Ignite Your Culture

How to ignite passion in employees and create a high performance culture

20/20 Insights

The Rise and Fall of Performance Reviews

Recently, there has been a lot of buzz about performance reviews and how to create a performance management process that is effective. Amazon's virtual bookshelves are jam-packed with 3,215 books brimming with advice about the perfect appraisal system. However, we know now performance reviews are dead. They stopped breathing and being effective long ago. That has been the overwhelming message in the last year as we read about company after company ditching performance reviews, such as Accenture, Adobe, Deloitte, and GE. For many companies today, annual reviews remain in a zombie state – going through the motions but not actually delivering anything new. Organizations seem to be crippled by "what now".

Performance reviews have existed and been criticized for a very long time. One of the earliest examples of formal appraisals comes from China's Wei Dynasty, around 230 AD. An Imperial bureaucrat invented a nine-grade system to evaluate members of the official family. And of course, immediate criticism ensued, as the Chinese philosopher Sin Yu observes: *"The Imperial Rater seldom rates men according to their merits, but always according to his likes and dislikes,"* Sound familiar?

Fast forward to the modern day and criticism of performance reviews continues. Quality improvement pioneer, W. Edwards Deming blasts away at performance reviews in his book Out of the Crisis: "*It nourishes short-term performance, annihilates long-term planning, builds fear, demolishes teamwork, and nourishes rivalry and politics*." Not a fan then.

Of course, the intent behind performance reviews is well-meaning. If reviews really worked, they'd help staff to understand how they're doing – their challenges and what they great at – as well as raising questions about what staff need to do to progress their careers within the company. They'd also help businesses understand who their rising stars are, so they can invest more in them. However, Human Resource professionals have suffered through the weaknesses of traditional performance reviews for decades.[1]

One commentator summed up the issue nicely: *"They are subjective, political and rarely based on reliable data; and few managers are willing or able to provide what employees need the most, which is negative feedback."*[2]

Companies certainly do not set out to make their employees feel horrible. And some companies mitigate the negative feelings through training managers who keep documentation current throughout the year; by educating managers about errors of recency or halo effects; and having multiple human resources checks and balances to ensure fairness. The problem is, it doesn't work. The manager ceases to be the manager of people and transforms into the manager of units of production, seeking to protect the company by laying paper on the team member, just in case they have to fire them and protect themselves in a lawsuit.

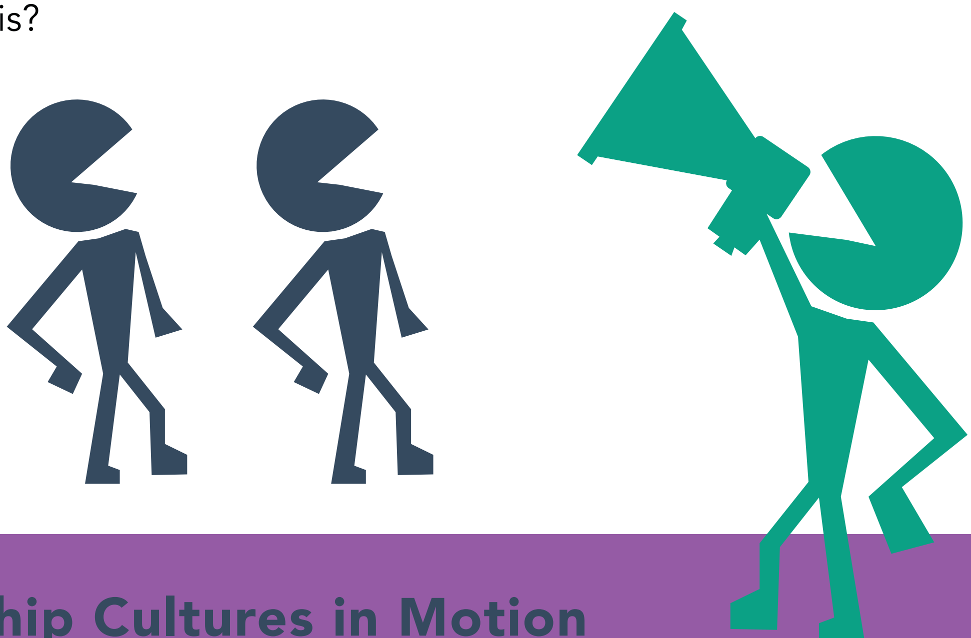
[1]Deming first published this scathing assessment in 1986 | [2]Chamorro-Premuzic, 2015

The Importance of Ongoing Feedback

Many companies, aware that annual reviews don't work, are now trying to find the right balance of performance feedback. Deloitte has announced that it's experimenting with a new program that eschews rankings, evaluates workers incrementally throughout the year and relies on only four simple questions, two of which require mere yes or no answers. Microsoft chucked its stacked rankings almost two years ago. Gap, Fishbowl, Juniper, Atlassian and Medtronic, among many others have joined their ranks.[3] It is safe to say, that this has progressed from today's HR fad to becoming a trend in high-performing and well-known organizations.

