Walk the talk
What “good” looks like
Reinventing performance management is undoubtedly one of the hottest trends in business circles and perhaps one of the most pressing issues on board agendas. It is a topic keeping leaders up at night, or at least it should be. Statistics show that 79 percent of executives rate redesigning performance management a high priority. It is our opinion that leaders today who make this shift and give more of their time to their people will create a long-term effect on their workforce and impact the entire client experience as well as the organization as a whole.

What is triggering this paradigm shift? Organizations now have a matrix structure with dispersed virtual teams, a flat hierarchy and a continuous need to shift team structures. These organizations also present different work models with smart technology solutions that empower people to increase their individual value and connect with the purpose and strategy of their organizations. Not to mention the millennial influx that is drastically changing the workforce demographics, comprising almost three fourths of the global workforce by 2025. According to millennials, one of the top expectations from their leaders is transparency, which also focuses on setting transparent performance management practices around new and modern criteria for evaluating performance.

People join organizations with different sets of expectations, desires and needs. What is mostly common, however, is that people want to be part of a team and an organization that has a clear purpose, while still being valued as individuals. Great leaders with high performing teams are those who can integrate these two distinct needs: making their people feel part of something big but also recognizing each person as special and unique. So what differentiates high performing teams? It is when people have a sense of purpose, clarity about expectations, and the ability to leverage their strengths every day. To achieve this, great leaders will spend more time having frequent future-focused conversations with their team members rather than having these conversations once or twice a year.

It’s not about employee rating
The traditional end-of-year appraisal, designed in the 1970s, is clearly not effective anymore. Companies report that such traditional performance evaluations with employee year-end rating were not worth the time spent, nor did they affect employee motivation. Based on Deloitte research, two million hours a year were spent on performance management activities—from completing forms to proposing, debating and then allocating a rating. This year-end rating was a big deal. With years of research however, it turns out that 62 percent of that ‘big deal’ rating actually says more about the rater than the person being rated. This phenomenon is dubbed the idiosyncratic rater by Marcus Buckingham. Evidence has shown that people are inconsistent raters of others’ skills and that this system is proving to be ineffective.

Deloitte's latest Global Human Capital Trends report shows that 78 percent of participants believe that agile goal management, check-ins and continuous feedback are becoming common; new models of evaluation and rewards are next. Organizations are leveraging pulse feedback and self-service tools to design the integrated employee experience.
Many professionals believe that the biggest barriers preventing their personal career advancement is reporting to managers who do not understand their strengths.

Organizations should consider shifting both time and effort on year-end processes to providing people with ongoing future-focused experiences that drive higher engagement and performance. Ninety percent of companies that have redesigned performance management see direct improvements in engagement, 96 percent say the processes are simpler, and 83 percent say they see the quality of conversations between employees and managers going up.

The three main principles for effectively reinventing performance design are set out below:

**It’s a right now world**
Setting expectations and connecting people to the mission of the organization remains critical but employees are now looking for a personally tailored experience. Work priorities that were set in the beginning of the year will most likely shift and change with evolving business requirements and needs. One-time feedback at the end of the year will no longer work and people will need regular future-focused conversations and in-the-moment coaching feedback. As a firm builds a feedback-rich culture, it not only enhances engagement but its entire performance management experience can improve.

**It’s a strength-based performance**
The strongest predictor of high performing teams is when team members have a chance to use their strengths every day, according to a Gallup poll examining high performing teams across 192 organizations. Businesses that spent more time leveraging their employees’ strengths had low employee turnover and high productivity among their teams. Through frequent conversations referred to as “check-ins”, team members can unlock ways to work on their strengths, hence creating a shift to focus on strengths rather than just development. These check-ins are not over and above the work of a team leader; they are the work of a team leader. Strengths are where team members feel creative, innovative, and insightful, thus influencing the overall performance of the organization. Many professionals believe that the biggest barriers preventing their personal career advancement are reporting to managers who do not understand their strength.

**It’s all about real-time data**
Data about people at work is still very important but real-time data is the critical component. Data that evidences performance differentiation, is based on reliable measurement, and is informed by best practices of social science tools is the new way of work. The performance snapshot captures a team member’s performance, at a point of time, based on the team leader’s first-hand experience with that member. This will provide leaders with insights to make informed decisions in a timely fashion, and not have to wait until the end of the year. People data is becoming a business function by itself, as it focuses on using data to support operations and management and financial performance.

**What making an “impact” looks like**
Organizations and leaders do not need to wait to completely reinvent performance management in order to positively impact their employees. They need to prioritize talent development and workforce strategy, place them front and center in their growth plans. It will require a new mindset to understand the challenges employees face and evolve talent models that unlock their potential. Leaders carry this responsibility to channel and inspire employee performance through frequent conversations with their teams. For team leaders to be effective coaches, they need to master strengths-based, engagement-focused and performance-oriented skills. Leaders have an immediate opportunity to enhance managers’ ability and skills to fulfill this role and walk the talk.

by Maya Rafii Zaatar, Director, HR, and Hiba Merhej Said, Senior Manager, HR, Deloitte Middle East

Sources
Deloitte Millennials survey
Deloitte global Human Capital trends 2017
Marcus Buckingham research
Gallup global performance-management consulting company
Deloitte and The Female Quotient - Shift/Forward - Redefining leadership: the inclusion imperative
Harvard business review - Reinventing performance management
The 7 forces that will change the way you work - World Economic Forum