

The Ultimate Guide to Improving Employee Performance



through feedback, coaching
and development

The Changing Needs of Today's Workforce

The modern workplace is one that has turned traditional ideas about how work happens, how to manage talent and what drives business success upside down. To start with, an expanding global marketplace has made it nearly impossible for employees to work in silos and still achieve. In fact, Bersin by Deloitte, Deloitte Consulting LLP, pinpoints the rise of teams as the top human capital trend for 2016, specifically a growing shift from top-down hierarchy to a network of teams that will deliver results faster. ¹

“After years of trying to build top-down, hierarchical, forced rankings to evaluate people, the world is shifting toward a feedback-centric, agile, strengths-based approach.”

Josh Bersin, Principal and Founder of Bersin by Deloitte, Deloitte Consulting LLP

Another major shift in today's workforce is the increase in the number of millennials, now the largest share of the American labor force.¹¹ They want something different than previous generations wanted, namely more teamwork, coaching, mentoring and progression.

Traditional Approach



Hierarchical



Directing/autocratic



Top-down



Process-focused



Measuring



Annual cycle feedback



Weakness-based

Performance Development Approach



Networked



Coaching/democratic



Bottom-up



Outcome-focused



Improving



Continuous feedback



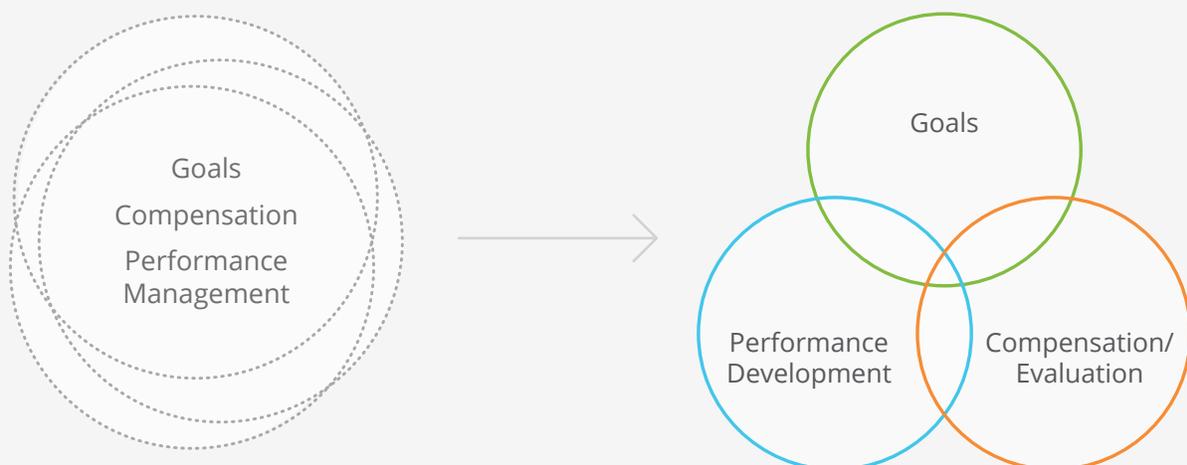
Strength-based

At the same time, research has correlated the new performance management approach of enterprise-wide goal alignment and more frequent, meaningful feedback with increased employee satisfaction and engagement, and more significantly, with improved corporate performance. As Forrester points out, “Companies that successfully drive high levels of employee engagement are far more likely to attract and retain the best talent, create market differentiation, and deliver strong customer and business outcomes.”ⁱⁱⁱ In addition, Gallup estimates the cost to American companies for lost productivity related to actively disengaged employees at \$450 billion to \$550 billion per year.^{iv}

The Performance Management Revolution

This is a pivotal time in the history of performance management. In 2015, Deloitte surveyed HR leaders and found that while 75% of respondents considered the performance management process important, only 50% found their process an effective use of time. And only 12% indicated the performance process was highly effective in driving business value.^v

Companies from global giants to small startups are moving away from traditional performance processes, ratings and rankings, and as times and approaches change, the trend in current practices is a mixed bag. Some companies are giving their performance management processes a makeover with astounding success, while others may still rely on outdated HR processes like stack ranking employees to power their company.



Three general categorizations have emerged:

- **Lagging (traditional) approach**

Organizations that take a limited approach to assessing performance and are still doing annual performance evaluations. These companies believe performance is only a measure of the outcomes employees have achieved over the year. They are performance-driven and intentionally create a culture of competition among employees.

