THE TRUTH & LIES OF PERFORMANCE MANAGEMENT

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A PIECE OF ORIGINAL RESEARCH BY BOX OF CRAYONS

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INTRODUCTION: THE IMPOSSIBILITY OF PERFORMANCE MANAGEMENT

NAKED

You may know Hans Christian Andersen's tale "The Emperor's New Clothes." It's only once a child — spoiler alert here! — sees the king walking naked down the street and states the obvious that suddenly everyone sees what's always been there.

Something similar has happened with how we approach performance management. Someone a few years ago finally pointed and said, "Hey, this really doesn't work." [1] And now, no one can un-see the flaws in their organization's approach to performance management.

But while we know what *doesn't* work, we're all still trying to figure out what *does*. We know organizations are experimenting, testing and iterating. We see the occasional stories of success (never failure) in *Harvard Business Review, Strategy+Business* or an HR journal. We've read that more organizations are thinking of changing their PM than are not.[2] We hear at conferences about an elusive number of major organizations — is it 50? 150? 500? — that have allegedly abandoned ratings. We nervously check in with our colleagues: "So, what *exactly* are *you* doing?"

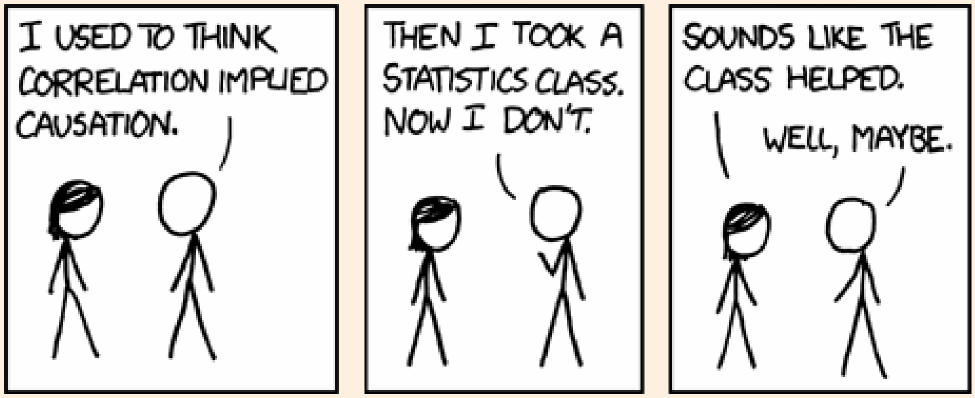
CONFLICTED

Part of the problem is we've been suckered into believing that there's a "silver bullet" solution out there just waiting to be uncovered. But the "Sage of Baltimore," journalist H.L. Mencken, put it best when he said, "For every complex problem, there is an answer that is clear, simple, and wrong."

For there's a tension that's long twisted the heart of performance management in organizations. On the one hand, the performance management process is meant to help with reward decisions, provide legal documentation for letting people go and identify high potentials. It's measurement and it's process and it's bureaucratic. To keep it simple, let's call this **appraisal**.

And at the same time, in a fingers-crossed, hopeful way, it's meant to actually be about *improving performance* by encouraging managers to talk to employees about how they can become better at their jobs. A small part of this talk is a formal plan for development, but it's much more about informal conversations. It's about helping people finding the focus, courage and resilience to do Great Work: the work that has more impact, the work that has more meaning. We'll call this **coaching conversations**.

There's long been the thought that these two objectives are "kind of the same" or at least could be intertwined within the same process. And it's true that when focusing on the first, people have almost certainly seen some rise in the second, as the appraisal process can ignite coaching conversations. However, correlation is not causation.



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It is this intertwining that has caused so much confusion, because there's a dark tension that lies between these two goals. Let's look at why, using a truly Canadian example.

Consider goal-setting for the purpose of performance improvement:

Boss: *"Bonjour, lumberjack Gabrielle, you're the best. How many trees can you cut this week? Let's go for the record!"*

Lumberjack: *"I'll bet I can do 100, maybe more!"*

The lumberjack has a specific, measureable stretch goal, and research shows that having this type of goal leads to higher performance than if just asked to do one's best.[3] But see what happens when the conversation shifts into appraisal mode:

Boss: *"100 is fantastic. Hit that and you'll get a raise. Of course, if you fall short, you'll be labelled a poor performer."*

Lumberjack: *"No, I didn't mean 100, I meant 20 ... yes, 20 is a good, ambitious target."*

Although in theory these two conversations should somehow be aligned and mutually supportive, in practice, the pounding bass of concerns about appraisal always drown out the delicate treble of conversations about improving performance.

Both conversations are important and need to happen. We need the formal — and often unpleasant — process of appraisal. We also need the less formal — and often quite encouraging — conversations about how to get better. The conflict between these two related processes unavoidably creates deep tensions, and that's why organizations like yours have been trying to find a way forward.

RESEARCH THAT POINTS THE WAY

Rumours, myths, half-truths. Overemphasized successes and hidden failures. We're stepping forward gingerly into the unknown, tackling a complex challenge. We might not know the answers. But wouldn't it be nice if we could find out what people are doing to crack the code? If we could find out what is really going on?

Box of Crayons has conducted research in order to throw some light onto the shadows. We surveyed senior executives across more than 120 organizations, asking them to share what they're doing (and not doing) in their organizations. We supplemented that with qualitative interviews, adding stories from the front line to the statistics.

In this report, we tackle some of the big questions that are keeping those of us responsible for our organization's performance management process — senior OD, talent and HR people — up at night.

WHAT'S COMING UP

In Section 1, we ask: Is the performance management revolution real? Certainly, we've heard it's "all change." But is it more like an earthquake, or is it just fancy landscaping? It turns out that things *are* changing, and that the trends *are* encouraging. But in both cases, perhaps not as much as you'd imagine.

In Section 2, we frame the questions you'll need to tackle if you want to start your own revolution. Rather than your rushing in and changing something (or everything), it will pay dividends to ask these three questions, to get clear on what you're looking to achieve.

If you've started a revolution, how do you keep it going? Change management is as hard and as complex as the organizations to which it is applied. While there's no point in doing a superficial scan of how to do change management, it's worth understanding how to manipulate two PM levers in particular: the C-suite and technology. We share interesting findings on how to think about them in Section 3.

One truth we've found across the board is that all organizations are focusing on their managers and leaders being more coach-like, in support of the evolution of performance management. It's a noble goal that's proving surprisingly difficult to implement. In Section 4, you'll find proven tactics for helping coaching take root in organizations — and stick.

Section 5 links to a new podcast Performance Management Stories — real stories from the front line. In this podcast, we interview those executives responsible for leading and managing the PM processes, and find out where they are in their journey and what they've learned along the way. We hear stories from organizations as diverse and interesting as GE, USAA, Singularity University, HBO, the NBA and charity: water, among others.

Then, to wrap things up, a conclusion and a look to the future of performance management, as well as a look at the details of the research that fuelled these findings.

DON'T BE CAUGHT NAKED

Hans Christen Andersen's emperor wandered the streets naked. You don't want to do that. It's not dignified, and you might catch a cold. Equally, you don't want to throw on just any old set of clothes. You want something tailored. You want an approach to performance management that fits your organization's culture, its strategic needs — and one that's able to be implemented as you manage all the other obligations and pressures that exist.

In this report, you'll find the information you need to be better informed — and to tailor that custom suit. You'll see where things are with the revolution, and where your organization might be relative to others. You'll learn some of the significant questions you need to wrestle with, and potential answers. You'll learn proven tactics for helping coaching stick in your organization. And you'll join a community of storytellers, professionals like you, who share their own stories of struggle and success.

DEFINING OUR TERMS

Part of the challenge in tackling the topic of performance management is the slipperiness of the language. *Performance. Appraisal. Management. Coaching.* The terms all get lumped together, and it's easy to get confused as to what exactly we're talking about.

That confusion reflects the inherent tension in the "old way" of doing performance management. On the one hand, it was meant to promote a higher level of performance. On the other, it was about appraising people so they knew where they stood and (in most cases) could have their pay adjusted accordingly.

Here's how we're using the terms in this report — and we strongly recommend you adopt similar terms within your organization so that you can drive out the confusion that cripples any reform of performance management.

PERFORMANCE MANAGEMENT. An umbrella term for the whole process. It includes goal-setting, ongoing coaching conversations, possibly a mid-year appraisal, and a formal, documented year-end appraisal.

PERFORMANCE APPRAISAL. Traditionally consisting of a year-end meeting where the manager rates the employee's performance. It can be closely or loosely tied to goals, and there may be one or more mid-year appraisal meetings also. Although development and career-planning conversations are often tacked on to the appraisal meeting, we do not consider them part of appraisal, since the dynamics are so different.

COACHING CONVERSATIONS. At their best, coaching conversations help an employee improve their performance in both the short and long terms. A short-term impact could follow from feedback on how a presentation went and how to do it better next time. A long-term impact might flow from a conversation about careers and what skills the employee needs to develop. We think that development and career-planning conversations are best categorized as a type of coaching conversation. We explore this in more detail in Section 4.

ONGOING PERFORMANCE MANAGEMENT. Take a pause here, because this phrase sits at the heart of the confusion that plagues us. Ninety-five percent of ongoing performance management is a mix of formal and informal one-on-one coaching conversations with employees over the course of the year. Five percent is the mid-year appraisal meeting(s). HR should be treating these as *two separate things*! As soon as the conversation is about appraisal, it's hard for it also to be a coaching conversation that improves performance. When conducting this study, we needed to live with the fact that HR generally lumps them together, but we've done our best to distinguish the two types of meeting.

