

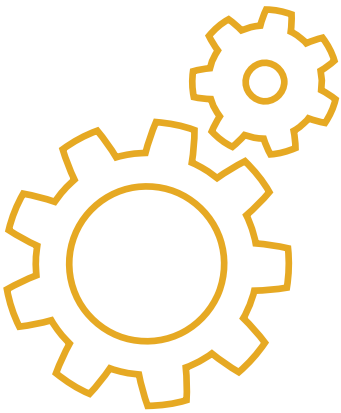
# 5 WAYS TO REVOLUTIONIZE YOUR PERFORMANCE MANAGEMENT **STRATEGY** TO MAXIMIZE BUSINESS RESULTS

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# INTRODUCTION

Your performance management strategy has a direct impact on the success of your employees as well as your own success as a manager. It's an integral part of your position; with that in mind, let me ask you a question:



When was the last time you evaluated your performance management strategy?

If you haven't evaluated your strategy recently but recognize the need to do so, you'll find valuable information in Chapters 1 and 2: how and why the traditional methods of performance management fall flat in their goal of driving performance.

If you have evaluated your strategy recently, then you'll find Chapter 3 especially helpful; it outlines five steps to revolutionizing your performance management strategy to maximize the potential in your organization.

Each section of this ebook is meant to provide insights into how we can disrupt the performance management model in order to create a system that actually drives results.



If you want to:

- Be a better manager, leader, and team member
- Drive performance in your employees
- Develop strategies for unlocking the potential in your organization
- Enact change that has a lasting impact on your employees and your organization

Then this ebook is for you.

The following pages will present five ways you can take your performance management from “acceptable” to “extraordinary.” Be ready to put each of these concepts into action in order to get the full benefits of these revolutionary ideas.

Natasha Bowman  
Founder Performance ReNEW

LET'S GET STARTED!

# THE TRADITIONAL PERFORMANCE MANAGEMENT PROCESS



**A**s an experienced manager, you are already familiar with the traditional process of performance management. This is the process that is most commonly found in organizations due to the perceived universality and longevity of the theories behind this traditional approach. There are many iterations of traditional process, but they usually entail some combination of the elements below:

**COMPETENCY-BASED:** Competencies are behaviors needed for successful job performance; these behaviors include observable skills, knowledge, abilities, motivations, or traits. Competency-based performance management includes assessing competencies — meaning employees are evaluated on how they accomplish a task, as opposed to whether or not their performance meets expectations.

**RATINGS AND SCORING:** Employees are assigned scores based on ratings; these can be very detailed or simple scoring methods. Either way, your employees' skills, knowledge, attitudes, and behaviors are each assigned a number, which are then added together to produce a performance score.



**MERIT-BASED COMPENSATION:** Monetary compensation is directly related to the achievements an employee accomplishes. The more merits an employee receives, the higher pay they receive, and the opposite is also true. The concept behind this ubiquitous component of the traditional performance management structure is the idea that monetary compensation is the most effective motivator for performance.

**DIFFERENTIATION:** Many organizations use exclusive talent differentiation, meaning that they identify their top performers and provide them with more resources to develop their skills than other team members.

**ANNUAL OR SEMI-ANNUAL SCHEDULE:** Due to the involved nature of the traditional model, performance reviews usually only occur once or twice a year at regular intervals. They are considered to be events that are outside of normal business activities.

**TIME-CONSUMING:** The depth and breadth of the typical performance review means that it consumes valuable resources; the most valuable of these is time. Managers and employees alike spend time responding to assessments, evaluating competencies, and discussing outcomes.

**STRESSFUL:** Since the traditional performance review model is based on ratings that are directly tied to compensation, the process can be extremely stressful; this is compounded by the fact that the process only happens once or twice a year.

You probably recognize at least some of these descriptions in your own experiences as both an employee and a manager. Think about the last time you conducted a performance review and consider how you would respond to the following questions:

- How did you perceive the review process?
- How did your employees perceive it?
- What were the intended results of the process?
- Did the process yield the results that the organization needed?

