The New World of
PERFORMANCE
REVIEWS

AUTOMATE

Tasks

Performance

💪 8   KUDOS!

Introduction

HR professionals operate in a fast-growing industry, with those in established businesses competing with global startups who more so understand the modern world of work, and respond agilely to the ebbs and flows of people management.

One legacy issue that many HR managers face is the traditional Performance Review. Between generational workplace shifts and an evolving understanding of organizational psychology and performance management, HR managers are tasked with implementing and overseeing new ways of performance management in which many cases are unrecognizable from decades-old systems.

The problem: Are current performance reviews as we know them dead?

There are two typical styles of Performance Reviews seen in the current workplace, representing the shifting priorities of HR professionals and the C-suite. The 'old' or 'industrial' model involves a ranking system where a formal review is conducted once or twice a year, with employees scored in a competitive fashion, and those scoring least being dismissed.

The modern approach is more in tune with the changing employee demographics, who are looking for opportunities to improve their skills, asking for growth support, and seeking coaching in their career. This method of Performance Reviews is a continuous approach that casts the manager in the role of a coach.

INDUSTRIAL PERFORMANCE REVIEWS	CONTEMPORARY PERFORMANCE REVIEWS
• Ranks employees competitively	• Focused on dialogue
• Happens once or twice annually	• Continuous
• Top-down	• Egalitarian
• Numerical scoring	• Qualitative and quantitative
• Lowest 'scoring' employees fired	• Prioritizes development

According to Josh Bersin, a radical shift from the former to the latter has taken place: 10 years ago, 75% of companies took the industrial approach, and today the reverse is true. Back in an article dated from 2018, he goes on to describe the crucial reason underpinning this change, which is that the industrial style review system is based on the assumption that management creates value, and where employees' labor is 'more or less replaceable.' However, Bersin's position challenges this assumption:

As we've shifted away from the industrial era – in which employees, as assembly line workers, were almost part of the machinery – and into an era where professional services have become preeminent, each individual employee becomes important for their creative or intellectual value to the organization. So, HR has had to evolve away from the so-called 'rank and yank' model.

> **I'd suggest that we may have the whole thing reversed: the employees (line people) are more important than the managers in most companies...**
>
> Josh Bersin

Performance management only emerged as a concept in the 1970s, and it's only in the last two decades (according to Bersin) that its influences, such as what we see in the contemporary performance review, has gained widespread traction in organizations – but this rapid change in corporate management structure has left many organizations struggling to redirect their culture, management style and systems to meet the demands of a transformed workforce. Instead of just reviewing performance, managers need to discuss develoment and growth with their employees.

> ...so we need to invert the whole thing and understand that managers serve the employees and not the other way around.

Josh Bersin

The challenge: Today's workforce expects frequent feedback

Personal growth is a huge priority for today's employee. According to research conducted by Robert Walters, **91% of Millennials** – soon to overtake Baby Boomers as the **largest demographic cohort** – consider career development as a number one priority in their jobs. The same Robert Walters study found that 60% of Millennials wanted formal feedback every 1 to 3 months, but a significant 38% reported receiving formal feedback once a year or even less.

Additionally, according to Gallup, only **2 in 10 employees** say their performance is managed in a way that motivates them to do outstanding work, and only 14% found that their performance reviews inspired them to work. These dismal figures spell a challenge for HR teams which involves:

Creating a culture
that encourages growth and improvement

Helping managers grow as coaches
and take a skills development approach

Finding new ways
to track and report the information from the reviews

The solution: The new world of performance reviews

The new type of Performance Review should be conceptualized as a give and take, occuring in an ecosystem of feedback that doesn't just happen from the top down but in a continuous conversation between the employees, managers, colleagues, and customers.

Rather than one big meeting every year – which is by its nature distant from many of the events under review – bite sized feedback is collected and relayed with regular check-ins, perhaps as an evaluation following a project or after the close of a quarter, with constant micro-adjustments along the way. The concept is to find the optimal way to create continuous performance reviews and feedback.