So we have identified the need for more conversations and continous feedback, but do we need to do even more to make each employee feel a part of something bigger and intrinsically motivated? We want our employees to not only be more engaged and connected, but be happy and want to stay.

How do we actually do this?



Putting Ownership Cultures in Motion

Moving from weak annual reviews to ongoing feedback is a positive move in the right direction, but only part of the solution in the quest to develop a culture of ownership. Organizations must systematically develop and/or shift their culture through a series of action items, with the end result being an environment where there is transparency and visibility into what everyone is doing, from receptionist to the CEO.

[3]Deloitte made the cover of the April 2015 of the Harvard Business Review as THE case study of doing away with traditional performance reviews.

What is a Culture of Ownership?

When defining a culture of ownership, one might jump to a culture of accountability and purpose. Holding employees accountable, and driving an aligned purpose to the company's vision, so everyone is getting the work done that moves the company forward. This is part of the picture, but let's take it beyond accountability, to include employees' intrinsic motivation and connection to each other and the business vision. Often we discover that individuals have a passion aligned with the organization's purpose. The most important task for any manager today is to create a work environment that inspires exceptional contribution and that merits an outpouring of passion, imagination and initiative.[4]

In one sentence, we can define a culture of ownership to be: When employees act in a manner that demonstrates intrinsic motivation to go beyond daily responsibilities, because of shared vision and values, that moves the company toward success. The behaviors are a key part of this definition. Companies not only need to define the core values, but ensure employees are embracing those behaviors, in their day-to-day interactions, both internally and externally.

[4]Hamel, Gary, The Future of Management, Boston. Harvard Business School Press. 2007.

Culture of Ownership Action Items

1. Ongoing Conversations

Create an environment in which frequent and collaborative performance conversations become the new normal.

Employees crave feedback. They seek information about the company and want to know how their performance plays a part. Organizations that don't create this opportunity for managers and employees to interact, are fooling themselves if they believe their employees are engaged.

Managers should hold a performance conversation once per month or once every six to eight weeks at most. Create a framework for those conversations, so supervisors feel supported, and empowered in their dialog with their employees. These conversations can't be random - they must have structure, the basis of which is employee responsibility and progress toward goals.

Check-in conversations should include visibility into the overarching direction of the organization, while connecting to personal and professional goals which align to the organization's initiatives. This is similar to the cascading goals in an MBO or OKR model. The manager and employee become true partners in goal setting – always with the organizational end game in mind. In each conversation, it is important to ask for the employee's perception of how they are doing against the agreed measurement criteria and what they need from the manager in order to succeed.

The employee goals must connect to the vision, be impactful and resonate with the employee. Employees have to continually see the bigger picture, and hopefully see how their impact affects business objectives. Further, the manager should focus on what the employee has accomplished, their professional happiness and growth – not judging and rating them. The supervisor should be collaborating on how to eliminate obstacles and empower employees to execute on shared vision. This is a shift to a team dynamic that holds itself accountable to shared interests and purpose. Finally, this will stand a better chance of success if it is underpinned by a technology system which simplifies and drives the process.

2. Goal Setting

Ensure the following three items are in place in order for goal setting to support cohesiveness.

1) Measure Success

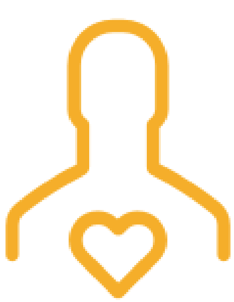
A key factor of SMART is the "M" for Measurable. Employees and managers must know what success looks like, to avoid setting goals that are unclear. We frequently see managers giving credit, when maybe none is due, because they are anxious about giving negative feedback. The employee and manager can't celebrate success or feel confident about feedback without viewing that path to success. We call the benchmarks "bumpers."

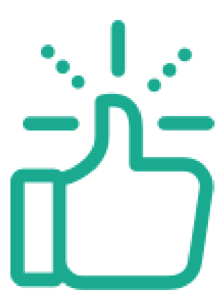
One way to make this work is to have the employees establish their own measurement criteria or bumpers. Invite them to define what it will mean when they are "behind" on a goal, "on track" and "ahead." Have the employee spell out these criteria before they start working on the goal, so everyone is clear about what success looks like.

