



How to Effectively Change Performance Management

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The Problem with Annual Reviews

Most employers still utilize the familiar annual review, but largely find themselves unsatisfied. Nearly 60 percent of companies report that annual reviews are ineffective, and 86 percent are unhappy with their performance management system. Worse, 30 percent even find that the annual review decreases employee performance.

Why the discontent? There are four main reasons why annual reviews are not ideal.

1. **Bias:** While managers and coworkers may strive to be objective in performance reviews, their responses are often unwittingly biased. Research finds 62 percent of the variance in ratings comes from the individual raters' personal perception, rather than the reality of the subjects' performance.
2. **Associated Anxiety:** The annual review model often causes a great deal of stress. Employees dread being surprised by negative feedback, and managers must strive to recall and respond to 12 months of performance.
3. **Ineffective Development Strategy:** Annual reviews are inherently designed to react to previous behaviors, rather than intervening in real time or looking to the future.
4. **Cost:** Having an annual review system is expensive. For example, Deloitte found their organization was committing nearly 2 million hours a year to performance management. Even organizations with 500-1000 employees can spend the equivalent of an annual executive salary on performance management hours.

THE NEED FOR INTEGRATED, ONGOING PERFORMANCE MANAGEMENT

Instead of annual-review style performance management, companies such as Accenture, Goldman Sachs, and Adobe are leading a wave of transition towards ongoing feedback and coaching. They realize that recognizing performance in real time and being able to track it easily has led to better outcomes. In our age of accelerating technology, there is no reason performance management systems can't be nimble, real-time, and focused on fueling individual performance.

Leaders of high-performing teams tend to favor regular check-ins with individuals. These interactions are lightweight, but align a reports' priorities and give chances for course corrections, feedback, and information sharing. It's targeted performance management without the weight of an annual review, so employees know where they stand and where to focus.

Constant feedback systems formalize this best practice and move the focus of team leaders away from their subjective, in-the-moment opinion of a report to how they would utilize them and help them develop and grow. Data points from across the organization make a rich stream of information. Better, more objective decisions concerning succession planning, development, or analyzing performance can be made.



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GETTING CHANGE MANAGEMENT RIGHT

Shifting from reviews to a more agile system is a welcome update to employees and human resources alike, but as we know, change can be scary.

Change comes down to people. It may be an inevitable part of life, but change within an organization requires the support of many individuals to be successful. Adopting even the most well-designed performance management model requires people to understand the benefits, care about the change, and get engaged.

Transitions often struggle, but there are best practices to minimize that possibility. These practices work to reinforce each other:

- Have a clear **vision** of what change you want to make and why. The end picture should be clear and compelling to all stakeholders.
- Identify and provide training for the new