- **Transitional approach**

Organizations that are expanding their approaches to assessing performance by considering alternative evaluation criteria. These companies believe that assessing competencies and future potential in addition to what employees achieve is important to assessing performance, and as a result, they do annual performance evaluations—and may still rate and rank employees—but also do performance development and ongoing conversations.

- **Leading approach**

Organizations that are taking a more comprehensive approach to assessing performance, eliminating performance reviews and replacing them with ongoing conversations. These companies believe that a single rating is demotivating, rankings are a thing of the past and performance development needs to be an ongoing process. Overall, they believe that assessing multi-dimensional criteria provides the most valuable insights into employee performance.

Organizations in the transitional or leading categories that have eliminated ratings and rankings will still have to determine how to do compensation adjustments, but that process can benefit from the same transparent, collaborative, frequent communication that serves to engage your employees and power your business results.

67%

say their managers spend too little time having ongoing conversations with employees about individual performance

- Tower Watson, 2015

Using People Science to Drive Success

BetterWorks is a strong advocate for the leading and transitional approaches. We believe in the elimination of ratings, rankings and artificial competition between employees, in favor of a collaborative, transparent and aligned workforce. Crucial to achieving that are conversations and People Science:

- **Conversations**

Five conversation types that can be tailored to a specific organization's needs but should be standardized and should happen regularly, for all employees. Specific topics, which can be covered separately or in combination, are Goal Planning and Reflection, Progress Updates, Upward Feedback, Manager Coaching and Career Growth.

- **People Science**

Incorporates operational and people data, signals and context to give a rich view of the employee, how they are doing, their opportunities for growth, any retention risks and engagement health to ensure people are performing at their highest potential.



Goal Planning



Progress Updates



Upward Feedback



Manager Coaching

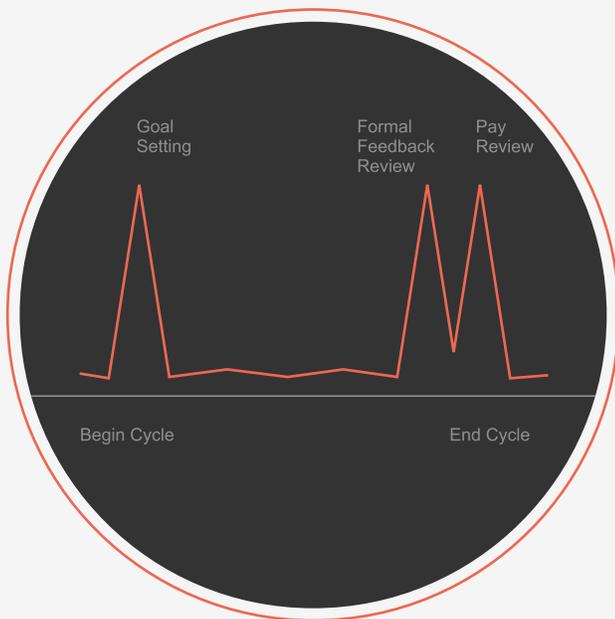


Career Growth

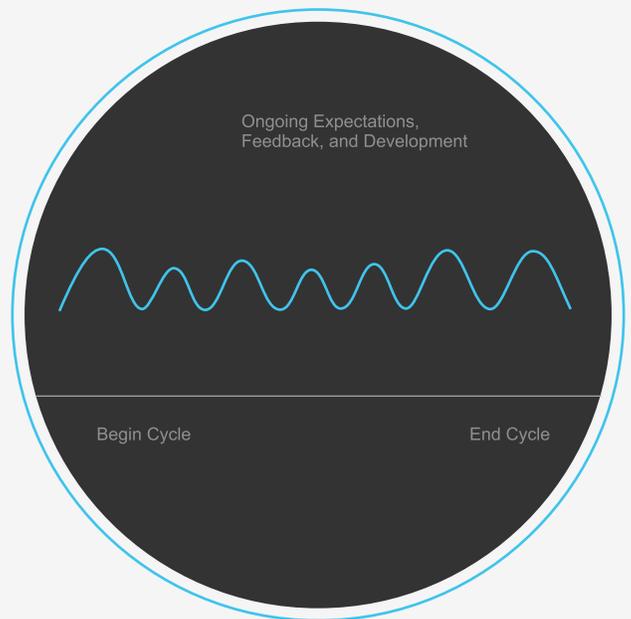
Rich, data-driven conversations will not only yield the most comprehensive picture of an employee's performance, but will also naturally combat many of the pitfalls of traditional performance management processes, including performance appraisal biases. Performance appraisals and evaluations should be driven by more than just what the participants remember happening last week. With a full record of everything the employee worked on in the performance period, managers should take a holistic view of an employee's efforts, including goals, conversations and any other feedback available from the company.

