Viewpoints

Q & A

Evolving performance management

Part III: Harness technology to take performance management from transactional to transformative

Angel Hoover,
EMEA Regional
Practice Leader,
Talent Management
and Organizational
Alignment

Asumi Ishibashi,
Leader, Rewards,
Talent and
Communication
(facilitator)

Ravin Jesuthasan,
Managing Director
and Global Practice
Leader, Talent
Management and
Organizational
Alignment

Jennifer Kelly,
Product Leader,
HR Software

Chris Pinc,
Director, Product
Management,
HR Software

Many employers wonder whether their performance management program actually improves the organization's chances for success. Does it really help employees develop? Does it reinforce positive work behaviors? Doubts are deepening, and traditional, transactional approaches to performance management don't seem to be meeting objectives.

When managing an employee's performance means the manager looks back only once a year, fills out a form and has a one-time discussion with the employee, it's time for a change. With the help of the latest HR software, organizations can take their performance management programs out of the transactional realm. When the program involves continuous, consumer-grade, forward-looking experiences for employees and their managers, it can be truly transformative for the organization.

In a recent roundtable discussion, Willis Towers Watson experts examined the shortcomings of the transactional approach to performance management and discussed how employers can harness technology to make the journey to a transformative approach.

Q Ishibashi: How are most employers handling performance management today?

A Jesuthasan: At most organizations, performance management is fairly uniform throughout the workforce and also somewhat perfunctory. Despite the rhetoric in recent years about needing to improve the employee experience, the time spent on performance management per employee over the course of a year is still only two hours in most organizations.

Employers are still challenged to differentiate high performers from their lower-performing coworkers. And even when employers do accurately differentiate employees, merit pay increases are typically still mired at the 2% level due to limited budgets. As for performance feedback, many employees are being told, "Keep doing what you're doing." And this feedback is usually delivered only in brief, annual conversations. The process is keeping performance management from being little more than a delayed, once-and-done look back.

WillisTowers Watson I'I'I'I

Hoover: Yes, in most organizations, performance management is still quite traditional — managers evaluating employees using a five-point scale in an annual review. This system is really broken. In Willis Towers Watson's 2016 Global Talent Management and Rewards Study, fewer than half (48%) of surveyed employees said performance reviews have helped them improve their performance.

If the process isn't strengthening employee engagement and is falling short of its objective of improving performance, employers should be asking themselves, "Why are we doing this?"

Q **Ishibashi:** **What do employees want from the performance management process?**

A **Hoover:** Today's employees, across all generations, are looking for more immediate feedback on their performance than they've been getting. They want a much more consumer-grade employee experience that helps them understand the value they're delivering to the organization.

Jesuthasan: Employees also want it to be a much more simple, dynamic and intuitive process with frequent feedback.

The cadence of work has changed in recent years. As many organizations move away from traditional jobs and into more project-oriented work, employees want feedback as they roll off a project. In assessing each specific project, they want to know where they can improve versus where they've excelled at something. And now that HR software is permeating the work environment, employers have a great opportunity to give employees that information. With the latest technology, employers can transform performance management to better support employees' continual growth and development.

Pinc: Yes, in organizations that are getting performance management right and doing it well, technology is enabling a more efficient, effective process. It's also helping employers deliver the consumer-grade experience employees expect.

Kelly: As Ravin said, employees want to know when they're doing well and which areas need improvement. If they don't get that information until the year-end review, it's often too late for them to make changes. When they get immediate feedback, they can either correct their behavior or continue on their path to success.

Q **Ishibashi:** **When employers evaluate their performance management program, what specific things should they consider?**

A **Jesuthasan:** Our decades of experience consulting for organizations of all sizes have led us to emphasize two major considerations: First, is the program actually improving business results? That is, does it prompt the type of behavior change that improves efficiency, effectiveness and productivity, and enable the organization to meet its strategic goals? And second, as the structure of work changes, does the performance management process reflect those changes?

There are ways to address those concerns and make the process more efficient. You want to increase both efficiency and effectiveness — make performance management better and make it matter. The right technology can help you do both.

Q **Ishibashi:** **Though most organizations' performance management programs are still very traditional, some employers have moved on to much more effective frameworks. Still others are transitioning away from traditional programs and toward more modern programs. What are the differences among performance management programs that are still mostly transactional, those that are transitioning away from that transactional approach and those that have truly become transformative for the organization?**

A **Pinc:** A transactional performance management program is about compliance. The manager is focused on getting information into a system — getting it logged. Set it and forget it. The process is driven by the manager rather than by what employees need and can get out of it. Unfortunately, too many organizations still have this type of program.