In this model, employees also get to feed in about how their career is developing and work in conjunction with managers to map out a path for growth, thus integrating the idea of performance management or high performance with regular review and feedback, optimizing career growth. In this way, both manager and employee have responsibilities for setting and reaching goals.

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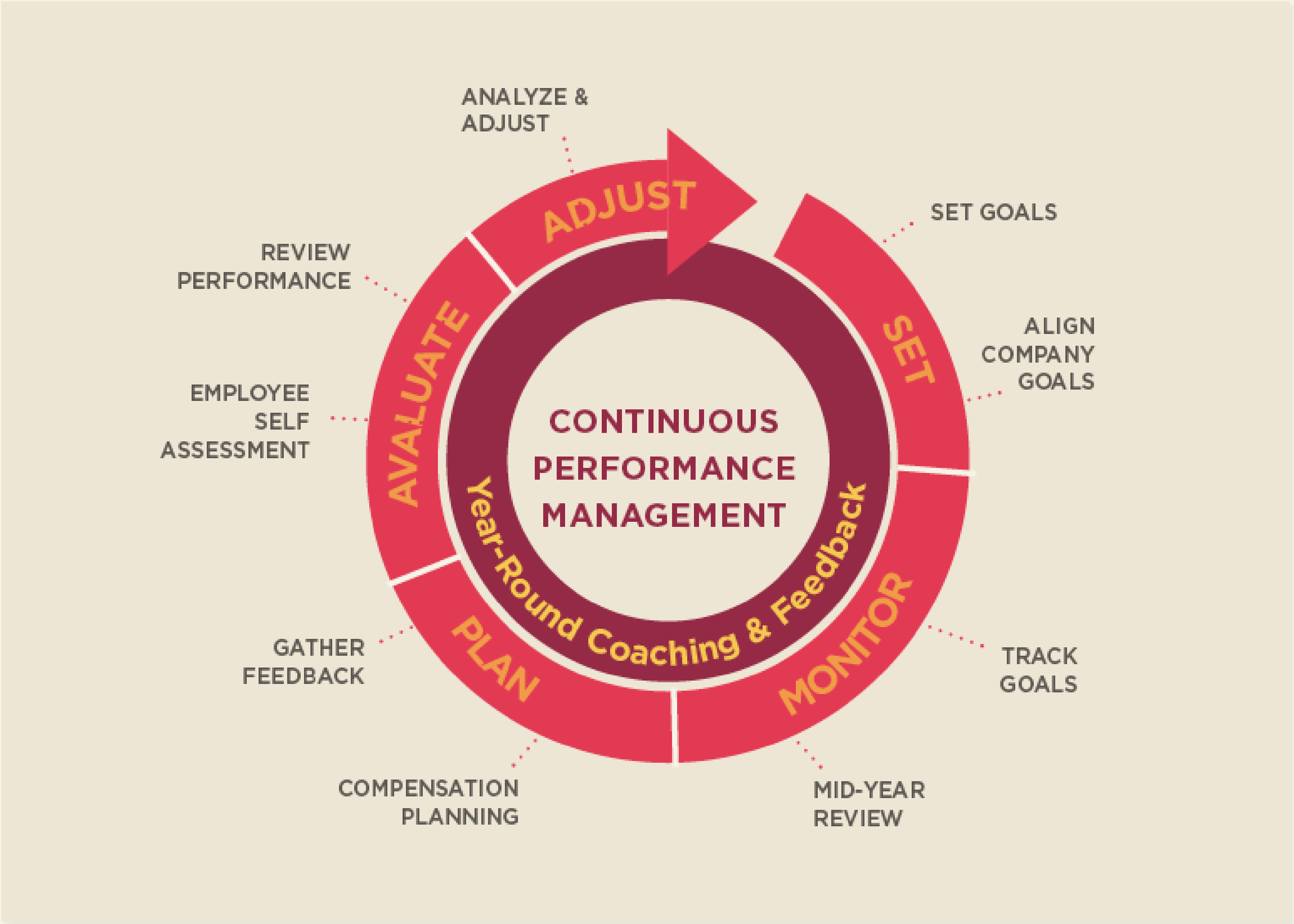
Your implementation checklist

