COACHING for LEADERS

Dave's Highlights

The Truth & Lies of Performance Management

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"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."

"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."

"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."

"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).

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."

"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."

"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."

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).

"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."

"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).

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."

"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."

"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."

"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."

"Not doing anything about your performance management system may be the smart, strategic choice.

Pay for performance is a simple yet powerful idea that never survives the complexities of organizational life unscathed."

"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.

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:"

"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 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."

"C-suite involvement leads to better outcomes.

Look for substantial advances in performance management technology over the next 10 years."

"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."

"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.

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."

"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%)."

"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. 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."

"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."

"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."

"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."

"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).

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."

"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."

"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."

"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."

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