

RIP Performance managementdead wrong!

Performance appraisals have been likened to a trip to the dentist, you know you should go but it's going to hurt like hell!

It comes as no surprise then that research by Deloitte (2015), shows 89% of organisations globally have, are or will be considering revamping their Performance Management (PM) processes in the next 18 months.

So, is performance management still relevant today?

This is best answered ironically by asking yourself the following questions regarding Performance Management (PM) within your businesses context:

1. Does it promote organizational alignment and tracking of progress on goals;
2. Does it clarify accountabilities, at both a team and individual level;
3. Does it reinforce living the organisational values via explicit measurement;
4. Does it ensure meaningful staff recognition based on what they value most, once they have shot the lights out;
5. Does it identify and address the underlying learning and development needs for staff and the organization;
6. Does it actually facilitate increased performance levels?

If PM doesn't positively answer the above requirements, you probably are looking to either ditch PM or redesign it. BY terminating PM totally you may lose out on some of the above benefits. Beware the resultant unintended consequences...

Why we truly don't like Performance Management

We are driven sub-consciously by key neuroscience dynamics which push us towards reward seeking and avoiding threats. If you apply the SCARF model, developed by Dr. David Rock, to your typical mismanaged performance appraisal discussion it has the potential to create almost all of the following threat responses:

SCARF dimensions	Definition and impact	How we undermine staff in the PM process	Some solutions
Status	Our importance relative to others. (I am valuable)	<ul style="list-style-type: none"> • Distribution curves • Forced ranking • PM linked bonus allocations 	<ul style="list-style-type: none"> • Regular, deep one-on-ones
Certainty	Ability to predict the future. (I know where I stand)	<ul style="list-style-type: none"> • Lack of candour • Development steps not outlined 	<ul style="list-style-type: none"> • Collaborative contracting and info gathering
Autonomy	Our perception of control over our environment. (I have a choice).	<ul style="list-style-type: none"> • PM done to staff, not actively involved in feedback generation or goal setting. 	<ul style="list-style-type: none"> • Pre-PA self-rating
Relatedness	Involves our sense of fitting in and belonging to a tribe. (I belong).	<ul style="list-style-type: none"> • Rank and yank 	<ul style="list-style-type: none"> • Manager-staff preview*
Fairness	The perception transparency and clear expectations. (I am treated fairly).	<ul style="list-style-type: none"> • Managers/staff have rating biases • Excessive bonus and share allocations • Recognition annually 	<ul style="list-style-type: none"> • Cognitive bias training • Active-constructive recognition**

Some people claim PM takes too much time. Do yourself a favour, calculate the total time PM takes (goal setting, coaching, information gathering, appraisal feedback etc.), divided by your total available work time. It amounts to approx. 5% of total managers time on average, and is core to any people manager's key roles and responsibilities. Just because we don't like having potentially difficult conversations doesn't mean we shouldn't do them.

How do we really improve PM?

Most organisations are not actually doing away with PM, but instead are moving to more regular one-on-ones and a decreased focus on the dreaded annual appraisal. That's a good thing. It provides staff with more real time feedback and opportunities to course correct, which leads to higher perceived fairness. A real focus, not just on a tick box process, but on how PM is conducted via manager training is imperative. This, allied to a constructive culture of candour is a prerequisite for meaningful PM.

Be "FAMEous" - execution principles that drive high performance

Focus: maximum of 3 key focus areas or KPI's, significantly increases the likelihood of goal achievement.

Accountability: allocate your staff member with 51% decision making rights, and 100% accountability to ensure higher levels of ownership and autonomy.

Metrics measurement: clearly identify the causal inputs that lead to the specific goals achievement, plus output indicators that are SMART-U(U=unintended consequences).

Engagement: whilst task focus is crucial, don't lose sight of the fact that its engaged staff that actually deliver the results. Have a healthy balance of intrinsic (autonomy, personal mastery and purpose) and extrinsic motivators (recognition and reward).

Mind the gap with neuroscience

Drop the undermining actions listed in the SCARF table, and consider amongst others:

* Manager-staff preview: whilst scoping deliverables at the beginning of the PM cycle, get the staff member to identify those things they need the manager to do so that they can succeed in achieving their objectives. It moves the focus from top-down to a shared reality and with it a sense of fairness.

**Active-constructive recognition: instead of just saying "well done" after good performance, ask the staff member to describe the event in detail, explore what skills where being used and where else can they use these skills in the coming month. This approach reinforces performance excellence and is a serotonin boost to boot!

Getting real thanks to behavioural economics

Seminal research by Scullen, Goff and Mount (2000) showed that between 53-62% of PM rating variance can be accorded to a rater's own bias!!

Listed below are some cognitive biases from the world of behavioural economics that must be identified and minimised in PM training and PM processes:

<p>Confirmation bias:</p> <p>Paying more attention to people or facts that managers already agree with.</p>	<p>Halo effect:</p> <p>Managers overall impression of someone is based on only certain positive traits, not the whole picture.</p>	<p>Negativity bias:</p> <p>Manager pays more attention to, and remembers things that are negative.</p>
<p>Dunning Kruger effect:</p> <p>Unskilled people over-estimate their ability and experts under-estimate themselves.</p>	<p>Ikea effect:</p> <p>Staff place a disproportionately high value on the things they personally deliver.</p>	<p>Planning fallacy:</p> <p>Under-estimating how long it will take to complete a task.</p>

In conclusion:

Complex tasks in a knowledge economy will demand a more nuanced approach to PM, as result of the changing world of work e.g. virtual offices, agile based teams, rapidly changing business objectives. It will probably result in the counter-intuitive, slow disentanglement from existing bonus and talent management practices. This integration has ratcheted up the emotional distress of the PM process, and unfortunately undermined authentic two-way conversations focused on actual performance and development.

Whilst mobile technology and advances in data analytics will no doubt improve the quality of PM inputs and transparency, we ignore the human dimension at our peril. The advances in neuropsychology and behavioural economics can help us significantly overcome some of these PM challenges.

There is however no escaping the fact that if we want to be world class, we will have to either suffer the pain of discipline, or the pain of regret. It's your choice, what will you do?