SECTION 1 OF *THE TRUTH & LIES OF PERFORMANCE MANAGEMENT*

IS THE REVOLUTION REAL?

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SECTION 1: IS THE REVOLUTION REAL?

PREDICTABLE HYPE

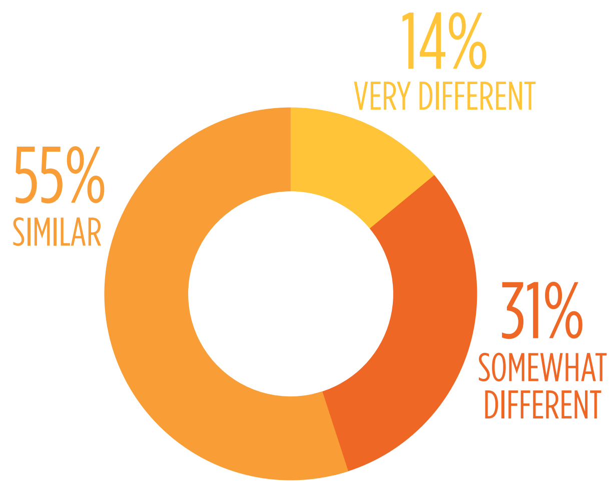
You may have some distant memory of the technology trends that have flowed and ebbed in the last few years. Smart dust, virtual reality, blockchain, big data, biometrics, 3D (and then 4D) printing. They seem to appear out of nowhere, blaze brightly as the latest technology that will change everything, prove to be something of a disappointment, then find a natural level. Gartner, a technology research company, tracks emerging technologies on its Hype Cycle, knowing there's a predictable pattern. It's a pattern we see in the excitement about Performance Management 2.0 as well.

In the lifetime since Adobe become the first major organization to announce it was abandoning the old once-a-year rating approach to performance management (it was March 2012), the hype has built.[4] There's no doubt that what started as a trickle is now flowing much faster. But if we're following the press, it is hard to tell exactly whether it's the mighty Mississippi or more like the Winnipeg River — significant certainly, but significantly smaller.

YES, THE REVOLUTION IS HAPPENING ... BUT SLOWLY

It turns out, the media have exaggerated the extent of change when it comes to performance management. But equally, it's not all hype. Our study shows that a few organizations had made a significant change such that they felt their new system was very different from the classic process, just over a third reported that it was somewhat different and the majority reported that their performance management system had not changed significantly (see Figure 1.1).[5]

FIGURE 1.1: HOW THE CURRENT ANNUAL PERFORMANCE APPRAISAL PROCESS COMPARES WITH THE CLASSIC PROCESS



The most common change in approach noted by both those who saw their process as very different and those who saw it as somewhat different was the introduction of more frequent reviews and coaching conversations. This isn't blowing things up and starting tabula rasa. It's taking what's already there and playing with key elements to see if increasing or decreasing them makes a difference.

The other noted changes are an eclectic mix: more emphasis on development than on appraisal; simplification; better goal-setting; and more focus on just the top and bottom performers, rather than spreading a manager's limited time across all employees. These are all worthy ideas and are better understood as evolution than as revolution.

One thing that hasn't changed as much as you might expect is how organizations use ratings. Most firms in our survey had not eliminated ratings. Only 8% had clearly done so, whereas others mentioned that ratings were de-emphasized but not eliminated. This is an important finding because it shows that most organizations believe the costs of eliminating ratings are greater than the benefits; no one likes appraisals, but some pain may be inescapable.

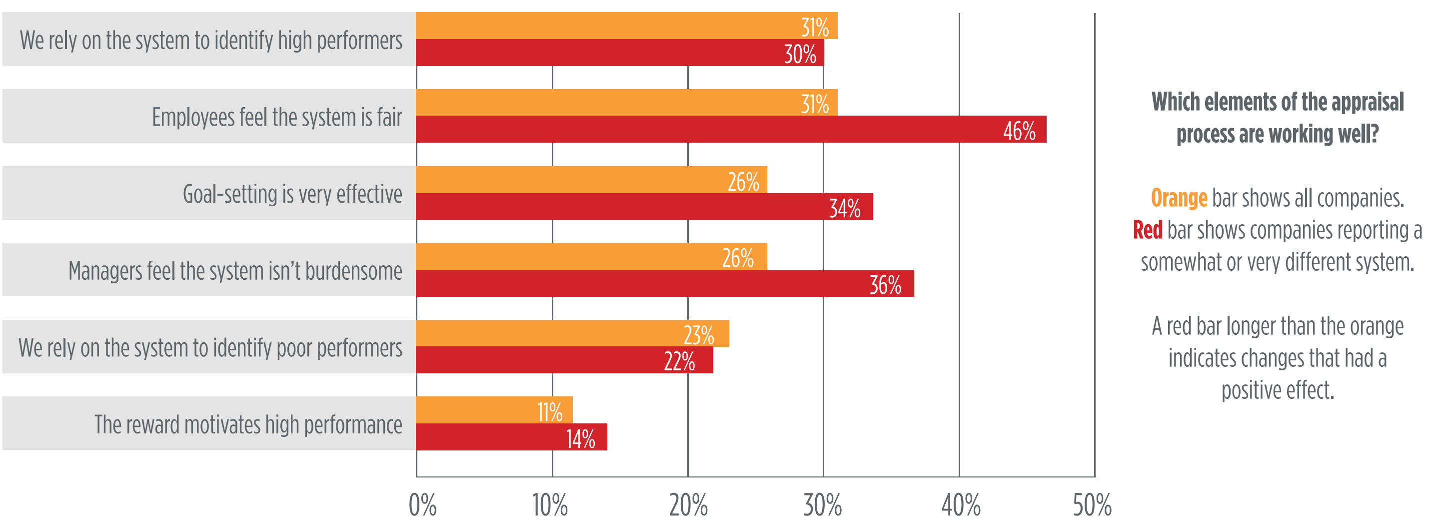
IS THIS CHANGE FOR CHANGE'S SAKE?

The hype is seductive, of course, and one question that needs to be asked is this: Does the change to performance management work as well in practice as it does in theory? There's mixed news, according to our survey (see Figure 1.2).

The big picture is that those reimagining their performance management processes are improving key metrics. So things are moving in the right direction. However, no one should get excited about hitting it out of the park, so to speak. Even the biggest difference seen between "changes made" organizations and "as usual" organizations — the shift in how fair people feel the system is — is slight: a move from 31% to only 46%. It's getting better but, put bluntly, a majority of people still feels that the system is unfair.

That points to one of the recurring findings of our research, a finding that speaks to the challenge at the heart of performance management: it may be that the best you can get to in your performance appraisal process is "not terrible." We can make appraisal better, yet it seems that appraising people is a "wicked problem," a problem that can't be solved definitively. Of course, all is not lost. If the appraisal process always brings some frowns, let's look forward to smiles in our discussion on coaching conversations.

FIGURE 1.2: WHAT'S WORKING WELL IN ORGANIZATIONS TODAY



SO WHERE SHOULD YOU FOCUS?

When nothing's working perfectly, it can be tempting to try to change it all. But the Pareto principle — broadly, that 20% of activity makes 80% of the difference — means that you need to focus on what matters. There's a lot that you *could* do. But what *should* you focus on?

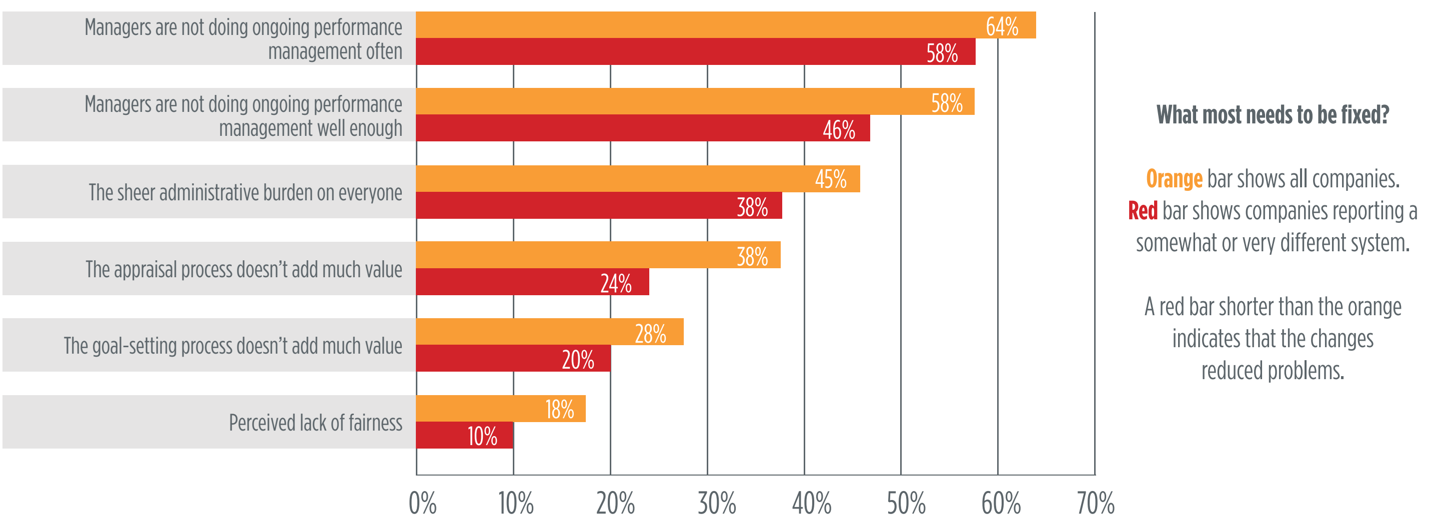
The takeaways from the top two findings of our research are that, first, managers are still not doing ongoing performance management *frequently enough*, and second, they are not doing it *well enough* (see Figure 1.3). In terms of the Pareto principle, this implies that 80% of the gain will come from improving the conversations managers have with employees. This conclusion is bolstered by our interviews, where, consistently, HR leaders were more concerned with what went on in these ongoing performance conversations than with what went on in the year-end appraisal meeting.

