Moving Beyond Performance Management
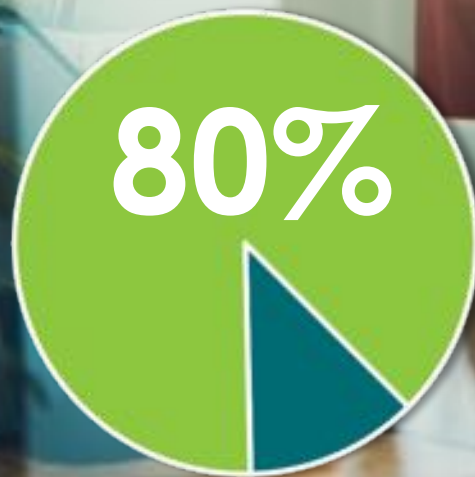
Yutaka Takagi, MBA

HCM Technology Manager, Ultimate Software

People first.
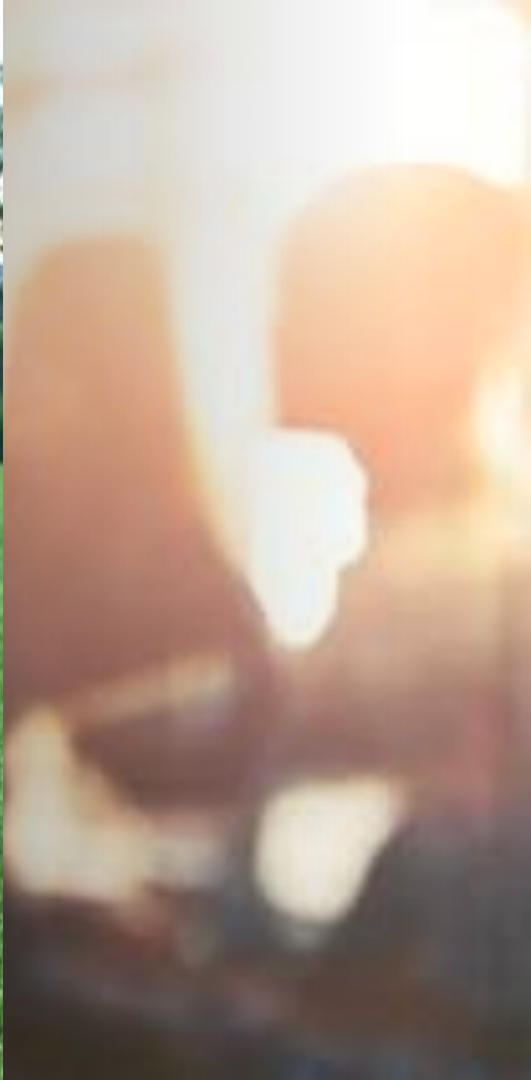
THE CURRENT SYSTEM ISN'T WORKING

for businesses *or* people

80%

Organizations are considering making a **major change** to performance management - *or have already*

About **66%** of employees say the performance review process interferes with their productivity, and **65%** say it isn't even relevant to their jobs

22% of employees have called in sick rather than face a performance review

Neuroscience Doesn't Lie

90%

of performance reviews are painful and ineffective

Source: Wakefield Research

"

Until now there's been a frenzy about dumping performance reviews, and we didn't know which direction to move in.

The Global Leadership Forecast 2018 from DDI, the Conference Board and EY, looked at data from over 25,800 company leaders from around the world.

The research found that **20%** of these companies had *stopped* using performance ratings

THERE IS NO EASY FIX…

Getting rid of the review may not be the "final answer"

Dropping the annual review dropped engagement and performance by **10%**

Source: CEB Study (A Gartner Company)

From the perspective of the *MANAGER*

Managers spent less time on informal conversations; quality declined by **14%**

Without reviews, only **4%** of HR leaders reported feeling they could accurately assess performance

From the perspective of the *EMPLOYEE*

Top performers' satisfaction with pay differentiation decreased by **8%**

Employee engagement dropped by **6%**

Source: CEB (A Gartner Company)

Don't throw the baby out with the bathwater!

What is the solution?

Move from *annual evaluations* to continuous performance development

ADOBE

Removed all formal performance management

Created "Check-in"

30% reduction in voluntary turnover once they swapped yearly reviews for regular performance discussions

MICROSOFT

"Perspectives" and "Connects"

✓ Perspectives encourages employees to **solicit opinions** from their peers – visible to employees and managers.

✓ Connects gives flexibility to managers to discuss performance and development **throughout the year**.

GAP

Gap supervisors still give workers EOY assessments, but only to **summarize** performance discussions that happen throughout the year.

Employees still have **goals**, but they are **short-term** (quarterly).

Now **2** years into its new system, Gap reports far more satisfaction with its performance process and the best-ever completion of store-level goals.

GOOGLE

"Project Oxygen"

All people decisions at Google are based on data and analytics." The goal is to… "bring the same level of rigor to people-decisions that we do to engineering decisions.

✓ Every manager must possess each one of **10 pre-determined behaviors**

✓ Onus is on the manager, not the employee

✓ Google uses Objectives & Key Results (OKRs)

Source: cmswire

USANA Health Services

3 Questions Asked Quarterly:

1. What did you do well in the past three months?
2. What could you have done better?
3. What are your goals for the next three months?