As for how BetterWorks recommends handling compensation adjustments, we start by paying employees a fair wage and setting extremely high expectations for work. However, if a transitional organization isn't yet in a position to eliminate MBOs, bonuses and variable incentives entirely, we suggest managers be empowered to have discretion around how to handle compensation adjustments *and* that they also receive frequent coaching and training on calibration, to be sure they're consistent in their approach.

Effort for Traditional Approach



Effort for Performance Development Approach



Choosing the Right Performance Management Path

The BetterWorks solution is delivering results for leading and transitional companies. Forrester identified BetterWorks as the breakout vendor in the arena of people and talent (Human Resources), for its market approach and track record of customer success.^{vi} In addition, in its “Transform Employee Performance for Continuous Engagement” paper, Forrester singled out Instructure’s efforts to make its performance processes match its agile, engaging product line and company culture. BetterWorks has provided the answer there, fitting Instructure’s “informal and collaborative corporate environment, with more manager/employee ongoing performance discussions.”^{vii}

Bersin by Deloitte, Deloitte Consulting LLP, points out that “Almost everything we’ve done traditionally in HR has to be adjusted (or re-engineered). The younger, more mobile, more agile workforce and workplace we now live in demands new approaches.”^{viii} To be relevant, performance management must evolve to be a combination of continuous feedback and development, recognition for achievements, agile goal setting and managers taking on the role of coaches in the workplace. Only then will we drive greater employee engagement and achievement, as well as increased corporate productivity and growth in the new work environment.

A New Understanding of Performance Management

As a result of shifting attitudes toward work and a growing awareness of what it takes to drive corporate success, companies are starting to make changes. Already, 10% of Fortune 500 companies have done away with the annual performance review, and the number will only continue to grow.

These trendsetting companies realize that the traditional view of goals, compensation and performance management as tightly linked, almost interchangeable components of an annual review process doesn't work anymore. Performance management doesn't only equal review and evaluation, yet evaluation is where time has been traditionally spent. Every year, companies invest significant time—as much as 80,000 to 150,000 hours each year at top companies—capturing executive objectives, cascading goals down through middle managers to individuals and facilitating annual reviews. It's an approach that has become increasingly frustrating for participants, as well as ever more worthless to organizations.

Because dynamic, competitive markets require a more nuanced, adaptable and engaged workforce, we need to understand that goals, performance development (ongoing conversations for feedback, mentoring and coaching) and performance evaluation (compensation) are separate activities and require different approaches.

Performance Development:

ongoing conversations for feedback,
mentoring and coaching

References

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- iii. Forrester. "Use Digital Technologies To Improve Employee Engagement," Claire Schooley and Paul D. Hamerman, May 11, 2016.
- iv. Gallup. "State of the American Workplace Report, 2013, 70% of U.S. Workers Not Engaged at Work," <http://www.gallup.com/services/178514/state-american-workplace.aspx>.
- v. Deloitte University Press. "Performance management: The secret ingredient," February 27, 2015.
- vi. Forrester. "Breakout Vendors: SaaS Business Applications," Paul D. Hamerman and Liz Herbert, May 10, 2016.
- vii. Forrester. "Transform Employee Performance for Continuous Engagement," Paul D. Hamerman and Claire Schooley, February 1, 2016.
- viii. Bersin by Deloitte, Deloitte Consulting LLP. "New Research: HR Now Challenged in the New World of Work," Josh Bersin, March 4, 2015.

betterworks®

Betterworks® aligns, develops and activates your workforce for business growth. Our easy-to-use, integrated software solution replaces outdated annual review processes with powerful Continuous Performance Management® programs to help organizations ensure everyone is working on what matters most and are having the crucial conversations necessary to inspire and motivate their entire workforce to meet today's goals and tomorrow's challenges.

Learn more about **Betterworks®**, and for more information about the latest HR strategies and best practices visit our [resources gallery](#).