The remaining findings point to the broad dissatisfaction with the appraisal side of performance management. No surprise there: it's that dissatisfaction that was the impetus for revolutionizing performance management. However, our take on what this finding means may be different from what you'd expect. Almost all the pain of the overall performance management process derives from the appraisal process. Experienced practitioners tell us that this has been their experience for decades, despite endless attempts in thousands of companies to tweak the system. Our conclusion is that we should accept that the appraisal process will create some pain we will just have to live with.

If we bring all this together, we reach our most important conclusion. Given that we can't do everything, we should stop trying to make the appraisal process painless and instead focus our efforts on ongoing performance management. And given that the ongoing process is about improving business performance, that focus should resonate with the CEO.

What about eliminating appraisals all together? We'll get to that in Section 3.

FIGURE 1.3: AREAS OF PERFORMANCE MANAGEMENT NEEDING TO BE FIXED



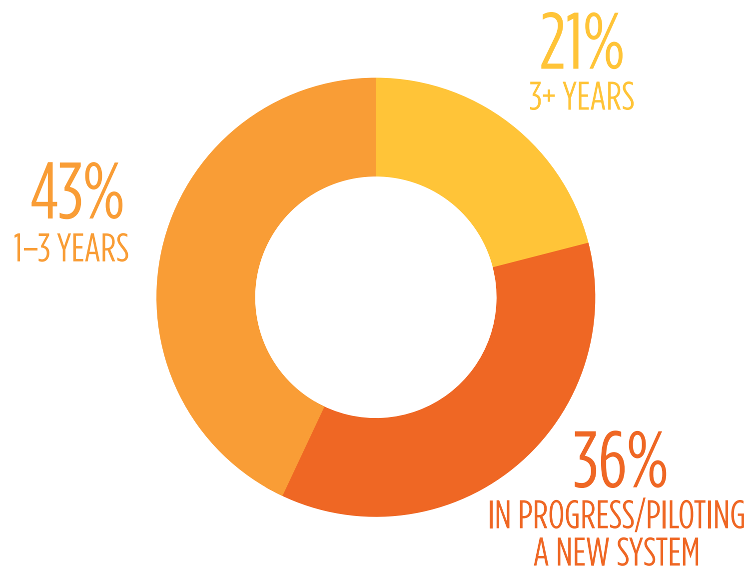
DON'T PANIC: WE'RE STILL LEARNING

Given our research results, you might feel a little crestfallen. Not much is changing, and those changes that *were* implemented don't seem to have moved the needle a lot, though they have a little. Is it even worth it, you might be thinking, to take on altering your approach to performance management?

That's a good question. And one worth mulling over. And when and if you do decide to tackle it, weighing up the big questions we look at in Section 2 will help.

In any case, it's worth remembering that those who have launched very different performance management systems haven't yet settled on a final solution. The majority of those who report having "very different" systems are in the pilot stage, or have been through only one or two complete cycles; only 21% have been through three or more cycles, at which point it would be fair to say the new systems are reasonably proven (see Figure 1.4).

FIGURE 1.4: HOW LONG NEW PERFORMANCE MANAGEMENT SYSTEMS HAVE BEEN IN PLACE



In other words, although it feels like we're well into the performance management revolution, in fact, we're just at the start. Keep in mind that this is a complex, difficult challenge. There's no easy answer or we would have all found it and be rolling it out in our organizations.

It's certainly useful to know that this is a difficult challenge, and that progress will be made but slowly. Should you take it on? That depends in part on your answers to the key questions you need to face, revealed in Section 2, "The Three Questions to Start Your Revolution."

EXECUTIVE SUMMARY

- The future is here, but it's unevenly distributed.
- Most organizations have not yet made significant changes to their PM. Those that have indeed have seen progress ... but it's been slow, rather than occurring in "leaps and bounds."
- There is huge opportunity to improve ongoing performance management.
- Attempting to fix appraisal will pull resources away from improving ongoing performance.
- We're at the start of the performance management revolution, and we're still experimenting and learning.

NOTES

[1] In fact, people have been challenging the classic performance management approach for at least the last 15 years: Tom Coens' book *Abolishing Performance Appraisals* was first published in 2002.

[2] David Rock and Beth Jones, "Why More and More Companies Are Ditching Performance Ratings," HBR.org, September 8, 2015.

[3] E.A. Locke and G.P. Latham, *A Theory of Goal Setting & Task Performance* (Englewood Cliffs, NJ: Prentice Hall, 1990).

[4] As noted earlier, this conversation has been going on even longer than that: Tom Coens' book *Abolishing Performance Appraisals* was first published in 2002.

[5] See the Appendix for details on how the study was conducted.

SECTION 2 OF *THE TRUTH & LIES OF PERFORMANCE MANAGEMENT*

THE THREE QUESTIONS TO START YOUR REVOLUTION

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SECTION 2: THE THREE QUESTIONS TO START YOUR REVOLUTION

THE GAME'S AFOOT!

You've seen the research, and you're excited to press on. Sure, things may not have changed as much as has been hyped in the press. But change is upon us. Perhaps there's pressure from senior leaders in your organization. Or perhaps you're just fed up with the status quo and determined to move your performance management process out of the past and into the future.

But not so fast. Before you plunge in, consider three questions. Our research points to them as being the basis of three foundational decisions you need to make before you start breaking and remaking things:

1. Should we bother?
2. Should we keep ratings?
3. Should we (really) pay for performance?

QUESTION 1: SHOULD WE BOTHER?

It's almost always a good idea to improve processes. But as poet Charles Bukowski put it, "If you're going to try, go all the way. Otherwise, don't even start."

You won't see significant change without a significant investment. Investment in C-suite engagement; investment in not just implementing but also embedding new processes; investment in your managers learning new behaviours. That all takes time and money. Time and money that might be better spent elsewhere, rather than in a half-hearted attempt to upgrade your performance appraisal processes.

What if, instead, you did nothing? What if you waited another year, or three years, or five years? What price would you pay for that delay? What benefits would be gained?

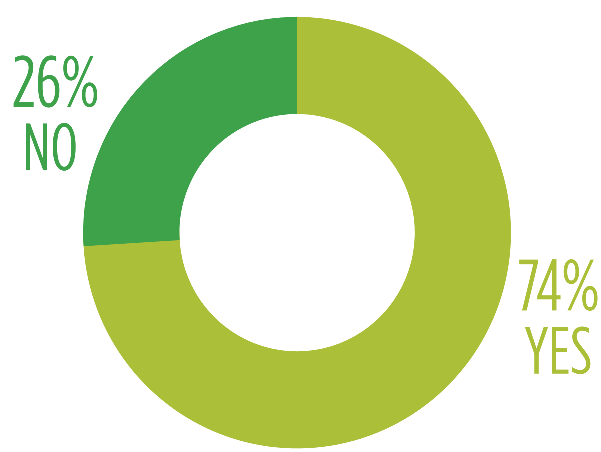
And is it even possible to make changes now? There will never be a perfect moment to change something as significant as performance management, but perhaps there would be a better moment. Is the organization distracted, under significant business pressure or with a new CEO, or still recovering from the last enterprise change-management initiative?

Don't waste time changing performance management processes if the organization isn't ready to invest in helping managers adopt new behaviours. But once it is, make the business case — money saved, time saved, the right people kept and developed and engaged — and build the change management process. In the words of a wise master, "Do. Or do not. There is no try." If you do opt to rethink performance management, ensure that the organization commits to change.

QUESTION 2: SHOULD WE KEEP RATINGS?

The current debate on performance management is about whether to drop the year-end appraisal and its formal rating. Most managers and employees feel that the annual meetings take a long time to prepare for, take a long time to do and are really quite unpleasant for both parties. To add insult to injury, they seem to add little value. Our research shows that in almost 75% of organizations, managers feel that the process is burdensome (see Figure 2.1).

FIGURE 2.1: PERCENTAGE OF MANAGERS WHO FEEL THE SYSTEM IS BURDENSOME



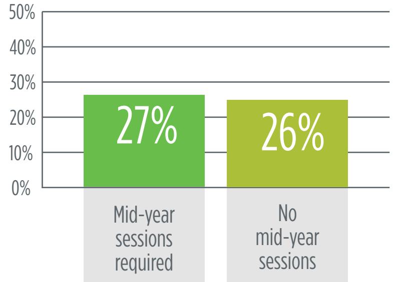
The appraisal process has remained a problem, even though attempts to alleviate the difficulties have been made for decades. There seems to be two choices for the way forward: Either keep the formal appraisal review and subsequent ratings system, but add one or more mid-year appraisal conversations. Or drop the yearly appraisal (and the associated rating), and then figure out the sticky wicket of addressing salary increases and bonuses.

FORMAL APPRAISAL WITH INCREASED FREQUENCY

If you choose to pursue the first route, you'll be pleased to know that there's promising data supporting this approach. And you'll be in good company. Our data show that organizations are likely to add an extra appraisal meeting mid-year rather than reduce the time spent on appraisal. Of those survey respondents who had changed their process, 80% mentioned increasing the number of conversations. The hope is that this makes appraisal easier because you are discussing only the last six months, not an entire year.