checklist

Your checklist for implementing the new performance process

Modern Performance Reviews Implementation

☐ **Create the culture**

Before you even think about performance management, you need to focus on engineering the culture so that it promotes open dialogue, feedback, and critique.

☐ **Identify the kind of data that needs to be collected**

Data is still a key driver of performance management under a more modern style of performance review. Consider productivity, participation, retention, engagement, and other more specific KPIs.

☐ **Implement new ways to gather and analyze this data**

By dispensing with the traditional once-or twice-annual performance review, there's no longer a sense of scoring or ranking; with a continuous dialogue around performance – much of which will be informal – teams may have to try new ways of capturing and reporting the data.

☐ **Make participation a requirement**

To ensure quality of data and full involvement, create a culture where participation is an expectation.

☐ **Train managers in new performance review and management techniques**

Particularly if your organization has been running on the 'industrial' performance review style, you may need to train managers in new tools and improve the understandings of what performance management is and its function within management.

☐ **Create a system that gives multi-directional feedback**

Ensure that 'feedback' doesn't simply flow from the manager downwards, but from employees to leadership and between colleagues.

☐ **Incentivize enthusiastic engagement**

Make getting involved in the culture a priority for team members by offering incentives for enthusiastic participation.

☐ **Test different kinds of tools on the market for managing the performance review process**

There are plenty of tools to assist in gathering and analyzing data in a way that streamlines the review process for managers and HR. Do some research to find out which one will suit your organization best.

How to foster a culture and environment for ongoing, open dialogue

"The best way for companies to reduce turnover is through open and proactive communication. Ask your employees how the company can better support them and be a place people enjoy working. Once you listen to the feedback, take action to improve the employee experience. Open dialogue on what needs to change, how you'll change it, and the results after the change is key to driving turnover down.

Sarah O'Neill - SHRM-SCP

1. Ask (and answer) questions

Asking employees and managers questions – through surveys and non-formal feedback routes lets employees feel as if they have a say in building the culture. This is your first port of call for fostering dialogue in an authentic way.

The aim is to create an environment that asks employees what they think and engages with the answers. Going a step further and creating dedicated channels for communication empowers employees to raise issues when they come up instead of having to wait to be asked.

2. Prioritize transparency

In a culture where every member of the organization is striving to improve, the spotlight also has to be turned onto management and leadership. In order to encourage a culture of positive development, organizations must demonstrate reflection, evaluation, critique, and improvement at all levels. This means taking steps like publishing the company's objectives and results, and being honest about misfires.

Taking on the startup world's embrace of failure as a means to embracing growth and development may be key to creating a culture of open dialogue. "To invent you have to experiment, and if you know in advance that it's going to work, it's not an experiment. Most large organizations embrace the idea of invention, but are not willing to suffer the string of failed experiments necessary to get there," Bezos wrote in an Amazon annual shareholder letter.

3. Encourage disagreement and dissent

While many shy away from dissenting voices, Harvard Business Review asserts that "dissent plays an important role in the workplace… In places where dissenting opinions are encouraged, employees report greater job satisfaction, and leaders are able to consider a wider range of proposals and options before making decisions."

Recent reporting on Facebook's company culture of Facebook has revealed that the company's 'no-dissent' policy has

encouraged a 'cult-like' experience, with the structure of company performance review and the peer review system leading to a toxic environment where sexual harassment and issues with the product went unreported: "[former employees] say Facebook might have have caught some of these problems sooner if employees were encouraged to deliver honest feedback."

