

Adapting to Change: Reinventing Employee Performance Management

~ John M. Hament

All workplaces, nonprofit and for-profit alike, are facing profound change at an unprecedented pace—change (if not disruption) in technology, communications, social media, and multicultural, interpersonal dynamics.

For an organization to remain relevant and viable, it must successfully adapt to the changing environment. An important area in the field of human resources (HR), where such change poses unique challenges, is employee performance management. There is a fast-moving, modern trend of redesigning the approach to performance management in US workplaces, including nonprofits.

Purpose and Importance of Employee Performance Management

Employee performance is central to your organization's ability to carry out its mission successfully. Simply put, employee performance management is the system or process you design to improve your employees' performance in accord with the strategic objectives of your organization. An effective performance management system is essential to the attainment of positive outcomes for any organization.

There are three primary, overarching goals of an effective performance management system: (1) improving employee performance and productivity, (2) inspiring motivation and engendering positive morale, and (3) improving employee loyalty and retention.

Innovative approaches to performance management are rapidly evolving. To suit the unique culture of its workplace, your organization needs to fashion a process that is simple and customized.

The Traditional Annual Performance Evaluation System

The deep-rooted traditional system, still used by many employers, consists of the basic annual evaluation, which is most often delivered by the supervisor, both on a form and verbally, in brief meetings with your employee, once a year. This model often synchronizes pay raises and promotion decisions with the annual evaluation. While there are many variations of this long-standing, traditional model, employees often receive numerical ratings or rankings. In some instances, employers incorporate an employee self-evaluation into the process, possibly even a 360° review feedback component (i.e., input from multiple sources, including peers and subordinates).

Problems Associated with the Traditional System

The most glaring perceived problem associated with the traditional performance management model is that virtually the entire focus is on the once-a-year review session, with little or no emphasis or attention placed on the intervening 12 months. In other words, this system typically creates a yearlong void between annual evaluations, which critics believe squanders valuable opportunities to address and improve your employees' performance.

Critics have also taken aim at the use of numerical ratings (and rankings) typically associated with the annual evaluation system. They perceive rating employees' performance by numbers as dehumanizing and of limited value.

Employees have also frowned upon the annual review session, which is commonly quite brief (often no longer than 15 to 30 minutes), not only for its brevity but also for its structure, seeing it as an alienating, one-way monologue by the supervisor, rather than as a two-way dialogue.

Those traditional models that include a 360° review feedback component are also controversial, especially when organizations elicit input from peers and subordinates. One point of view is that a 360° review can skew the evaluation by virtue of biased input due to bad-faith motives of coworkers (e.g., those who have an axe to grind). On the other hand, one could argue that 360° feedback is valid and objective, as it reaches across the whole spectrum of the organization.

Critics also decry another form of bias often associated with the traditional annual evaluation model, namely, the recency effect, also known as the long-term memory loss syndrome. This happens when the supervisor places undue weight on the most recent performance of the employee, as opposed to a more balanced and objective yearlong perspective.

The Modern Trend: Continuous Performance Management

In recognition of such deficiencies and disenchantment historically associated with the traditional system, there is a growing trend among employers to eliminate this arguably archaic model and replace it with a more fluid and dynamic approach. Numerous organizations, both nonprofit and for-profit, are embracing and shaping new and evolving methodologies, including GE, Microsoft, IBM, Adobe, and Deloitte. Perhaps the most apt generic label or description accorded this more modern approach is continuous or agile performance management.

While there are many variations on the theme, the hallmarks of this innovative continuous approach are the following:

- *Ongoing year-round conversations.* In stark contrast to the traditional, formal, highly structured annual review, the new approach calls for supervisors to have regular conversations with employees throughout the year, perhaps as frequently as monthly, or even weekly, addressing performance issues and expectations as they arise. Adobe and Deloitte refer to these ongoing conversations as check-ins, while GE calls them touchpoints. This informal, less-structured approach appears to be well-received by employees, especially millennials. Employees seem to value the real-time feedback that allows them to make performance adjustments on a timelier basis. They appreciate the regular interaction with their supervisors and tend to feel more engaged and connected, not only to the supervisor but also to the organization.
- *Bidirectional feedback.* Replacing the antiquated (and usually dreaded) monologue delivered by the supervisor during the annual review, often perceived negatively by the employee as a harsh critique and judgment, the modern approach calls for a two-way (bidirectional) dialogue. The thrust of this approach is to provide the employee with an unthreatening opportunity, on a frequent basis, to openly convey quality feedback to the supervisor. Another distinguishing characteristic of this two-way conversation approach is the informal manner in which the supervisor communicates. Ideally, the supervisor comes across as coaching, as opposed to critiquing, evaluating, or ranking. Importantly, the two-way dialogue model produces more genuine and constructive feedback.
- *Collaboration and empowerment.* The bidirectional feedback element of the continuous performance management model engenders a more collaborative process and, in a sense, empowers the employee, leading to more positive outcomes. Likewise, more frequent goal-setting, rather than only once per year, especially when goals and expectations are mutually formulated and agreed upon, contributes to a more positive, collaborative, and empowering environment from the perspective of the employee. Some organizations go so far as to defer to their employees in this regard, expecting them to be responsible for arranging the feedback conversations throughout the year, which, ironically, has the added benefit of relieving supervisors of that administrative burden.
- *Separation of evaluation and compensation.* Another important feature of the modern model is the separation of the employee evaluation process from decisions on pay raises, promotions/job reassignments, and discipline/discharge. This is quite different from the traditional model, in which such issues and decisions are typically addressed at the same time as the annual evaluation, thereby elevating stress and anxiety. By contrast, this demarcation (or separateness) helps facilitate a more open and unthreatening environment for the ongoing, bidirectional feedback conversations throughout the year.

Framework/Supervisory Training

Although the more modern continuous approach is intended to be less formal, less structured, and more collaborative than the traditional system, a well-designed and effective process

must still be built upon some form of a structured framework. The important elements of such a framework are as follows:

1. Designate a senior executive or management team to spearhead the process.
2. Obtain C-suite buy-in and support of the program.
3. Train supervisors in the following areas:
 - How to communicate and listen during the ongoing, bidirectional feedback conversations
 - How to address both the strengths and weaknesses of the employee
 - How to prepare and implement performance improvement plans
 - How to collaboratively formulate goals and expectations
 - How to document, when appropriate, the feedback conversations throughout the year. To aid organizations in the training of its supervisors, continuous performance management apps are available in the commercial marketplace, which include bidirectional feedback tools, as well as forms and templates.
4. Maintain written job descriptions that ensure accuracy and update them, as appropriate.
5. Monitor the process in the following ways:
 - Establish effective management oversight of entire process
 - Measure employee performance
 - Measure employee morale
 - Measure employee retention
 - Hold supervisors accountable for their roles
6. Constantly evaluate the process and make modifications as changing circumstances dictate.

Conclusion

Profound changes that impact the workplace are inevitable. Those organizations, including nonprofits, that acknowledge, embrace, and successfully adapt to change—including the implementation of an innovative and customized employee performance management system—will be the ones to thrive and succeed in the years to come.



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