Encouragingly, the requirement that managers submit mid-year appraisals or have mid-year coaching sessions had no discernable impact on whether they felt the system was burdensome (see Figure 2.2).

FIGURE 2.2: PERCENTAGE OF MANAGERS WHO FEEL THE SYSTEM IS NOT A BURDEN (MID-YEAR APPRAISAL VS. NO MID-YEAR APPRAISAL)



DROP THE RATINGS

Dropping the ratings can feel like a bold and liberating act. "Let's cut through the bureaucracy and just stop the demoralizing, time-consuming effort of rating our people!" And, of course, the conversation is easier. Without the rating, the meeting becomes a coaching meeting and is therefore not nearly as contentious.

But there's a price to be paid. A report by CEB states that dropping or hiding ratings means[1] —

- Less time spent on informal performance conversations.
- Lower-quality performance conversations.
- Decreased employee perceptions of pay differentiation.
- Lower levels of employee engagement (particularly among high performers).

None of these results is inevitable; they likely arise as managers go from doing something to doing very little or nothing. Some of the comments on our survey were to the effect that even though the organization's system wasn't perfect, it was a step up from having no system at all.

And there's more. How do we make pay decisions if there is no appraisal of performance? When ratings are dropped, often one of two phenomena emerges. The first is shadow ratings: ratings are made but kept secret. It doesn't take a lot of imagination to see that this could create as many pain points as the former "in the light" ratings.

The second is what we're calling "shadowy" ratings: no explicit rating number is given, but a sense of the performance does affect pay. Shadowy ratings are common in small owner-run companies, where the CEO decides on each employee's pay increase without any formal process, just their sense of that individual's value (and likely with no explanation given to the employee). Again, it's not hard to imagine that, in larger organizations, giving raises based on nothing more than a manager's sense of performance will create its own pain points, which may be greater or lesser than the pain of formal ratings.

Of course, there is a final option of not paying for performance. This is common in unionized environments and the public sector. If you don't pay for performance, there is less need for formal, shadow or shadowy ratings. Does this solution also have its own pain points? We leave that for you to decide.

In general, dropping ratings is not the magical solution that the media have led us to believe. Your employees may not be able to see them, but the ratings are still there, lurking out of sight.

APPRAISAL METHOD PROS & CONS

When it comes to keeping ratings (or not), each option has its prizes and its punishments. Whatever your decision, know the pros and the cons (see Figure 2.3).

FIGURE 2.3: HOW COMPANIES PAY FOR PERFORMANCE, WITH OR WITHOUT RATINGS

APPRAISAL METHOD	PRIZES	PUNISHMENTS
FORMAL RATINGS *Managers use a process to assign ratings and share it with the employees.*	Reasonably transparent. Reasonably rigorous.	Significant amounts of time and energy involved. Conflict in annual appraisal meetings.
SHADOW RATINGS *Performance ratings exist but are secret; still a need to make a rating, but no need for an annual appraisal meeting.*	Less time and energy involved than with formal ratings. Less conflict than with formal ratings.	Lacks transparency. No good way to explain to employee what they need to do to get a raise.
SHADOWY RATINGS *Performance ratings are an implicit part of a manager's overall decision about reward, hence no need to make a rating and no need for an appraisal meeting.*	Easy, with little time and energy involved. No conflict over performance appraisal ratings.	Little discipline in how managers assess performance. Lacks transparency. No good way to explain to employee what they need to do to get a raise. Difficult to do analytics on performance.
NO RATINGS *Pay increments based on tenure.*	Easy, with no time and energy involved. No conflict over performance appraisal ratings.	Good performers get the same reward as poor performers, signalling that performance doesn't matter. Difficult to do analytics on performance.

What doesn't work is just fantasizing that everyone will be happy. Each choice has both "prizes" and "punishments." The biggest problems occur when organizations look for a pain-free solution. But piecemeal tweaks and adjustments will never eliminate the inherent uncomfortable nature of an appraisal conversation. **Don't keep trying to fix unavoidable pain, because you'll end up undermining the more important issue of improving performance.**

Push appraisals and ratings to the side, knowing there will always be discomfort. Instead, focus on increasing the quality and quantity of coaching conversations aimed at improving performance.

If we can give one piece of advice that's relevant to most organizations, it is to simplify the process as much as possible and de-emphasize ratings. One of the most positive comments we received in our survey came from BlackBerry, where the tactic was not to get rid of the appraisal altogether but to simplify it:

> "We haven't eliminated appraisal, but we've worked hard to simplify it. This doesn't make the process entirely painless, but it has been a really big improvement. For example, one thing we did was reduce the number of questions and amount of written text required in the form. This allows us to gather the required information for our records but puts the emphasis on the performance conversation rather than on filling out a form."
>
> **Mark Chernecki**
> Senior Director, HR Services, Systems and Analytics at BlackBerry

Students of management theory might notice a parallel with the debates around organizational hierarchy. Sometimes people offer the radical proposition that we should eliminate hierarchy. That's wrong. You need hierarchy, but the research suggests keeping the number of layers relatively small and de-emphasizing the status differences.[2] We need appraisal processes, but let's keep them simple and de-emphasize them.

QUESTION 3: SHOULD WE (REALLY) PAY FOR PERFORMANCE?

We often tell employees that pay and promotion depend on performance. But that's only partly true. Yet when employees think it's entirely true, they begin asking what specifically they have to do to be *guaranteed* a promotion and a raise. This is something that can't be answered because, as we've said, pay and promotion depend only in part on performance.

Pay increments and bonuses are driven by two broad factors. One is reward for performance, the other is, loosely speaking, the employee's market value.

The simplest case of reward for performance is a sales job where a contract ties pay to objective performance measures. The simplest case of reward for market value is an independent contractor who negotiates pay at the start of each project.

For employees, their market value is a combination of how much the company wants them (perhaps because they have high potential or company-specific expertise) and their value on the open market. More colloquially we might say that market value depends on the answer to the question "How likely is the person to leave, and how hard will it be to replace them?"

A company needs to distribute its limited salary budget by balancing reward for performance with how likely the person is to leave, and how fast or easily they can be replaced.

If we tell employees the truth, then we're fine. Telling them instead that reward is primarily "for performance" leads employees to demand to be told, as clearly as possible, what the pay-performance contract is. In an attempt to deliver that clarity, the organization is driven toward highly structured and complicated formal appraisals that may be adequate but could be at odds with the complexity, ambiguity and changing nature of the business. In a highly structured system, managers often decide on the reward to give based on a balance of performance and market value considerations, then try to reverse-engineer the appraisal so that the reward seems justified. Because of these two factors, pay for performance is nowhere near as clear-cut as the textbooks would have us believe.

It's even worse with promotions, since the availability of upward moves is usually sharply constrained, regardless of how good someone's performance is. Furthermore, performance is only one of the factors in deciding who gets promoted and should not be the most important one.

The appealing idea that high performers get a clearly differentiated high reward, average performers get an average reward and low performers get a low reward is an attractive idea that never survives the complexity of an organization unscathed.

EXCEPTIONS: UNIONS, GOVERNMENT & SMALL COMPANIES

There are three groups in which a formal pay-for-performance system is not necessarily a significant issue.

Unions typically oppose any hint of pay for performance, and **governments** are not under the same pressure to link pay to performance as businesses are.

Small companies have less need for formal systems and, although performance is a major issue, they typically prefer to handle pay for performance informally.

FACING THE MUSIC

Tell employees the truth: that raises — and potentially bonuses as well — are distributed based on an assessment of performance and the individual's overall value to the organization. Let them know that there are processes that calibrate and validate each manager's judgment.

There are no guarantees. An employee's pay is not entirely within the manager's control, nor entirely within the company's control, since market forces come into play. The best route to getting ahead is to perform well.

Similarly with promotions: be honest about there being no guarantees. Employees need to know that they can maximize their chances by delivering results and constantly building their skills.

It would be nice if every job were like a straightforward sales position, where we had a simple objective measure of performance so that we could really pay for performance, and without a whole lot of complications. But in the real world, most jobs (even most sales jobs) are messier. We can't eliminate the messiness, nor the resulting pain points, so let's face the music and accept that truth.

SEEING CLEARLY AT LAST

It's easy to see why companies wanted appraisals with formal ratings. It's also easy to see how that blossomed into a complex, year-long, performance management process that had many goals — one of which was ongoing coaching conversations to improve performance.

It's easy too to see how the system became so burdensome and contentious that people dream of abolishing appraisals altogether.

What is less easy to see is that maybe we should worry less about appraisals (where no ideal solution exists) and instead invest most of our efforts into ongoing performance management.

YOU KNOW WHAT TO CHANGE — NOW HOW DO YOU MAKE IT CHANGE?

You've faced the tough questions about what to change. That was difficult to do. But not compared with the challenge of actually implementing your plans. The statistics on the success of change management range from grim to outright depressing. It's hard to shift embedded processes within organizations.

It's beyond the scope of our research to reinvent the process of change management (thank goodness!). But we have uncovered findings on two of the key levers of change that you'll no doubt be considering as you implement your plan. And that's what we reveal in Section 3.

EXECUTIVE SUMMARY

- Not doing *anything* about your performance management system may be the smart, strategic choice.
- If you are going to make a change, make sure the organization is up for it.
- Even if you abolish transparent formal ratings, there will probably still be some form of hidden ratings.
- Pay for performance is a simple yet powerful idea that never survives the complexities of organizational life unscathed.
- If all the appraisal options (including no appraisals) are painful, let's instead focus our attention on ongoing coaching conversations.