In a transitional performance management environment, there are traditional tasks, but people do them really well. Managers and employees are smart about setting goals. Managers can make decisions and approve various types of outcomes in response to the results of performance assessments, and they have meaningful performance and career conversations with employees. Employers whose programs are in this transitional phase are getting more from their investment in performance management than those that are still stuck in the transactional realm.

Transformative performance management, on the other hand, is very different from both of those. Managers help employees set goals that are meaningful to them. Managers effectively differentiate their employees' performance and can reward the top performers. Looking to the future, they can coach employees to help them reach their full potential, as opposed to looking back at what's happened over the past year and assigning a rating.

Jesuthasan: When an organization's performance management program is in its early stages, it's usually a transactional process. That is, the program is the means for an exchange of value between an individual's performance and the rewards she receives.

In organizations looking to make their performance management program truly transformative, managers are asking employees, "Where are you today versus where you'd like to be?" and "Do you have the core capabilities you'll need to get there?" Also, they're using the latest technology to help the employee answer those questions and to create a plan for career growth.

Hoover: Transformative performance management allows managers to evaluate whether the employee has the skills, competencies and experiences she'll need in order to optimally contribute to the overall performance of the team, unit and organization.

To create a more transformative program, employers need to redesign the process to be a look forward from the employee's perspective. With frequent discussions — really, an ongoing dialogue — the manager and the employee determine the value the employee must deliver in the year ahead. They identify the capabilities the employee must develop and the experiences she'll need to have.

Our research has found that organizations are twice as likely to report performance management program effectiveness if they use a continuous evaluation process rather than a once- or twice-yearly review. Once an employer has transitioned the program to one with continuous dialogues, the next step is to make those conversations about the future.

Q **Ishibashi: As an organization moves toward transformative performance management, how does communication about employees' performance and capabilities change?**

A **Pinc:** In a transactional environment, communication is mostly from the top down, and it's very compliance-driven. In transformative performance management, communication about employees' performance and capabilities can come from anyone and be delivered to anyone. Employees give immediate performance feedback to each other, so there are no surprises at year-end. They know the areas in which they're doing well and those where they could or should improve.

Kelly: Transformative performance management creates an environment in which feedback and two-way communication are not only enabled but also encouraged.

Q **Ishibashi: Setting performance goals and tracking performance are primary components of any performance management program. How can technology make those tasks more efficient?**

A **Jesuthasan:** HR software can significantly streamline low-value activities, including gathering and consolidating feedback, and documenting performance. It can also save managers time by automating major parts of the process, thereby freeing them to focus on high-value activities: coaching and developing employees.

Pinc: Some of our clients are using technology in a smart way to move their performance management program from the transactional realm into the transformative. Technology helps them eliminate the cumbersome stack of standard forms. It also arms managers with tools to help them have more effective discussions with employees. The right software and technology allow managers to play a more strategic role and to involve employees in a more forward-looking process.

Kelly: Also, by enabling employees to continually see the progress they're making toward meeting their performance goals, technology can help them identify risks right away. This eliminates year-end surprises for employees and managers. When managers can see clear indicators of problems, they can work on removing any roadblocks the employee faces, and they can escalate and resolve issues when possible.

Q **Ishibashi: What's the best way for a manager to measure whether an employee has successfully met her performance goals?**

A **Pinc:** The different types of performance management programs have different metrics. In a transactional program, the manager sets the employee's goals, and then the employee does or doesn't meet them. In a transformative program, a goal can be weighted at the outset according to how achievable it is, and its weight affects the person's performance evaluation.

Managers can focus on considerations important to the organization: Can this employee sustain her level of performance? Is she likely to contribute even more in the future? Does she have the right skill set to help the organization meet its goals? How must she evolve in order to contribute to the evolving organization?

This is another area where HR software can help by enabling managers to easily track and manage employees' progress toward their goals throughout the year. High-performing HR software allows for journaling, whereby managers capture the content of individual performance discussions. The technology allows them to document and review the ongoing performance dialogue in order to get the full picture of an employee's performance at any time.

Q **Ishibashi: How should an employer begin its journey toward transformative performance management?**

A **Jesuthasan:** The journey should start with a clear case for change and buy-in from the leadership team. You'll need all stakeholders to be engaged in the idea of improving the performance management program to make it more beneficial for both employees and the organization. Once you have that buy-in, begin experimenting with some incremental changes to your program for selected, small groups of employees. This will help you foresee the intended and unintended consequences of the changes you'll be making before you make them for the entire workforce.

Ask yourself, "Does our technology support this journey? Will these changes make the process easier for our managers?" And most important, "Will this transition allow us to better develop our people and enable them to make stronger contributions in support of the organization's long-term success?"

Willis Towers Watson