Think about your responses as you read the next chapter, **Why the Traditional Performance Management Process Fails.**

# WHY THE TRADITIONAL PERFORMANCE MANAGEMENT PROCESS FAILS



If you're reading this ebook, it's because you sense there's something about the traditional model of performance management that just doesn't work. And it's true! There are actually many reasons the traditional process fails. In fact, all of the characteristics listed in Chapter 1 contribute to the inefficacy of the traditional performance management process; these reasons are listed below:

**COMPETENCY-BASED:** Competency-based evaluation methods simply do not drive performance. Job competencies only reflect that you have the knowledge, skills, and abilities to complete your work, but tell you nothing about whether or not you carry out your job responsibilities. While competencies should be evaluated and addressed, this should be done on a regular, immediate basis — not just once or twice a year.

**RATINGS AND SCORING:** Most ratings and scoring systems don't work because there is not a clear, concrete distinction between different ratings. Competencies are not purely quantitative, so translating them into accurate ratings is almost impossible. For instance, if your review is competency based and one of your competencies is communication (which is seen often) how do you distinguish between a four and a five? Most managers often stumble when trying to explain ratings to employees. Because of this, those ratings translate to scores that are essentially meaningless; these scores are assigned to employees who begin to perceive themselves as simply a number. This focus on numbers and ratings is detrimental to employee morale, and it does nothing to actually drive performance.

**MERIT-BASED COMPENSATION:** Now that every employee has been assigned a "rating," their compensation is now tied to it. This means that if ratings meet certain criteria or improve, compensation may increase; the opposite is also true. Since ratings are often distributed based on factors other than actual performance, organizations tend to determine merit increases based on these "false ratings." This results in inconsistency, which breeds the perception of the entire system as fundamentally unfair. When employees begin to view a system as unjust, employee engagement takes a nosedive and the risk of a toxic work culture rises.

**DIFFERENTIATION:** Many organizations use the performance review process as the sole method of differentiating talent. Because of the flaws in the traditional process that I've listed above, this means that the differentiation process is extremely limited and ineffective. The traditional exclusive talent differentiation method is informed by data that is unclear at best, and misleading at worst. The result is an extremely narrow talent pipeline that is fundamentally worthless because it is not delivering a steady, reliable stream of talent where it is needed most.

**ANNUAL OR SEMI-ANNUAL SCHEDULE:** Performance management that only occurs once or twice a year will lead to lackluster performance results because it is seen as a process that is separate from daily business activities. Since performance should be an everyday goal, so too should be the conversations surrounding it.

**TIME-CONSUMING:** Since traditional performance reviews are so time-consuming, they are usually dreaded by both managers and employees alike. Besides causing anxiety, the process wastes an incredible amount of productive time – for every hour spent on the performance management process, at least two hours of productive time is lost. Even more time is lost if there are severe performance issues to address.

**STRESSFUL:** A semi-annual or annual performance review is a high-stakes event that can cause enough anxiety to have a negative impact on performance — which is the exact opposite of your goal! A much better alternative is to integrate performance management into all employees' and managers' regular schedules, so that performance is seen as the end goal for every single day.

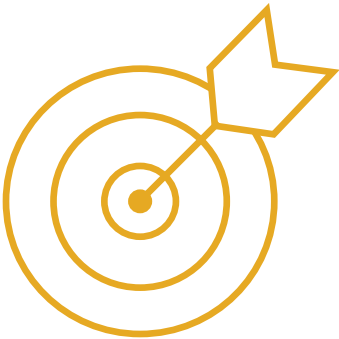
For all of these reasons, the traditional performance management model simply does not work. It causes more stress than it's worth, it takes up valuable time, and it's informed by deficient and misleading data about employees' competencies.

Think about these reasons as they relate to you and your organization, and consider how you would answer the following questions:

- Which reason is most relevant to our situation?
- How have these reasons directly impacted our organization?
- If my employees could identify one reason they disagree with our current performance management strategy, what would it be?
- Which area should we focus on improving first?