NOTES

[1] CEB, "Eliminating Performance Ratings Is Not the Answer," *Learning Quarterly*, Q1 2017.

[2] On layers, see R.G. Capelle, *Optimizing Organization Design: A Proven Approach to Enhance Financial Performance, Customer Satisfaction and Employee Engagement* (San Francisco: Jossey-Bass, 2003); on status differences, see J. Pfeffer, *The Human Equation: Building Profits by Putting People First* (Boston: Harvard Business School Press, 2007).

SECTION 3 OF *THE TRUTH & LIES OF PERFORMANCE MANAGEMENT*

TWO LEVERS OF CHANGE

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SECTION 3: TWO LEVERS OF CHANGE

CHANGE IS EASY. YOU GO FIRST.

Organizational change is never easy. Within the world of organizational development, the rule of thumb is that 10% of change programs succeed on their own terms, 40% make some progress but fall short of the original goals and a full 50% fail outright. Even McKinsey & Company, which designs change management programs, claims that only 30% of change management programs work.[1]

So you know already that there are no easy answers. But there might be some useful questions. In fact, our research points to two to consider as you roll out the changes:

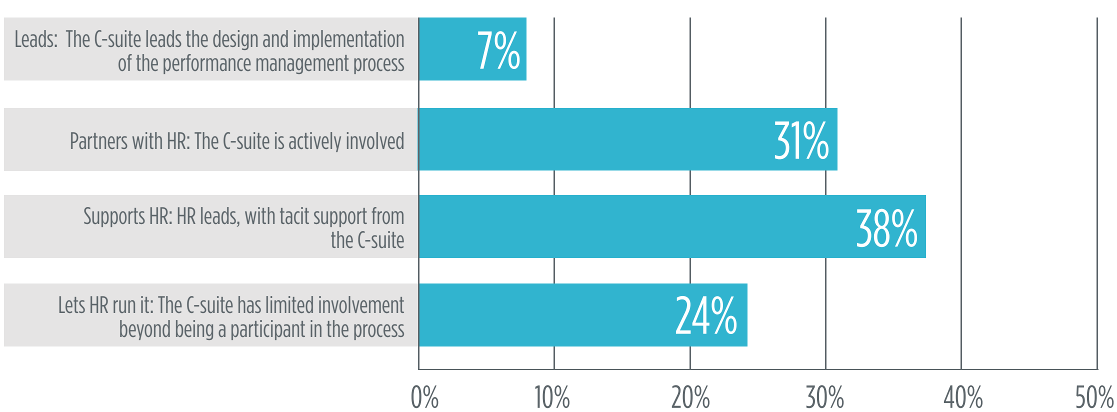
1. Who leads the revolution?
2. What's technology's role?

> "If you're going through hell, keep going."
>
> **Winston Churchill**

QUESTION 1. WHO LEADS THE REVOLUTION?

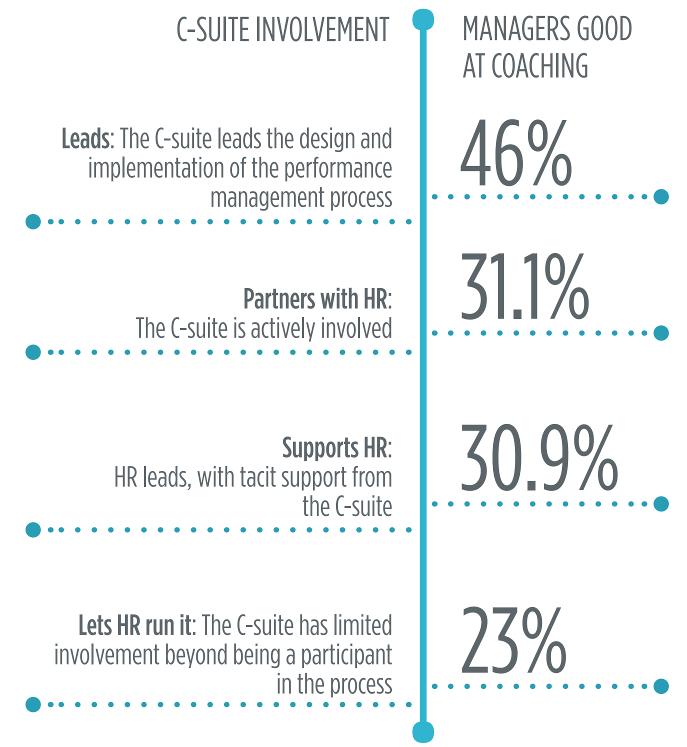
It's true that HR does most of the heavy lifting in running performance management processes, and so the assumption is that HR can and should be the nominal lead. Indeed, for the C-suite, the most common approach to performance management is fairly low involvement: in 38% of organizations, the C-suite lets HR run it, providing tacit support (see Figure 3.1). This approach presumes that performance management is largely an administrative HR process and that the C-suite doesn't need to be closely involved.

FIGURE 3.1: C-SUITE INVOLVEMENT WITH PERFORMANCE MANAGEMENT



But what's the impact of different levels of support from the C-suite? We asked respondents how many managers in their organizations were good coaches. As shown in Figure 3.2, the higher the C-suite involvement, the more frequently managers were considered good coaches. From the perspective of improving performance, C-suite involvement has a big impact.

FIGURE 3.2: DOES C-SUITE INVOLVEMENT MATTER?



WHAT DOES THIS TELL YOU?

It's clear that the C-suite should lead the design and implementation of the performance appraisal process and the performance improvement process. HR, in turn, must do three crucial things for those in the C-suite:

1. Ensure they understand the inevitability of trade-offs in performance appraisal and that the optimal solution will still have pain points.

2. Ensure they don't fall prey to simplistic solutions that sound good but won't work well in practice.

3. Ensure they keep separate those activities primarily intended to support appraisal and those primarily intended to support performance improvement through ongoing coaching conversations.

In a nutshell, the organization will have better outcomes if the C-suite is leading the design and implementation of both the appraisal and ongoing performance management aspects. However, it's a messy area, full of hidden trade-offs, so HR will need to work hard at educating the C-suite in the intricacies of the process.

QUESTION 2. WHAT'S TECHNOLOGY'S ROLE?

It's hard to imagine not using technology to manage the performance appraisal process. Manually administering a performance appraisal process — for instance, emailing forms or spreadsheets back and forth — is usually a nightmare that is labour-intensive, slow and error-prone. Companies have found that automation can greatly improve the number of appraisals that are submitted on time.

Usually, the primary reason companies adopt performance management technology is to make HR's job of administering the process manageable. However, technology can also make managers' jobs much easier. All the information they need to make appraisal and compensation decisions is at their fingertips. The systems can even check whether they are violating policy or going over budget.

The final stakeholder is the employee. The big gain for employees is that such a system makes it easy for them to document, over the course of the year, information relevant to appraisal. If they have a big success in January, say, they can make sure that's entered into the system, so that in December, when the manager pulls up their file, that success is noted, not simply forgotten.

Our data suggest that companies may now be taking technology for granted. None of the companies that had changed their performance management process specifically mentioned technology as part of the change. When we asked what technology they were using, many respondents named leading vendors, such as Oracle, Saba-Halogen, Workday, SAP SuccessFactors and Cornerstone OnDemand — nothing unexpected there.

When we asked about what technology they would like to have, there were surprisingly few replies. Most respondents simply talked about improving their systems, though a couple were more ambitious in beginning to consider tools to enable ongoing feedback and peer-to-peer recognition.

The future promises to be more interesting. While, historically, performance management software was focused almost exclusively on the appraisal process, an emerging goal of performance management technology is to support the improved performance by —

- Reminding managers when to have coaching meetings.
- Providing learning aids on what to discuss and how to discuss it.
- Enabling peer-to-peer feedback and recognition.
- Enabling employees to ask for feedback.

These capabilities become the focus of attention once software to run the basic administrative processes for appraisal is in place. We're happy to see this, given our conclusion that the "80%" win is going to be in improving the quality and frequency of ongoing coaching conversations.

WHAT DOES THIS TELL YOU?

If you haven't already done so, implement technology to minimize the administrative burden of the appraisal process. Technology has advanced to the point that good solutions are available for mid-sized and even small organizations.

Once the basics are in place, keep in touch with vendors in order to stay abreast of technology, and adopt new tools based on needs and available budget. Many of these new tools will support ongoing coaching conversations, which will have a greater impact on organizational outcomes than will improving the administration of appraisals. We're not that far from AI-based tools that will really guide managers in how to help employees improve performance; prepared to be wowed by the progress you see in technology over the next 10 years.

What if you can't get a budget for an investment in technology and are stuck with manual processes? Don't let the absence of technology become an excuse for not promoting ongoing performance conversations. Similarly, if you do have technology, don't overly rely on it to drive success; it's just one tool for supporting behaviour change. Technology is wonderful, but it's not the whole story.

EXECUTIVE SUMMARY

- C-suite involvement leads to better outcomes.
- Performance management technology leads to better outcomes.
- The C-suite will need lots of guidance from HR, since performance management can be complex and confusing.
- Technology is helpful, but it's not the whole answer.
- Look for substantial advances in performance management technology over the next 10 years.

NOTE

[1] Scott Keller and Carolyn Aiken, *The Inconvenient Truth about Change Management* (McKinsey & Company, n.d.), http://www.aascu.org/corporatepartnership/McKinseyReport2.pdf, 6.

