



PERFORMANCE MANAGEMENT INNOVATION

UTILIZING FEEDBACK TO DRIVE PERFORMANCE

By **Michelle Tenzyk**, President
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The world of HR has been at the heart of performance management, caught between the approaches of HBR and strategy + business, in which we are advised to **toss out performance reviews completely**, differing with the valid reasons for which Marc Effron encourages us to **embrace the review process**.

“[Performance management] is the most powerful performance-driving process in your company. Setting big goals and delivering regular feedback improves individual performance - full stop.”

– Marc Effron, President, The Talent Strategy Group

Over the past 25 years, the field of HR has collectively failed to blaze any new trails in the campaign to improve performance reviews. In the effort to rework the performance review process, HR executives have added ratings, removed ratings, included goals, removed goals, added self-assessment, removed self-assessment, added competencies, inserted multi-rater input ... the list goes on. It is even up for debate whether performance reviews should be linked to compensation. But HR has truly lacked innovation in developing a **magic formula for evaluating employees and giving feedback**. And the debate rages on about basing merit increases on performance reviews.

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IS THERE A LINK BETWEEN MERIT INCREASES AND PERFORMANCE?

When discussing performance management, this question is always top of mind for leaders, but there are few companies that maintain a merit budget of more than two or three percent on an annual basis. Considering that these raises are essentially cost-of-living increases, using them as a pay-for-performance approach, connecting ratings to merit levels - rating someone a 5 (excellent) and then offering a 3.5 percent increase - seems lackluster. Decoupling merits from performance reviews makes sense.

THE FEEDBACK MERRY-GO-ROUND

Something must change. By 2030, 75 percent of the workforce will be Millennials. And those employees want ongoing, immediate feedback; for that matter, so do most of your team members from other generations. Ongoing, immediate feedback improves individual and team performance, overall job satisfaction, productivity, innovation and efficiency. Regular feedback will also enhance communication among team members and managers, increase trust and encourage better team collaboration.

As humans, we crave feedback. Employees want to be told how they are doing. But a shift occurs with leaders, especially new managers. They want feedback for themselves but don't want to give feedback to anyone they supervise. It is painfully frustrating. Team members want feedback, but the managers who are supposed to provide it simply do not provide it - or they do not know how. We seemingly make incremental, if any, progress, even though the **established fundamentals of the performance management process simply are not working any more.**

SHAREHOLDERS WON'T STAND FOR IT

If you can find no other incentive to prioritize regular, timely performance feedback, then consider this: Your shareholders will demand that your company meets projected earnings objectives. You reach those projections when your employees perform well. And for your employees to perform well requires many different elements, one of which is providing feedback on how they are doing, **so they know what to do and how to do it.** Your shareholders simply will not stand for a management structure in which regular evaluations of performance are not taking place.

The latest trend - to eliminate ratings altogether - taking a coaching-and-development approach with reviews, and blending that into the fabric of the organization - is one East Tenth Group has supported for a long time... in the right situation. **On-the-spot feedback**, given immediately after a meeting or at the completion of a project, can have a direct and immediate impact on performance.

TARGETED, SPECIFIC FEEDBACK - BOTH POSITIVE AND CORRECTIVE - CAN BE PUT INTO IMMEDIATE USE. WAITING TO GIVE THAT FEEDBACK FOR AN ANNUAL REVIEW IS NOT AS EFFECTIVE IN EVERY CASE.

ONE SIZE SIMPLY DOESN'T FIT ALL

As we keep trying to solve this performance review issue, we must, as an industry, recognize that, unlike the finance and accounting functions for which FASB or Sarbanes-Oxley provide standardized procedures and policies, HR departments are fundamentally left to their own devices in terms of adopting and implementing policies that govern how to handle comparative issues. It's impossible to apply a policy across the board that covers every scenario in every company.

A performance review policy depends on the given situation. In some organizations, taking ratings out of the equation and adopting development goals with coaching can align with the business strategy and nets measurable results. However, at a large, multi-national 80,000-employee company, ratings may need to remain part of the process. Your culture, environment and employees will tell you what fits best.

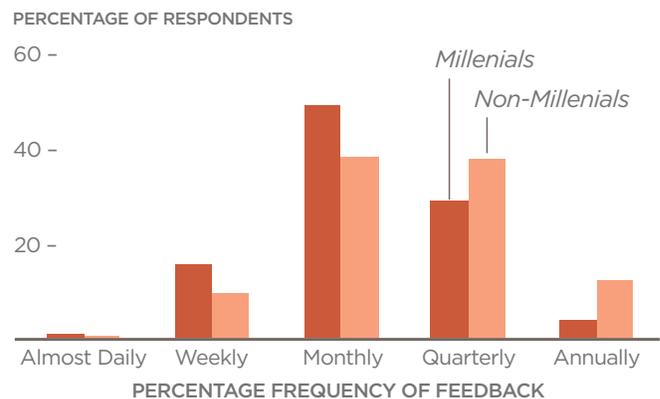
GET OFF THE MERRY-GO-ROUND

Be open and flexible in considering what will work best in your company. Be bold and try something different. Be open to hearing from all parts of your organization, taking advantage of focus groups. But **do not rest on your laurels and accept performance management the way it is** - or think because it was this way in one company that it must be this way in another company.

At East Tenth Group, we believe customized solutions are the answer. And **in the people business, customization is the name of the game.** Why? Because people are different, which makes cultures different, and that makes your company different. So instead of bemoaning the performance review process, do something about it, and make it work for your company and your people. Your shareholders will thank you. When you make the decision to implement a performance review process that works for your company, you can then take advantage of new technologies and tools that help you gather the necessary information to make better decisions.

HOW OFTEN EMPLOYEES WANT FEEDBACK FROM MANAGERS?

Most Millennials prefer monthly.



NEXT-GENERATION PERFORMANCE MANAGEMENT TOOLS

It takes strong technology - better communication and tracking tools - to transform performance management. The more important transformation is a culture shift away from the annual review and towards next-generation performance management tools that are a combination of communication, tracking, and analytics technologies. These put the ability to provide immediate feedback at the fingertips of managers. These tools provide easily-accessible data that makes it possible for managers, executives and HR coordinators to make **rapid, informed decisions** about talent that aligns with their strategy and allow for:

- Ongoing collaboration
- Immediate feedback
- Aligned goal setting
- Motivational inspiration
- Customized development

We already know that the **annual performance review is no longer effective** for improving retention and creating engaged team members.

TEAM MEMBERS RESPOND POSITIVELY TO IMMEDIATE FEEDBACK BECAUSE THEY SEE A CLEAR PATH FORWARD TO MORE RESPONSIBILITY AND LEADERSHIP OPPORTUNITIES.

Next-generation performance management tools provide organizations with a more effective way to keep talented team members engaged and involved. These tools also allow business leaders to better match talent to business goals, assess gaps in development and talent need, and cultivate talent that aligns with the overall strategy of the organization.

Want to learn more? Visit our [website](#)



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When people thrive, business thrives.

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