

The future of performance management beyond appraisals

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It is no secret that many traditional performance appraisal processes fail to meet employees' most basic needs for receiving feedback, coaching and recognition. Performance management often manifests as a painful paper-based annual task that is put away and revisited 12 months later. However, effective performance management is not just about appraisals. It is about providing ongoing coaching and feedback that drives high performance year-round.

For many organizations, performance management is inconsistent and ineffective. According to [Brandon Hall Group \(2014\)](#) research, less than 50 per cent of organizations have a formal process in place, and the annual performance evaluation is a negative experience for managers and employees. Yet companies that invest in ongoing performance management are reaping the benefits. In fact, 70 per cent saw revenue increase after investing in ongoing performance management, 72 per cent reported improved retention and 54 per cent reported a boost in customer satisfaction scores.

The traditional performance review process is, too often, unrelated to business outcomes and does little to build a strong manager–

employee relationship. Organizations need to shift their approach by creating a culture where regular performance feedback discussions are the norm.

An ongoing relationship between managers and employees is a key driver of employee engagement and high performance. Ensuring regular, future-oriented conversations about performance between managers and employees is vital. The annual performance review is a one-time event and often looks backward. It does not help the employee grow, it does not help to build the manager–employee relationship and it is a painful, dreaded process for everyone involved.

However, when employees receive ongoing performance feedback, the focus shifts from what is not working to what does and will work. It empowers and engages employees to take action, and it empowers managers to be more effective coaches. As a result, it is much easier to know exactly how each and every employee is progressing toward crucial performance objectives and to course-correct in a more agile and collaborative way. That collaboration on defining future success also gives employees responsibility and accountability for achieving it.

Traditional performance reviews – the issues

Traditional performance reviews typically generate complaints from all involved – including HR, managers and employees. If it is a manual process, then HR faces a paper-processing nightmare, with little visibility into the status of completion for the various stages of the performance management process. Goals are often set at the start of the year then forgotten, and it is incredibly difficult to report on trends or use the information to drive future talent decisions.

Furthermore, there is little-to-no accountability for managers or employees to complete the process in a timely manner. In fact, 98 per cent of staff (HALOGEN Software, 2012) will resist the process of performance management, finding it time consuming and challenging to carry out. They may not properly understand the rating system they are supposed to apply and, in some cases, cannot measure improvement, so the process can feel meaningless.

Embed ongoing performance management into organizational culture

To embed an ongoing performance management process alongside daily workflow, many organizations will need to drive a shift in culture, setting new expectations around what performance management means. Regular one-on-one meetings between managers and employees are an important step, but so too is setting context around what those one-on-one conversations should look like. Managers should work collaboratively with their employees to set the agenda for discussion, which should include: tracking and collaborating on goals and projects, exchanging meaningful feedback, providing coaching, discussing

career development opportunities or any issue that matter.

Managers and employees can benefit from a centralized system to track these discussions, goals and development opportunities on a regular, ongoing basis. Of course, with a centralized platform, the performance management process as a whole also becomes much more consistent. HR professionals can instantly see how the organization is progressing and can more easily identify areas of workforce strength and weakness. HR professionals can also make better talent decisions based on data from the system, such as who are the high and low performers, what goals are at risk, who is giving and receiving feedback and what development plans are in place.

A centralized system also removes the challenge of linking performance management to overall business success. It makes it much easier for managers to keep every employee's goals aligned with the organization and to monitor progress, which makes it easier and quicker to identify when goals are off track, so managers can course correct. It is also much easier to adapt organizational and individual goal requirements to changing business priorities to keep everyone focused on achieving the results that matter to the business. In this way, performance management becomes much more than a people management process; it becomes a strategic process that can support and enable organizational success.

Remove the fear factor

When performance management is ongoing, employees are not fearful of the process. Instead, they are empowered. The first step to shifting to this view of performance is to distinguish annual performance appraisals from ongoing coaching and feedback. Annual appraisals

are a single, backwards-looking, annual event providing an evaluation and judgment at one point in time. This approach can create barriers for open and honest communication between managers and employees. As a result, it does little to affect employee engagement, address development needs or improve future productivity.

Effective coaching and feedback, on the other hand, offers continuous insight and information into what is and is not working and what is next for the employee. This future-oriented approach to performance management emphasizes how employees and managers can take action to achieve the results that matter to the business. It also helps to build and reinforce a trusted relationship between the manager and the employee, a crucial step for driving employee engagement and high performance.

Here are five best practice tips for managing performance year round:

1. Keep a performance journal. Both managers and employees should note milestones, accomplishments, successes and challenges as they occur, when the details are fresh in their minds.
2. Monitor progress on goals. In today's rapid business environment, managers and employees should regularly review goals to ensure they are still appropriate and make sure the employee is making good progress towards achieving them.
3. Provide ongoing coaching and development activities. In some organizations, employee development is only addressed during the annual employee performance review. A better way to ensure continuous growth and improvement is to

provide ongoing feedback and coaching and assign development activities as needs arise.

4. Communicate the value of ongoing performance management to keep it top of mind. It is vital to continually remind employees to make notes on their performance and update the status of their goals and development activities – and to remind managers to give feedback regularly, monitor progress on goals and support development.
5. Support managers with the right tools. Providing leadership training, tools and resources to support managers in providing ongoing coaching and feedback is very important. A centralized performance management system can help by automating

key steps, such as tracking feedback, goal progress and development activities at regular intervals.

Performance management is not dead, but the old way of doing it certainly is. Senior HR professionals who are dedicated to improving business results should review their performance management process. Does it support the manager–employee relationship? Does it give employees context about the work they do and its impact? Organizations that are successfully creating a culture of ongoing performance management are those who are transforming performance management from an annual administrative task to an ongoing, collaborative strategic priority – and delivering meaningful business results.

References

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