

Engaging the 21st century workforce in performance management

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In the middle of the first quarter of the 21st century, companies all over the world often come to the realization that the workforce is constantly changing and they need to find new ways to deal with this reality. Many competencies are quite rare; workers have high expectations. The workforce these days is completely diverse, globalized, highly connected, technology-savvy, and demanding. Its employees are young, ambitious, and filled with enthusiasm. Millennials are a main force—but so are older workers, who remain engaged and valuable contributors. Critical new skills are scarce—and their uneven distribution around the globe is forcing companies to develop new ways to find people, develop capabilities, and share expertise. As mobile, social, and cloud computing continue to expand, these tendencies transform the world of analytics as well as performance management.



For various reasons relating to professional satisfaction and finances, many workers are extending their work careers. These trends are producing a highly multi-generational workforce. How can companies deal with this highly diverse set of employees when their needs vary so widely? How can companies change their strategy for performance management to cope with these new workforce trends?

Even at the beginning of this century, most companies viewed performance management as a backward-looking assessment program managed by Human Resources. All of this is changing now. Performance management is taking a new turn and is becoming a forward-looking process: its aim is to improve employee engagement and drive enhanced financial results. Redesigned performance management processes sometimes include year-end evaluations but they tend to focus less and less on the assessment itself and more on the best ways to set goals, give regular feedback, do more and more coaching, and invest in employee development. The focus is moving away from distribution rankings to trying to make use of all available performance management categories and increasing the focus on coaching managers and employees to get the best results in their working lives. This type of change in direction is currently having quite an impact on performance management.

A strong focus on coaching and employee development

The so-called “traditional performance management” of ranking employees against their colleagues is disappearing. Research shows that more than half of the active workforce is employed in service or knowledge-related jobs. Their performance is driven by their competencies, their behaviors and daily attitude at work, and their customer focus as well as their ability to adapt to the constantly changing environment. All of these key competencies need to be acquired over time, and successful performance management must concentrate on the continuous development of skills, rather than employee rankings. Moreover, in today’s fast-paced world, business priorities rarely



follow the annual evaluation cycle. Goals constantly change, the company redesigns its strategy from year to year, and employees often change jobs and work on different projects and with different team leads. This is a quickly moving environment, so it is not surprising that our research shows that organizations where workers review their personal goals several times a year are likely to score much better than those in which employees only have one yearly performance review.

Many companies understand that they have to rethink performance management. As employee retention and skills development are such important indicators of financial success, the performance management process needs to be organized around continuous coaching and employee development. The traditional way of simply evaluating employees’ performance over the past year needs to be forgotten. Managers and team leaders who give regular feedback and opportunities to their teams to continually enhance their knowledge and skills are more likely to create high-performing teams than those who concentrate on backward-looking performance evaluation styles.

Follow the “long tail”

Perhaps the most important difference between traditional performance

management and the latest trends is that grading against the curve and obligatory employee rankings are disappearing. The latter, which used to be known as “rank and yank,” was widely used in many companies and often resulted in demoralized employees and even animosity. Some excellent employees even quit because of this system.

Nowadays, employee performance distribution increasingly follows the “long tail” rather than the traditional “bell curve.” This is especially true in high talent-demanding companies. It can be said that some employees are overachievers, while many others work at the middle level. In many demanding industries, top performers can often outperform mid-level performers by as much as tenfold. In these business contexts, the performance management system needs to treat high performers really well and also encourage mid-level employees to improve through managerial support, coaching and development. A “forced” bell curve can seriously lower the value of the best performers in each team and at the same time push many mid-level performers down to the bottom. When using this process, the best performers are often inadequately rewarded, while employees with mid-level performance do not receive sufficient motivation and encouragement from their managers. ➔

Rethinking the role of managers in performance management

Moving away from the traditional annual performance evaluation and toward continuous coaching and improvement requires a reappraisal of the role of the manager. Today, as high-performance is always required in teams, employees really must take ownership of their own performance and act by themselves to improve their capabilities. Managers are not evaluators anymore but they need to become coaches who continuously support their teams.

Separating the compensation and evaluation processes

An important component of the new “coaching and development” performance management model is the need to decouple the process of providing feedback to employees from the decision-making process with regard to salaries. Research has demonstrated that exchanges about remuneration packages often provoke an almost primordial gut reaction among employees to fight for a pay rise, which clearly has a negative influence on the coaching process.

The new tendency is to remove the former direct link between performance evaluations and salary increases or bonuses. All pay-related decisions should be based on the importance of workers’ current competencies, the cost that the company would need to pay to replace them, their actual value to external clients. The wider labor market context must also be taken into account. Employees must be held accountable for the results they produce, as most employees secure the best results when they are given the appropriate tools to succeed and the necessary individual coaching to improve their own performance.

Providing regular feedback and focusing on team management

The current job market is also constantly changing and becoming more and more transparent. Talented employees ask for regular feedback as well as advice regarding their career evolution. They are not happy with the once-a-year,

old-fashioned performance reviews. This change perfectly demonstrates why performance management that is solely based on ratings negatively affects the company culture as well as the engagement of individuals. The key point now is to concentrate on strengths, encourage development and focus much less on current weaknesses. Individuals perform at their best when they have meaningful work tailored to their personal strengths that encourages them to be motivated.

Team management is also a very important component of the new style of performance management. The latest methodologies concentrate on teamcentric goal-setting and systems to enhance team collaboration and performance. The collection of both bottom-up and top-to-bottom feedback is important as it really supports managers in seeing their own areas of improvement.

Technology in performance management

Today, as the importance of technology increases on a daily basis in the HR world, it is becoming clear that transparent goalsetting and agile performance management is easier than ever. Many SaaS solutions are appearing on the market and being introduced into companies, facilitating the new performance management process, making things quicker, more visual and more intuitive. These new tools allow employees to share their own performance goals, and easily provide feedback and recognition to others online. All of this makes the performance management process a bit more “fun” and much more efficient.

What you need to take away

It is very important to rethink the way performance management is carried out as, if done in an undesirable way, it can waste valuable time and even have a negative effect on employee engagement and talent retention.

If you succeed in finding the right style, performance management can become one of the most inspiring and developmental aspects of an employee’s career. It can also contribute to performance improvements across the organization and can even positively affect your financial results. It is time to take a good look at your performance management process and propose simplifications as well as new methods that support strength-based assessment and coaching. Make sure you train your managers on how to give the best type of feedback on an individual basis. Performance objectives need to be agile as well as updated regularly, and the systems used need to be simple and user friendly. By focusing on these simple steps, you will soon experience a positive change in your company’s performance management. ●

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