SECTION 4 OF *THE TRUTH & LIES OF PERFORMANCE MANAGEMENT*

HOW TO MAKE COACHING WORK

box of crayons

SECTION 4: HOW TO MAKE COACHING WORK

WHATEVER YOU'RE THINKING, THE ANSWER IS COACHING

While coaching may not be the *whole answer*, of course, it's a key way to improve performance management. But whether you're thinking of focusing on performance, whether you want to upgrade your approach to appraisals or whether you want to blow it all up and start again, you're going to need to come to grips with making coaching work in your organization. And not just any coaching.

You can bring coaching into an organization in three ways.

1. You can hire executive coaches, a useful strategy for supporting senior leaders, "hi-pos" and key players who might be struggling.
2. You can also build your own internal coaching cadre, most typically HR Business Partners (HRBPs), who can be go-to resources.
3. Or — ***and this is what matters in this conversation about ongoing performance management*** — you can take on the challenge of seeing all your managers and leaders as coaches.

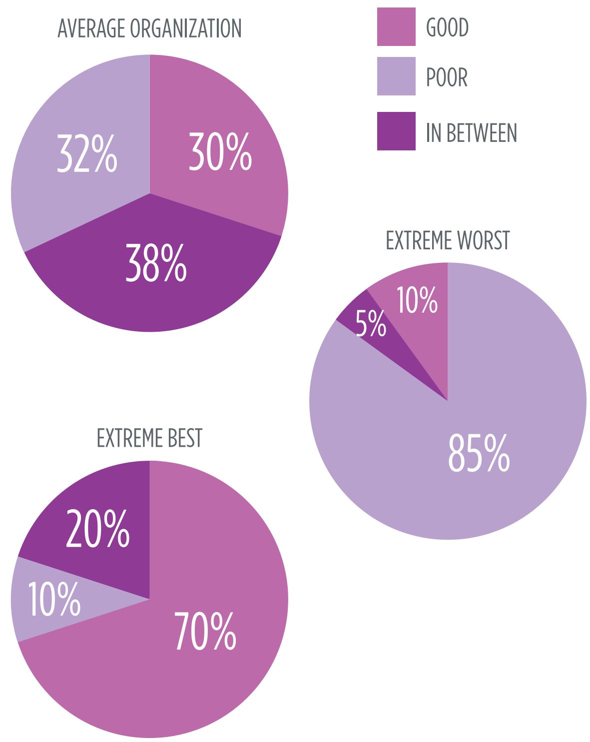
IT'S IMPROVING, BUT NOT SUFFICIENTLY OR QUICKLY ENOUGH

A commitment to managers having more coaching conversations is the primary change so far in the evolution of performance management. If organizations are making any changes to their existing systems, it's in encouraging (or insisting) that employees have more performance-focused conversations during the year.

But the truth is, we're not making great progress on helping managers be great at coaching. In 2006, one well-known consulting firm found that although 73% of managers had had some form of coach training, less than 25% of employees being coached thought the coaching was having a significant impact on their job performance or job satisfaction (that's one in four!). Perhaps even worse, 10% felt that the coaching they were getting was having a negative effect on performance and satisfaction. Ten years later, the same firm, reflecting on the expectation that coaching was part of the solution in the post–performance management world, stated that "many managers are ill prepared for this radical shift."[1]

This is in line with data from our research (see Figure 4.1). We found that, on average, 30% of managers are good at coaching and 32% are poor (leaving 38% somewhere in the middle). What's interesting is the data at the extremes: one respondent reported that 70% of the managers in their organization were good coaches (the best rating reported), whereas another reported that 85% of their company's managers were bad coaches (the worst rating). This is intriguing because the organization with the best-case scenario had weekly check-ins, quarterly reviews and a final annual review.

FIGURE 4.1: PERCENTAGE OF MANAGERS RATED AS BEING GOOD OR BAD AT COACHING



So, perhaps the path to a better performance management process is as simple (and as difficult) as getting your managers to be better at having everyday coaching conversations.

WHAT'S THE BLOCK?

So why is having everyday coaching conversations proving to be so difficult for so many organizations? Our research, combined with the experience of working with hundreds of organizations and training more than forty thousand managers in coaching skills, points to three reasons. The first is organizations' reluctance to tackle the significant but subtle barriers that stop managers from adopting coaching behaviour. The second reason, more organizationally focused, is skepticism about whether building a "coaching culture" is a useful goal rather than merely a distraction. And the third reason is that it's a process challenge: How to successfully measure coaching?

1. REMOVING BARRIERS FOR MANAGERS

When it comes to coaching, two main beneficiaries are usually pointed to. The first is the person being coached. With any luck, they're going to get more attention, more support to perform, more encouragement to develop. Their levels of engagement and performance will increase. They'll be delighted. The other beneficiary is the organization. It's been decided that performance management and coaching are important enough to invest in, and leaders are expecting to see an increase in engagement, productivity and impact.

But the manager who has to do the work? There's seemingly no advantage for her. It's just the latest task to be tacked on to her already overwhelming list of obligations, meetings, responsibilities and KPIs.

To make coaching work in your organization, you need to tackle the four main objections managers have to "coaching":

- "Coaching takes too much time."
- "I don't have time."
- "I don't want to be a coach."
- "But WIIFM?"

"COACHING TAKES TOO MUCH TIME"

"Who has time for coaching?"

Recent research shows that the number one barrier to managers coaching is the belief that it "takes too much time," a consistent finding for more than a decade. And it's number one with a bullet: this belief is almost twice as prevalent (29%) as the barrier "I don't have all the answers" (17%).[2]

Managers' perception of coaching is contaminated by the belief that manager coaching and executive coaching are the same. Executive coaches come in to the organization every couple of weeks for an hour-long chat with leaders and high potentials. That's not a luxury any manager can afford with their team members.

The good news is that, as with most things, the law of diminishing returns applies. For example, research on coaching for the Scholastic Aptitude Test shows that an arithmetical increase in performance requires geometrical increases in time.[3] In plain English, that means you get the most benefit from a little bit of coaching, whereas spending further time on coaching adds some value but not much.

At Box of Crayons, we teach 10-minute coaching. We know that focused, useful coaching conversations can take place easily within that 10-minute space; in fact, we go so far as to say that any manager can coach in 10 minutes or less.

But even if you convince managers that coaching can be a quick, everyday activity, they'll have another objection ...

"I DON'T HAVE TIME"

"Even if I can coach in 10 minutes or less," the manager says, "when *exactly* do I add this to my current responsibilities? The only unspoken-for time in my agenda is between a 2 a.m. and 5 a.m."

Again, a fair point.

Reframe coaching not as an additional task (or burden) that the manager needs to add to their current workload, but as a way of transforming what they currently do, so that they do it differently and more effectively. This isn't about trying to pour more water into an already full glass. It's about changing the water into ... well, pick your alternative liquid.

In other words, rather than separating out the ongoing and everyday activity of managing people, and then tacking on a separate coaching session every now and then, managers see that the whole process of managing someone can be done through the lens of being more coach-like: staying curious a little longer, rushing to action and advice-giving a little more slowly.

But even if you show them how coaching can be about transforming what they're currently doing, rather than adding to it, they may have another point of resistance still ...

"I DON'T WANT TO BE A COACH"

"I've met coaches, and I'm not like them. I'm normal. I'm just trying to do my job, hit my numbers, support my team, go home and see my family."

If you're reading this report, it's a fair bet that you're already on board with the idea of coaching. You may have already done some coach training of your own. So this insight can make you a little twitchy. But we can't project our love of coaching onto others.

Instead, we've found power in reframing the conversation so it's not about being a coach but about being a manager who's more coach-like. We simplify the idea of coaching to make it an everyday behaviour. When managers understand that coaching is simpler and "less weird" than they had thought, another point of resistance is removed.

But even if managers are mollified by being told that they don't have to be a coach, that they can just be a manager who is more coach-like, they'll likely have one last objection.

"BUT WIIFM?"

"Let's say it's true that I can coach quickly and coach in a way that isn't an additional burden to my workload, and I don't even have to call it coaching, just a smarter way to lead. Even if that's all true, what do I get out of it?"

For people to change their behaviour, there has to be a benefit in doing so. And coaching's benefit is obvious enough to the coachee and the organization, but rarely to the person doing the coaching. Framing it as a benefit rather than as a burden is essential.

We talk about this change being the secret to working less hard and having more impact. That's certainly enough to get people's attention. And when they understand that one of the three principles of effective coaching for managers is Be Lazy, they'll lean in to learn more. It's provocative and it feels counterintuitive, but at the heart it's understanding the difference between being "helpful" and actually helping.

WATCH THIS VIDEO TO LEARN HOW WE GET MANAGERS TO EMBRACE THE IDEA OF BEING LAZY.

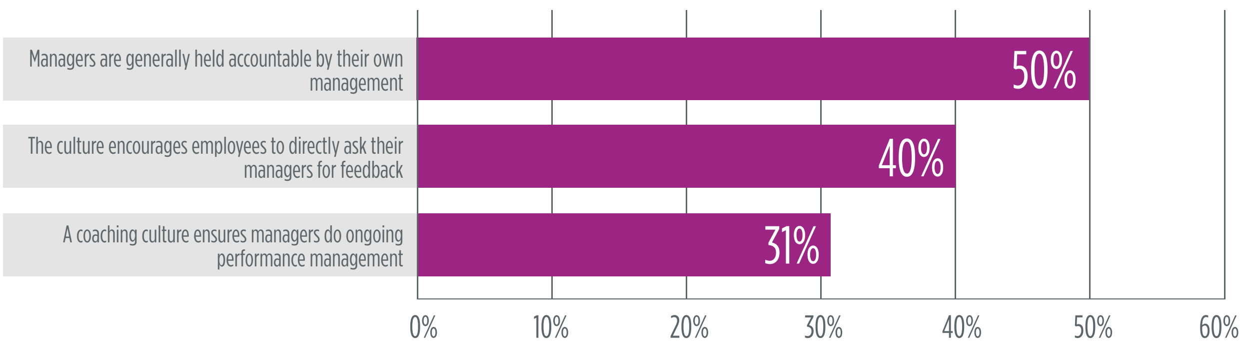
2. CHANGE YOUR THINKING ABOUT COACHING CULTURE

It's easy for HR, OD and L&D leaders to get excited about building a coaching culture. It ticks all the boxes: it's big change, it's going to make the place better and it's about coaching. What's not to like?