2) Collaborate on Defining Success

In many work environments, goal setting between manager and employees happens once or twice a year. The manager is typically in charge of deciding whether the employee has met a goal. Frequently, compensation is tied to the success of the goal, adding pressure to the meeting.

For SMART goals to be effective, the manager and employee need to discuss progress along the way, together, with the previously defined bumpers. This allows them to tweak and realign the goals, so when the target date arrives, both the manager and employee are absolutely clear and have discussed progress along the way. This avoids surprises, and empowers everyone.





3) Celebrate Success

It's important to celebrate success after all the steps are in place: measurement criteria are established, the manager and employee have discussed progress, tweaked the goal or eliminated roadblocks, and, finally, goal attainment is met. This can be as simple or elaborate as the team dynamic allows. Options might include a gift card, or company-wide kudos or shout-outs, or simply the manager giving praise on an individual or team basis.

No matter what, be sure to acknowledge the employee's accomplishments. Positive reinforcement is a basic tenet of high-functioning teams: offering feedback and praise encourages repeat attempts.

The goal-setting process can be as simple and hassle-free as you choose. It just takes a bit of preparation and care. Once great goals are set with buy-in from everyone on the team, you'll find that your team will stick to and achieve amazing things.

3. Behaviors to Work By

A key component to the ability to create the ownership culture and have every employee be truly a part of the way forward, is to align not just to values, but specific defined behaviors that are at the heart of employee interactions. For example, Zappos hires talent whose personal values align with the company's core values, whose employees have a genuine interest in helping others.[5]

The challenge for organizations is how promote the ongoing interactions utilizing the preferred behaviors. It starts with the organization leaders identifying and communicating the core values. You could argue that employees need to participate in defining core values in order for them to own those behaviors.

[5]Hill, Linda, Greg Brandeau, Emily Truelove, and Kent Lineback. Collective Genius. Boston: Harvard Business Review Press. 2014

Imagine, however, company wide sessions, where every employee participates in the discussion about core values to gain consensus. What if employees don't agree with the terms and definition leadership has identified? Or maybe leadership has not defined those terms at all but leaves it up to the company employees to decide. How do you gain agreement? It can be done, but probably not efficiently. It is recommended leadership identify, and then communicate those core values to their team, while inviting discussion and embracing feedback.

Once core values are defined, and organizational buy-in occurs, the key will be for employees to consistently own those correlating behaviors. It is tough for organizations to ensure behaviors are owned and embraced fully. These values need to be revisited in various practices within the organization. An example of this, is with recruiting. Recruiters should be seeking candidates that identify with and have proven ownership to those values. Certainly this is easier if the employee is already passionate about the business purpose at time of hire, but sometimes that alignment has to evolve through a shared vision.

What else can be done to embrace those values? Ensure employees and supervisors are having conversations, that provide feedback based on how well employees have embraced those behaviors (core values) in their daily work. If they are not embracing the organizational values then maybe they are not a good fit for the culture and environment?

There must be consistent practices in order for the behaviors to be truly owned by each and every employee. Again, this will stand a better chance of success if it is underpinned by a technology system which simplifies and drives the process.

Stages of Ownership

Ownership without empowerment negates the benefit. There may be organizations that strive toward an ownership culture, but true engagement is won through practices, through individual participation, not just touted through words. Companies may fall in various stages on the path toward complete engagement:

1. Authoritarian Rule - Leadership controls all high-level decision making throughout the organization, leading to siloed departments. Employees are focused on completing tasks and projects, but are not engaged beyond the box which outlines their job description. Mid to high turnover occurs. Performance reviews occur once a year, while evaluating employees' overall job performance for previous year.

2. Top Down Approach - Most prevalent structure found amongst US corporations today. Leadership may state that employee involvement is important. Feedback may be sought out, employee surveying may be occur at regular intervals. There are clear levels of management, typically including middle management. Regular and consistent turnover. True engagement and empowerment are missing.

3. "We" Culture - Transparency of roles, responsibilities, goals and accomplishments are part of culture. Financials are shared regularly. Direction and initiatives are clear to all. Every employee knows what every other employee is working on. There is a mechanism in place for employees to be recognized for a job well done. Year after year, results in increased average tenure. There are levels of management (informal or formal), and employees know their voice matters and will be appreciated.

Pulling it All Together

Every employee seeks regular feedback, timely recognition, meaningful work and sense of belonging. Since people are an organization's greatest asset, it's clear that forward-thinking companies are starting to take this message seriously. Organizations know to compete in 2019 and beyond, companies need to engage their employees and contingent workforce differently.

Life is short…..have meaningful conversations!

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