Now that we've reviewed the reasons for leaving this traditional model behind, let's move on to **Chapter 3: Revolutionize your performance management strategy!**

# REVOLUTIONIZE YOUR PERFORMANCE MANAGEMENT STRATEGY



By now, I hope I have your attention! Traditional performance management solutions are not driving the performance outcomes that we all hoped they would. If you're looking to drive business results through optimizing performance, you must take a revolutionary approach for doing so. You can achieve this through the five steps outlined below.

## **1. INVOLVE EMPLOYEES IN THE GOAL SETTING PROCESS TO DRIVE ACCOUNTABILITY.**

The goal-setting process should reflect the fact that each employee's success is critical to the success of the organization. When you involve an employee in determining his own performance path, you increase ownership of the process, self-motivation, and validation of that individual's contributions and potential.

## **2. ELIMINATE COMPETENCY-BASED PERFORMANCE EVALUATION.**

Replace competency-based forms with templates that drive discussions based on future performance, professional development, and employee-driven goals. By shifting the perspective of performance management to the immediate future, you demonstrate to your employees that their own focus should be on performance and not just competencies.

## **3. STOP UTILIZING RATINGS AND SCORING TO DETERMINE MERITS INCREASES.**

Replace these models with just in time reward systems. Imagine this. Each manager is given a budget of 3% merit increase for their department each year. Instead of distributing this three percent in a one-time merit increase with the annual review, this increase is not given until performance goals are met. 3 goals, 1% increase when the employee meets the goal. This may happen in June, September, or maybe not even until November! But what does happen is that employees know what they are working towards. They are motivated. They are accountable. They hold each other accountable. More importantly, pay practices are consistent. Employees are no longer getting pay increases because a new year has rolled around. They are now being paid for actual performance!

#### 4. REPLACE EPISODIC PERFORMANCE CONVERSATIONS WITH PERIODIC CONVERSATIONS

You expect employees to perform consistently throughout the year — that means that you need to manage performance just as frequently. By increasing the frequency of performance discussions that utilize the other strategies outlined here, you provide an ideal setting in which your employees can thrive.

#### 5. FIND INNOVATIVE WAYS TO DIFFERENTIATE TALENT.

Since talent comes in many forms, you should determine more than one way to differentiate talent. If there's any connecting thread to the strategies listed here, it's this: simply having one simplified system for any part of performance management will **not** drive performance. This is true for identifying and building talent within your organization.

By employing these five steps you can ensure that your focus is on the right thing: your team's actual performance. Now, consider your responses to the following questions:

- Which strategy will be the easiest to employ in your organization?
- Which strategy will be the most challenging to employ in your organization?
- How can you facilitate the incorporation of these strategies?
- What concrete steps can you take to move forward with these strategies in the next two, six, or twelve months?

Continue to this ebook's **Conclusion** to find out more about you can **Maximize Business Results** with the steps outlined in this chapter.

# CONCLUSION



It's an exciting time to be in performance management— things are changing, and quickly. More and more people are acknowledging the flaws in traditional performance management methods and how these fundamental flaws negatively impact not just individual performance, but overall organizational performance. You've already taken additional steps toward this goal by recognizing the specific reasons the traditional model is problematic, and identifying strategies that have revolutionized performance management in other organizations. You're extremely close to being able to maximize your business results by revolutionizing your performance management strategy.

## Your Next Steps

The approaches outlined in this book are not one-size-fits-all. Performance ReNEW, a nationally recognized leadership development and talent management consulting firm, can help you achieve organizational results through performance management. In addition to the five steps outlined here, we have gathered the best strategies from the organizations we support and from other organizations who have revolutionized their performance management approaches and compiled them into a one-day workshop that will bring you the best-in-class approaches and provide customizable templates for driving meaningful performance discussions, change management and communication, and innovative compensation approaches.

Contact Performance ReNEW today to get started on your organization's Performance Management Revolution. Call 1 (212) 653 8728 or email [moreinfo@performance-renew.com](mailto:moreinfo@performance-renew.com)