The challenge is that "building a coaching culture" is almost never a business objective that others get excited about. They're busy driving sales, keeping operations ticking along, creating marketing or new products. They're focused on getting the job done, and "coaching culture" sounds like a distraction.

Our research suggests that HR people mostly get this. When we asked what practices were used to encourage coaching, "coaching culture" was cited by about one-third of respondents, fewer than said that managers were generally held accountable for ongoing performance management or that they encouraged employees to ask for feedback (see Figure 4.2).

FIGURE 4.2: PRACTICES USED TO ENCOURAGE COACHING



The answers to our open-ended questions about what works delivered a similar message: that implementing a coaching culture was something that was considered at organizations but was not at the top of the to-do list.

For example, we asked the open-ended question "What have you been doing that has worked particularly well?" Respondents mentioned activities that supported coaching (such as training) but did not call out a coaching culture per se as being particularly effective. For the more focused question "What, if anything, has been very effective in making managers better coaches?" by far the most common answer was "training," followed by "expectations/accountability" and then "a coaching culture."

Actually, building a coaching culture is a fine thing to do. Having managers and leaders be more coach-like will drive performance in your organization. But as an objective, it's like a lump of spinach on a four-year-old's plate. Nothing you say is going to persuade them to eat it.

Rather, you need to find a way of blending the spinach in with the spaghetti sauce. What are the business drives and strategic objectives that need to be solved, and how can the benefits of coaching — greater focus on what matters, more self-sufficiency, increased resilience — be marshalled in support?

3. DECIDE HOW TO TRACK COACHING

The consensus is that managers should be having frequent coaching conversations — but how do we know if those are happening? One respondent, a senior L&D leader commented, "Measurement is just a sh*t show!" This brilliantly honest admission sums up the challenge. Measuring these subtle, daily interactions is slippery and hard. It's hard to capture the moment; it's hard to always have a straight line of sight through to the "bottom line."

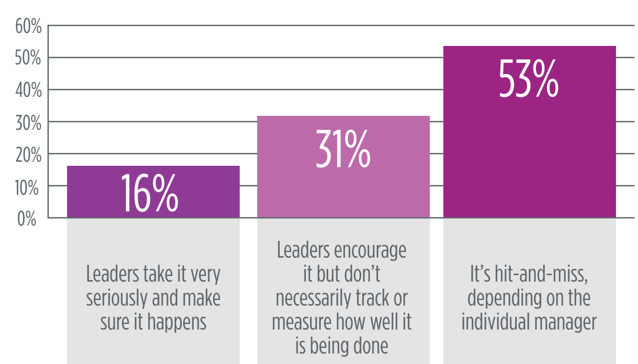
> "Measurement is just a sh*t show!"
>
> **Senior L&D leader**

Our research suggests two ways forward when it comes to at least facing the challenge. The first is getting senior leadership involved. The second is to know your options, and deploy them as best you can.

ENGAGING LEADERS

Although leaders understand the need for coaching, they often either are overwhelmed or feel ill-equipped to coach their teams. Figure 4.3 shows that only 16% of companies have leaders who ensure ongoing coaching is happening, and in more than half of the surveyed organizations, support from managers is hit-and-miss.

FIGURE 4.3: HOW LEADERS ARE ADOPTING ONGOING PERFORMANCE MANAGEMENT



So, should HR force their managers to step up? What if you said no to that strategy? Rob Ollander-Krane, head of Talent Planning and Performance at Gap Inc., says, "We intentionally decided to not enforce tracking of our monthly performance management discussions between managers and employees. Although it is our role to create the process and educate our employees, it's up to managers to decide whether to conduct them. If they don't think they are improving performance, HR is not here to force them to do it. In our innovative approach to performance management, HR is no longer the police."

But, in general, we can see that leadership commitment to ongoing coaching conversations matters a great deal. Organizations whose leaders ensure these conversations are happening have far more managers who are good coaches than do those where commitment is hit-and-miss (see Figure 4.4).

FIGURE 4.4: PERCENTAGE OF MANAGERS WHO ARE GOOD AT COACHING

If nothing else, this speaks to the importance of being clear on what your post-training follow-up and support options are, and of acting on them. Don't just do some training and hope that coaching skills will stick.

KNOW YOUR TRACKING OPTIONS

So what are the options to help follow-up and ensure coaching conversations are taking place? Four options showed up in our data (see Figure 4.5).

FIGURE 4.5: TECHNIQUES TO TRACK COACHING CONVERSATIONS

TECHNIQUE	TECHNIQUE CHARACTERISTICS
Require that one or more mid-year reviews be documented.	This method ensures that at least a few serious coaching conversations are occurring; the documentation can be used as an indicator of the quality of the conversations. It risks being seen as an administrative burden. Furthermore, if coaching conversations are seen as appraisals, any useful conversation on how to improve will be undermined.
Require that managers have a minimum number of coaching conversations, and ask them to track them by noting in the system whom they spoke to and when.	With this method, the administrative burden on the manager is small, and if they don't have coaching conversations, the system can automatically remind them. It also enables the organization to ask managers to have many conversations (even weekly ones), since this sort of conversation might take only a few minutes. The risk is that managers might game the system by tagging everyday conversations as coaching.
Survey employees on their satisfaction with coaching, and/or the frequency and quality of coaching. Hold the manager accountable for the results.	This approach focuses more on the outcome (e.g., are employees getting the coaching they think they need?) than on an activity (e.g., was a meeting held?). The risk is that managers who are likeable will get better scores than they deserve, whereas tougher managers will get lower scores than they deserve.
The manager's own performance rating depends in part on whether their boss thinks they are a good coach.	This approach is the most flexible and let's a leader consider all the contextual factors and decide if a manager is doing a good job of coaching. If the leaders don't know what good coaching looks like, or don't care, or simply don't know what is happening day to day at that level, this approach won't be effective.
All of the above	There is no reason not to use all four methods.

Our data show that most organizations do typically use some formal means to ensure coaching conversations are happening; almost 75% of organizations reported that ongoing performance management is formally required (see Figure 4.6).

FIGURE 4.6: PERCENTAGE OF ORGANIZATIONS REQUIRING ONGOING PERFORMANCE MANAGEMENT

However, there was not a lot of confidence among the surveyed organizations that formal methods on their own were leading to better coaching. Only 21% of those using formal methods were confident that their system was making managers better coaches. But this is a good deal higher than those who had no formal methods (only 4% of those without formal methods thought their system produced better coaches). The evidence indicates that using some formal methods that allow you to track ongoing performance management is better than using none, but on their own they're not enough.

BULLETS & CANNONBALLS

Jim Collins, author of *Good to Great* and black-belt master of the metaphor, says that strategy should be a mix of bullets and cannonballs. Bullets are the low-risk, low-cost tests to figure out what's the thing to do and with whom. Once you've used bullets to figure out your target, you fully commit by firing your cannonballs. He points out, however, that people either usually fire their cannonballs too soon, before they know what they're really trying to do, or they never quite get up the courage to fire the cannonballs, because it feels less scary to just keep dabbling, firing only bullets.

Our research tells us that having managers be more coach-like is one of the cannonballs of performance management. Don't dabble with this. Commit. And if you're going to do it, do it well. Learn from what's stopped coaching from gaining traction in other organizations (and, likely, in yours) and roll out coaching as a practical skill for managers in a smarter way.

What does that look like? We've been collecting stories from the front line, and you'll see these listed in Section 5, "Performance Management Stories," also the name of our exclusive podcast series featuring senior leaders from organizations such as GE, charity: water, TD Bank and WD-40.

EXECUTIVE SUMMARY

- Increasing your managers' capacity to do everyday, practical coaching is probably the best investment you can make in performance management.
- Coaching hasn't "stuck" in organizations because we haven't tackled the barriers stopping managers from coaching.
- "Coaching culture" as a goal is overrated. But definitely build one "undercover."
- Tracking coaching conversations is difficult; know your options.
- You won't create meaningful change without a meaningful investment.

NOTES

[1] BlessingWhite, *The Coaching Conundrum 2016* (Hamilton, NJ: BlessingWhite, 2016), 4.
[2] BlessingWhite, *The Coaching Conundrum 2016*, 5.
[3] S. Messick and A. Jungeblut, "Time and Method in Coaching for the SAT," *Psychological Bulletin* 89, 2 (1981): 191–216.

SECTION 5 OF *THE TRUTH & LIES OF PERFORMANCE MANAGEMENT*

PERFORMANCE MANAGEMENT STORIES

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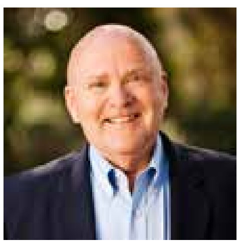
SECTION 5: PERFORMANCE MANAGEMENT STORIES

STORIES OF SUCCESS & FAILURE

Statistics show you the trends and help manage your biases. But it's stories that show you the scars and hard-won wisdom of those who've walked the path to implementing new performance management processes.

