Simplifying performance: 5 *steps* for implementing a system that actually works

Culture Amp

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A common concern we hear from organizations is that putting a new performance management system into effect is difficult.

Some companies' HR leaders already have something in place, and even if it is an unpopular process or platform, they feel that a subpar system is better than introducing something new that may not be embraced.

Then there are other organizations that don't have any structure in place for performance management and have the same fears about introducing a new tool. We get it! Humans are loss averse and it's easy to know what you're losing (even if it's an unpopular performance process) but not clear what you're gaining.

At Culture Amp, we are passionate about helping organizations have a performance system that actually improves people's performance, along with boosting the engagement levels of employees.

'Performance' is simply our term for a fresh approach to performance management, which encompasses both measurement (looking back) and development (looking forward). Our research shows that it's integral to include development in the performance process, as this is a consistent high driver of engagement and retention.

We have developed five key steps and three principles that any organization can implement to improve the way performance is done at their organization, whether using a software platform like Culture Amp's or not.

FIG 2. BOOSTING ENGAGEMENT LEVELS

5 steps for implementing a system that actually helps improve performance

Step 1: Goal setting

Put simply, goal-setting is a motivational technique that <u>research shows leads to improved performance</u>. One of the most robust findings in Social and Organizational Psychology is that people who set goals outperform those who do not. When we talk about setting goals, ideally these should be at an organizational, team and individual level.

There are a number of different types of goals which you may already use or want to introduce at your organization. Some examples are business goals, development goals, SMART goals (Specific, Measurable, Achievable, Realistic, Time-bound), KPIs (Key Performance Indicators), OKRs (Objectives and Key Results). It is possible to set all of these kinds of goals in the Culture Amp platform.

Organizations should make strategic goals visible and clear to all employees, to increase connection and alignment. Teams and individuals can then set goals that will feed into these strategic objectives. <u>Studies have shown</u> that when employees can see how their individual objectives contribute to achieving the goals of their organization, they are more engaged and motivated. <u>Goal Commitment Theory</u> supports this by promoting the extension of effort over time to achieve a goal, and publicness of any goal making it less likely for it to be abandoned.

We've found the most effective approach is for organizations to provide their people with the information they need to set impactful goals, and empower

them to create their own. Importantly, employees who set their own goals with guidance of their manager, are 3.5 times more likely to achieve their goal than if similar goals are assigned by someone else.

Step 2: Quality feedback

When we say 'quality feedback', we simply mean sourcing feedback for a performance review that will actually help to improve an individual's performance. What this looks like depends on the current context of your organization.

Research shows that only 1 out of every 3 employees agree that their performance reviews are fair. This perceived lack of fairness is ultimately what can lead to dissatisfaction with performance reviews. One way to address this is to improve the quality of feedback from a person's manager by reducing any bias that may exist.

Ideas to improve the quality of feedback include:

- Using templates to guide managers and other reviewers to provide more quality answers on a review

- Link feedback to goals set

- Peer feedback (i.e., colleague to colleague) to get feedback on a person's performance from someone other than their manager

- Multi-directional feedback (e.g., upwards, downwards) to broaden the scope of feedback

- Ongoing feedback outside of a performance cycle (e.g., structured and unstructured from meetings, problem-solving sessions, completed projects, etc.)

At Culture Amp, we promote the idea of 'crowdsourced' feedback which encompasses peer, multi-directional and ongoing feedback. Leading companies are now utilizing crowdsourced feedback because managers often don't have full visibility over their direct reports' work. By sourcing feedback from people other than someone's manager, the quality of feedback and the perception of a fair review will improve.

We understand that it's sometimes not possible for organizations to introduce all of these ideas, so pick and choose what is feasible at your company.

FIG 3. READJUSTING ATTITUDES

Step 3: Manager driven

We want to help organizations to get managers to build trust in, and buy into the performance process, so that they see that performance, if done correctly, will ultimately help them. Why? Because research shows that managers dislike performance reviews as much as employees do.

A study revealed that performance reviews are fundamentally an uncomfortable and emotional process for managers, which results in their adopting defensive attitudes. Because of many uncertainties, managers do not always display the ability or readiness to conduct performance appraisals.

Culture Amp's own data from 90,000 respondents across 64 organizations shows that the biggest skill gap in managers, most critical to motivating employees is in giving more actionable feedback to direct reports.

Giving managers access to self reflections, feedback from other colleagues, and a holistic review of the performance data, will boost their ability to give the most fair and accurate review of their direct reports.