Annual Talent Review:

Overall performance

Job-related skills

Risk of low performance in the near future

How essential the employee is to company success

"Putting Humanity into HR Compliance: Doing Performance Reviews Better", Jonathan Janove, JD, March 12, 2019 https://www.shrm.org/ResourcesAndTools/hr-topics/employee-relations/Pages/Putting-Humanity-into-HR-Compliance-Doing-Performance-Reviews-Better.aspx)

Performance Models – a Continuum

Traditional
(Considering changes)

- Provide mobile tools to help managers align and monitor progress against goals

- Supplement annual reviews with periodic **'coaching-focused' feedback** conversations throughout year

- Focus development opportunities on both employee and manager

Hybrid Approach

- Introduce tools/ mechanisms to gather fast, frequent feedback

- Implement frequent, coaching-based conversations/check-ins,

- **De-emphasize performance ratings/ rankings** and de-couple compensation from ratings

- Experiment with structured and proactive Leadership Actions

Performance Development

- Eliminate performance ratings/rankings

- **Re-invent the manager role,** focused on fine-tuning growth and development

- Create user-generated *Leadership Actions* to reinforce values and organization culture

ASSESS YOUR CURRENT STATE
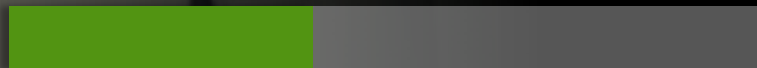
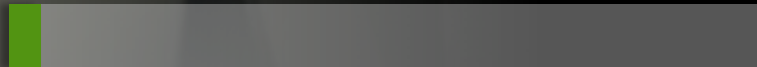## What kind of performance process do you currently use?

Annual reviews — **51%**

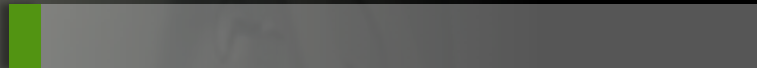**A hybrid process of formal reviews with some continuous feedback** — **37%**

Continuous performance feedback — **4%**

Ongoing performance coaching — **4%**

Manual process — **4%**
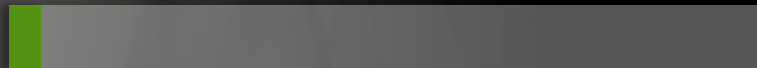
What will Performance 2.0 be?

1 A compelling continuous feedback experience… one that **actively help employees give each other more meaningful feedback**.

2 Incredibly flexible **performance review processes that can be initiated by anyone**

3 A new generation of **real time performance intelligence in context**

How do we get there?

Continuous Listening & Feedback

Develop Individual Performance

Performance Development for the Entire Organization

80% of employees prefer immediate feedback to annual reviews.

Regular feedback reduces turnover by **14.9%**

42% of millennials want feedback **every week**

75% of employees say they would stay with an organization longer if their **employer listens to and addresses** their concerns

But 80% of employees say their **supervisor doesn't follow up** on their review

National Study by Ultimate Software and The Center for Generational Kinetics

2

DEVELOP INDIVIDUAL PERFORMANCE

70%

of employees

think reviews should focus on skills development and professional growth

61%

of a 'rating'

is based on the bias of the boss

not actual employee performance

Source: Forbes

87% of employees

think training and development needs to be tailored to each person's needs and learning styles.

Performance check-ins with managers involve:

✓Conversations about goals

✓Work progress

✓Performance feedback (recognition and constructive)

✓Development needs

✓Any other day-to-day items

Bersin, Deloitte Consulting LLP, 2017

People first.

Performance/development conversations focus on:

- ✓ Performance within the quarter

- ✓ Additional changes to goals not discussed

- ✓ Peer feedback

- ✓ Development needs

- ✓ Any other day-to-day items

Bersin, Deloitte Consulting LLP, 2017

People first.

Performance Development will be focused on two primary areas:

- Personal growth and development of employees

- Driving organizational effectiveness and success

-Reimagining HR for the Augmented Age. It's Time.

Imagine a performance process that doesn't just manage performance, it develops it...

Deeply Human Insight Requires A New *Understanding of* and *Access to* Data

All Data: Structured + unstructured
Internal + external + human interaction-based
Work + life-focused

All Access: consumer-grade, 'natural UX',
in-context, anticipatory, smart

Transparency is Tough

Less than

20%

of data is structured

The other

80%

is difficult to measure and **hard to make sense of** for the majority of companies today

Source: Forbes, The Big (Unstructured) Data Problem

Interpretation at Scale Helps Leaders

Modern AI capabilities can help us process masses of data pand give them meaning

Sentiment Analysis

Helps employers understand not only *what* is said,
but also **how employees are *feeling***

With transparent ongoing communication and better understanding of people data, *performance development becomes the keystone of a great employee experience &* *business success*

A New Prescription for Performance

Clear, Continuous, Transparent – ensure employees know where they stand vs. performance appraisals

Self-directed – put employees in control of their development and careers

Dynamic Coaching – develop managers into coaching leaders with predictive and prescriptive analytics, smart recommendations and interactive insights

"

…adjust goals, actively work priorities and calibrate on expected outcomes to manage work effort and remove bias in favor of the facts.

✉ Yutaka_Takagi@ultimatesoftware.com

📱 847-273.1742

💬 www.linkedin.com/in/yutaka-takagi-42958b4

Ultimate
SOFTWARE

People first.