Performance Management Stories is a podcast that showcases stories from across a wide range of organizations, with senior leaders sharing their successes, insights and struggles to evolve PM in their organizations.

LAUNCH WEEK PODCASTS



FEB 26, 2018
GARRY RIDGE ON HELPING PEOPLE GET AN A

Garry Ridge, CEO of the WD-40 Company, shares how his organization shifted its focus from ratings to development and encouraged its people to be more coach-like.

LISTEN NOW

FEB 27, 2018
CAMERON HEDRICK ON THE IMPORTANCE OF COURAGEOUS CONVERSATIONS

Cameron Hedrick, CLO of Citi, shares what's happening in performance management at Citi, drawing as well on his experience in other organizations. Listen in as he addresses the importance of courageous conversations.

LISTEN NOW

FEB 28, 2018
SARAH KEIZER ON MYTH-BUSTING

Sarah Keizer, VP of HR at TD Bank, reflects on a values-centric approach to performance management, why eliminating ratings may not be the answer and how organizational change involves myth-busting.

LISTEN NOW

MARCH 1, 2018
TINA KAO MYLON ON EMPOWERING THE EMPLOYEE

Tina Kao Mylon, SVP, Talent and Diversity, Global HR at Schneider Electric, explores how the company achieves global cadence while humanizing company values so they matter to everyone.

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SECTION 6 OF *THE TRUTH & LIES OF PERFORMANCE MANAGEMENT*

PUTTING IT ALL TOGETHER

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SECTION 6: PUTTING IT ALL TOGETHER

GRADUALLY. THEN SUDDENLY

Ernest Hemingway, when asked how he went bankrupt, answered, "Two ways. Gradually, then suddenly."

It's the nature of change, of revolutions. The violent upheaval, the critical moment of change, the toppling of the old and the embrace of the new is always preceded by small, less obvious actions: some steps forward, some steps backwards.

The performance management revolution is a little the same. It's been close to 20 years since the first call to arms was made, and although the drums have been beating more loudly of late, it's clear that there's been no revolution yet. Sure, we're almost there. We're almost on the verge of something amazing. We may have hit critical mass for awareness, but actual change is lagging behind.

The smart move, whether your organization is ahead of the curve or a little more slow to move, is to pay attention to the small changes. These point to the larger game that's afoot. They prime you, preparing you for the best success for changes in your organization. And our research on performance management points to insights, trends and practices worth noting.

1. APPRAISAL AND ONGOING COACHING SHOULDN'T BE MIXED

The larger game is in fact two games: a necessary appraisal process and a performance-improving coaching process. When HR managers talk about ongoing performance management, sometimes they mean a formal mid-year meeting to make appraisal better, and sometimes they mean informal coaching conversations meant to improve performance. So the first step is to get clearer and cleaner in our use of language when discussing these topics. "Management," "performance," "appraisal" ... they're slippery, ambiguous terms. Define what you mean.

But it's more than just a word thing. It's a process thing as well. Since mixing appraisal and coaching in one conversation is ineffective, organizations need to clearly separate the two. When a manager says "Good job, nice use of data" to a nervous employee struggling through their first presentation, that's coaching, not appraisal, and it leads to improved performance. When it comes time to decide on a raise, well, that needs to be a separate conversation.

2. THERE'S A GAP BETWEEN KNOWING AND DOING

A full 64% of HR and L&D leaders reported that managers are not conducting ongoing performance management often enough, and 58% said that managers are not doing it well enough. Even in organizations that have changed their existing performance management model, the numbers drop only to 58% and 46% respectively.

Organizations know they need to improve ongoing performance management, and they know this requires significant change management, but they haven't committed to the effort needed to make this happen. They get drained and distracted as they manage complaints arising from the appraisal process. Requiring a mid-year review meant to improve both appraisal and coaching won't be enough to significantly improve ongoing performance management.

Jim Collins talks about strategy being a process of firing bullets first, then cannonballs. Bullets are low-risk, data-gathering experiments that help you figure out where the real target is. Once you're clear on that, it's time to commit to cannonballs. For many organizations, it feels like they're still playing with bullets even when it's time to load up a cannonball or two.

3. ELIMINATING RATINGS? NOT SO FAST!

Over the last few years, countless articles have reported the death rattle of appraisal ratings. Yet our survey reveals that only 8% of organizations have eliminated ratings. And in those that have eliminated them, shadow ratings and "shadowy" ratings have begun to snake their way to the surface.

In the vast majority of cases, ratings are being de-emphasized but not eliminated. Instead, a growing importance is being placed on development, and companies are doing their best to simplify their performance forms and paperwork.

It might be useful to hold Einstein's proclamation in mind: "Everything must be made as simple as possible, but not one bit simpler." What would be the simplest form of ratings in your organization that would nonetheless be useful?

4. THE TRADITIONAL APPRAISAL PROCESS WILL ALWAYS BE PAINFUL. ACCEPT IT.

Changing the appraisal process every few years in an attempt to make it painless is a Quixotic quest. There is no "silver bullet" that will somehow make this easy, pleasant and useful for everyone.

Indeed, fixing one pain point usually produces another. Instead of spending time and energy on tweaking the appraisal process, the organization would be better served by investing effort in enabling more and better ongoing performance conversations.

5. TECHNOLOGY WON'T SAVE US

"Software is eating the world," or so they say. And while it's true that our phone is our most constant companion and often the window to our world, technology isn't going to be the miracle that just makes the challenges of performance management fade away.

The big success of tech to date is that it has eased the admin burden of appraisal. This is good, and you should use it this way. However, removing admin burden isn't the same as removing emotional burden. The big advantage is for HR. For the manager, there can be back-and-forth on administration (getting/sending information), but what the software doesn't do is ease the angst of telling Cynthia she's a 3 and not a 2 (the real pain). And for ongoing performance improvement, it can be a useful enabler, reminding and giving tips on what to cover, but it isn't going to replace a manager's skill and motivation.

6. TRAINING MANAGERS TO COACH ISN'T ENOUGH — YOU MUST REMOVE THE HIDDEN BARRIERS TO COACHING

It's clear that your managers being more coach-like, and having everyday coaching conversations, is foundational to better performance. And yes, it's tempting to note (and true) that it will also lead to a better appraisal process, but keep in mind that you poison coaching when you mix it with the goal of appraisal. Changing the performance management system to nudge managers into doing more coaching led to companies reporting that they were twice as successful in making managers better coaches than through training alone.

But nudging and encouraging managers aren't enough. Time-crunched managers will embrace coaching only if you remove the hidden barriers that get in the way. Show them how they can be more coach-like in a way that isn't an added burden to their already busy day; that's a fast, intuitive process; and that they can see will better their working lives — and that of the coachee and organization.

ABOUT THE RESEARCH

During June and July 2017, Box of Crayons surveyed 121 senior HR and L&D leaders, in managerial positions and above. The vast majority — over 90% — were located in the United States and Canada.

Responses were collected from organizations of varying size, with most responses from organizations with over a thousand employees. Survey participants covered a wide range of industries, including finance, telecom, technology, public sector, pharmaceutical and retail.

MBS

ABOUT MICHAEL BUNGAY STANIER

Michael Bungay Stanier is the founder of Box of Crayons.

Michael's most recent book, *The Coaching Habit*, has sold more than 350,000 copies and has been the #1 coaching book on Amazon since its release. Michael has written for or been featured in numerous publications and regularly speaks for organizations and conferences around the world.

Michael is a Rhodes Scholar and was recently recognized as the #3 Global Coaching Guru.

DC

ABOUT DAVID CREELMAN

David Creelman is CEO of Creelman Research. He helps HR leaders identify, understand and address important new issues in human capital management. His most recent book, *Lead the Work: Navigating a World beyond Employment* (co-authored with John Boudreau and Ravin Jesuthasan), is on the future of work and has received plaudits from business leaders.

David has spoken about reporting on human capital at the World Bank's Paris headquarters and is a long-term member of the Workforce Institute's advisory board in Boston. He regularly conducts research for the Tokyo-based Works Institute. He won the Walker Award for his work with Andrew Lambert on board oversight of human capital.

David has an MBA, and now lives in Toronto with his wife and daughter.

AT

ABOUT DR. ANNA TAVIS

Dr. Anna Tavis is an associate professor of Human Capital Management at NYU, senior lecturer at Latin American Business School, Senior Fellow with the Conference Board and an executive director for the Innovation Radar Network with Executive Networks.

Anna is also a senior editor of *People+Strategy*, a publication of HRPS, SHRM's Executive Network. She is an author and keynote speaker, a former board member of HRPS and an advisor to both mature and start-up organizations.

Anna navigated a diverse global career in business, consulting and academia. Born in St. Petersburg, Russia, she got her doctorate from Princeton University and executive MBA from the University of South Carolina. She speaks English, Russian, German and Spanish.

ABOUT BOX OF CRAYONS

Box of Crayons specializes in programs that teach 10-minute coaching so busy managers can build stronger teams and get better results. The award-winning programs help managers and leaders develop — and keep — the coaching habit. When managers become more coach-like, coaching ceases to be a one-off formal event and instead becomes a part of their everyday repertoire.

Box of Crayons works with organizations around the world. It has particular expertise with organizations in the financial, professional service, pharmaceutical and consumer goods market sectors, and particular success with organizations that have engaged but overwhelmed employees. The Box of Crayons programs are delivered by a global cadre of program leaders.

Learn about Box of Crayons' coaching programs at BoxOfCrayons.com/programs.