By organizations demonstrating the benefits to them as a manager of having effective performance conversations (i.e., 'this will help individuals and your team improve their performance, which will in turn help you to carry out your role as a manager more easily'), and changing their mindsets that reviews can actually be a positive rather than a negative experience for both parties, more effective conversations will result as managers will be more engaged in the process.

FIG 4. SELF REFLECTING AND SELF EVALUATING

Step 4: Self reflections

Self reflections or reviews as part of performance simply means employees holding a mirror up to themselves and documenting this information in advance of a performance conversation.

This process helps employees to:

- Bring awareness to their own feelings on their performance, goal achievement, impact on their team and the business, and behaviour related to organizational values

- Guide their thinking (by using a template) on the questions that will be discussed in their review

- Prepare for and anticipate what might be said in the performance conversation

The benefits of organizations including self reflections as part of the review process is that employees feel like they have a say in the conversation rather than just being 'told' about their performance. It encourages them to buy into the conversation by including them in the process in advance.

This activity helps managers too - they get an insight into their direct reports' perceptions of their performance so that they can better prepare for the conversation.

[One study demonstrated that individuals improved their capacity to self-regulate](#) (manage their own thoughts, feelings and behaviours) in the feedback conversation by reflecting in advance. More specifically, self reflection enhances one's ability to manage their emotional response to feedback, which can help remove the awkwardness, defensiveness, and unproductivity that sometimes ensues in performance conversations.

Step 5: Holistic review

Simply put, by holistic view, we mean a process and system for HR leaders to have a birds eye view over all performance ratings within an organization.

It's important that organizations have full visibility over performance so that even if calibrations are not run for performance cycles, performance ratings can be viewed to moderate all employees at a glance. Organizations can then map talent and run compensation reviews more easily.

We recommend performance calibration meetings as they provide a forum for discussing the individual performance of team members with the goal of making sure that managers apply similar standards across all employees. The process helps to ensure that all employees are evaluated on the same criteria – no matter to whom they report. These meetings also provide an opportunity for managers to learn how they can increase their ability to observe performance and apply performance standards.

[The well-researched Organizational Justice Theory](#) has three core components which promote organizations having a holistic view in performance - process, interactions, and outcomes - and when properly applied, organizations can expect to see significant improvements in employee engagement, growth, and performance as a result of increased transparency, clarity, and trust.

The theory suggests that if the process is fair and consistent across employees, and the interactions and conversations around an individual's performance are done well, then the overall outcome (e.g., performance rating, promotion decision, etc.) is more accepted even if it is not the outcome the employee was expecting.

By organizations following the five steps, and being transparent about the fact that they are viewing and calibrating individuals' performance, employees will likely be much more positive about the whole performance process.

3 principles to apply to each step to make implementation effective

Culture Amp actively supports organizations in the change management process involved with introducing a new performance system. We've developed three simple principles to apply to the introduction of any of the five steps we've covered, to ensure a smoother and more effective implementation of any new process or system.

Principle 1: Stakeholder Engagement

Communicate effectively with key sponsors to drive support from those most impacted by the change. We find that typically managers are the most impacted by a change in performance process, so having a clear and consistent message is important. Senior leadership buy into the new process is also crucial as they will likely be championing and communicating the change.

Principle 2: Purpose - The 'Why'

It's beneficial for HR leaders to have a clear and aligned narrative on the purpose of changing how performance is done, and how it ties into the Employee Value Proposition and engagement. By helping people understand that this new process is to actually help individuals grow and develop themselves, as well as helping managers improve the engagement and performance of their teams, senior leaders will understand how a new system will help drive overall better business outcomes.

Principle 3: Training & Support

Ensure there is appropriate training on new processes and systems, tailored to specific audiences (e.g., managers, individual contributors, HR, etc.) so that people feel comfortable and confident with a new tool, software or process. By providing ongoing support, people will likely embrace the new system more positively.

Performance management today

One of the three key insights that emerged from Culture Amp's survey, 'How Companies are Embracing a New Future', of 349 customers was on performance management.

The report, released late 2020 found that over half of the respondents still kept their original performance goals, while a third simplified or reduced their goals. We even saw that 7% of companies increased their performance goals – perhaps because 60% of these companies saw increases in business demand.

Performance reviews are necessary to invest in employees' growth, which is a crucial component of building a culture of responsive and engaged people.

When times are uncertain, it's natural to want to stay the course, but if your performance process isn't incorporating these 5 steps, it will be difficult for you to improve employee engagement and performance.