4. Know and support growth goals

Part of performance management and creating a culture of open dialogue is the vision of the manager as the coach. With this understanding of the role, understanding the employee's goals becomes key to helping them grow in their role and improve performance.

Supporting their goals by developing the skills and knowledge required goes hand in hand with performance management and also retention, so creating structures of mentorship, career development and upskilling can be one way to ensure that employees have greater satisfaction in their roles and motivation to succeed.

5. Recognize high performance

According to Josh Bersin, who has conducted in-depth analysis on recognition at work, people are highly motivated by recognition – but it has to be the right kind of recognition. His study found that:

- 53% of employees didn't think their company had any recognition program

- 87% of all recognition programs are based purely on years of service

- 44% of recognition programs don't include company goals as part of the program

All this means that employees aren't getting recognized by their workplaces in a way that drives positive outcomes. Meanwhile, companies in the top 15% of building a culture of recognition have a 46% lower rate of voluntary attrition.

> **These are companies that regularly appreciate and thank their people, and this drives engagement, retention, and 12-15% improvements in overall employee performance... Modern and sound employee recognition programs appeal to these higher level needs [self-actualisation, the need for community], making people feel good, and in turn work harder, take better care of customers (and each other), and make your business better.**

Josh Bersin

Recognition is therefore a key part of the performance management process, as it creates a positive feedback loop and the benefits flow on into areas like retention and productivity.

Summary

While this new approach to performance management could be construed as catering to Millennials' reported 'entitlement' and need for constant praise (myths, by the way), research by Gallup and others has found that what's good for Millennials is actually good for business. As this generation becomes the most influential in the workplace, business will improve for the better as a result of their preferences.

A continuous performance reviews approach will ultimately save time and money for your business through increased engagement and decreased turnover. Instead of a disconnected, top-down approach, HR teams who implement a data-backed and contemporary performance management system will see a higher level of engagement, better products, and ultimately greater retention.

Meet Bob

At HiBob, we've built a modern HR platform designed for modern business needs—today and beyond.

We focused on building something that is robust yet intuitive and easy-to-use, which has led Bob to be the platform of choice for thousands of fast-growing modern, mid-sized organizations.
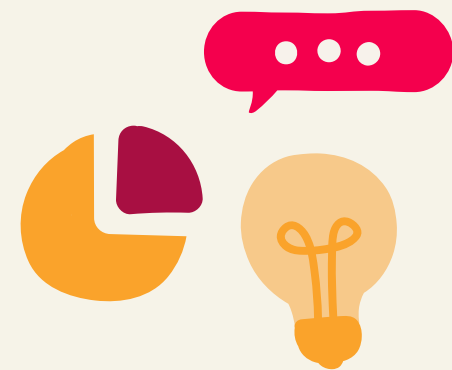
For managers

It provides access to data and insights to help them lead more effectively and streamline processes.
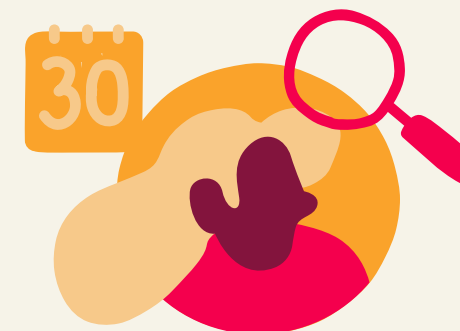
For HR

It delivers automation of many common processes, allows greater oversight and visibility of the business, and centralizes all people data in a secure, user-friendly environment.

For employees

It's the tools and information they need to connect, develop, and grow throughout their journey.

In a short time, Bob can be deployed to enable communication, collaboration, and connectivity that drives stronger engagement, productivity, and business outcomes.

Now is the time to make smarter decisions when it comes to your people and organization

To learn more about HiBob and our data-driven tools, get in touch with us at contact@hibob.com

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