Adobe' it can increase overall company productivity.
4. Communication improvement between managers and employees is also very important for a happy work environment ,staff development and success of the company. Frequent check-in process to communicate what is expected of employees, and to enable managers to provide and receive feedback, help employees improve performance and manage their growth and development which can lead to overall business productivity improvement.

Conclusion

Today, organisations should take new approach how to manage and motivate employees to create successful business environment. In 2015, research showed that 82 percent of organisations reported that performance evaluations were not worth the time. To process the annual reviews with 11,000 it requires 80,000 hours of time from its 2,000 managers, cost £1,680,000 annually. (Kenny.G, 2014, Morris.D, 2016) This amount of money would be worth to invest in more effective system such as time for more frequent check-in process to communicate what is expected of employees, help employees improve performance and manage their growth and development. Besides “data algorithms” is an additional system that can reduce numbers reported that 41 percent of companies found widespread manager bias (Deloitte, 2015, GHCT, 2015) Successful organisation such as Adobe cannot claim that elimination of traditional performance is responsible for successful business transformation. (Morris.D, 2016, Kenny.G, 2014) In addition another top company such as ‘Google’ believes that “Traditional performance management systems make a big mistake and proves happy , motivated employees increase business’s productivity. (businessinsider.com, 2016) . The traditional annual performance management, created in the 1970s, is clearly not effective anymore.

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