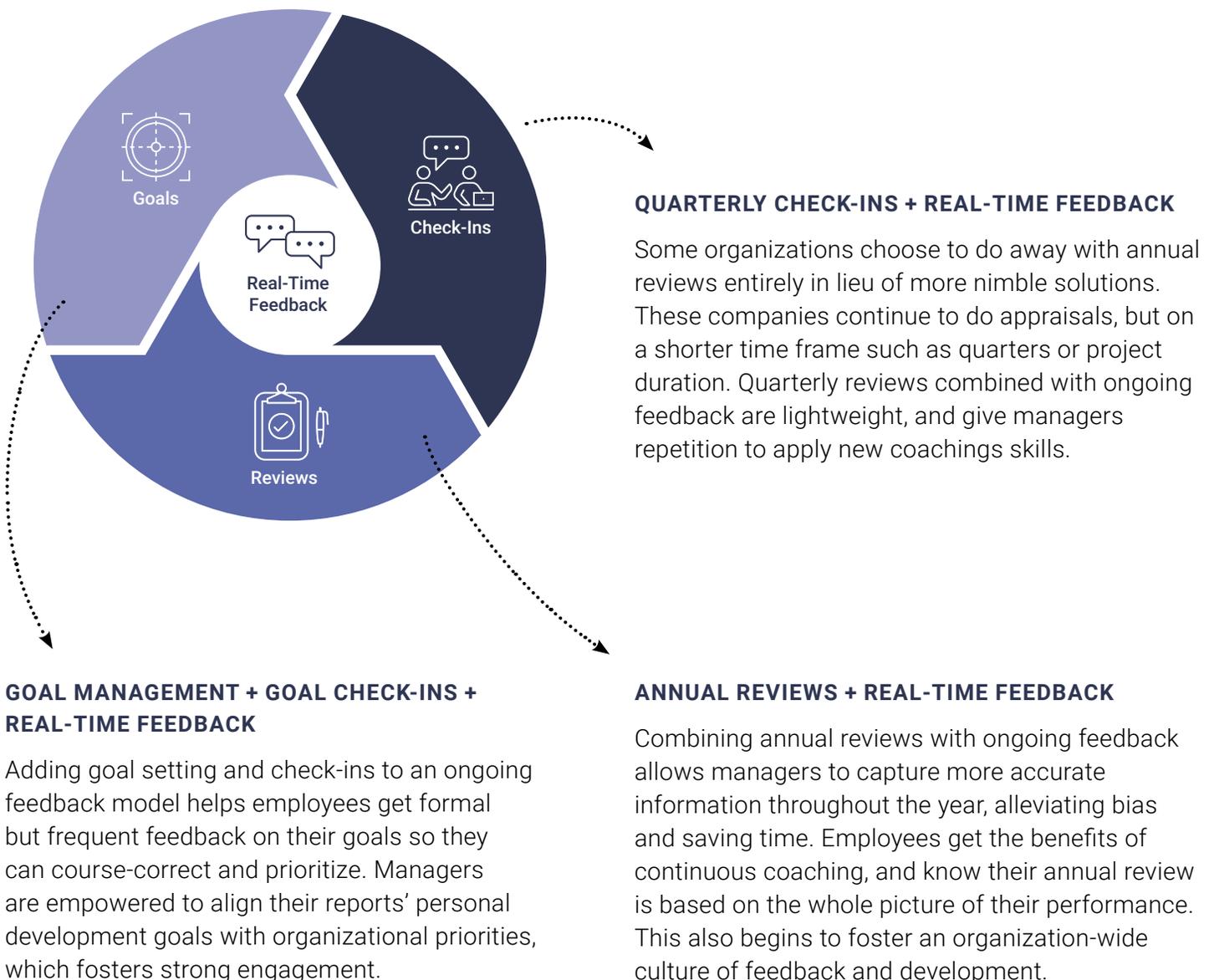
skills the change demands. Leaders will need increased coaching **skills** to make the jump from formal, annual reviews to regular feedback. Employees will need skills on how to ask for feedback and how to receive and apply feedback.

- Communicate the **incentive** and benefits for the change. In the case of ongoing performance management, some benefits include accurate performance analysis, greater employee engagement, and reduced costs.
- Gather your **resources**, and strive to win the support of key stakeholders. Advocates across functional areas such as IT and finance are invaluable to getting a change initiative off the ground.
- Prepare and implement a clear **action plan**. Ongoing performance management can be rolled out in a pilot group, for example, or as a supplement to existing performance management.

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Types of Modern Performance Management

There are numerous paths to transforming performance management, depending on the organization's goals to supplement, streamline, or replace existing elements. Organizations need to determine what makes sense for them and create a system that fits based on culture, workforce demographics, management style, business model, objectives, and more. Here are some popular frameworks.



6 Steps to Implementing Change



1. Research: With any initiative, it's best to get a clear picture of your starting point. Before working on a change initiative, survey employees and managers about their current performance management experience. By understanding their needs and pain points, you can determine what changes need to be made and what the desired new process looks like.



4. Communicate: Throughout the change process, communication is paramount, but especially in the lead-up to launch. This is prime time to communicate the benefits of your new process, do relevant training to ensure people are ready, create resources, and continue to recruit stakeholders.



2. Plan: Using your research, you can create an action plan for your initiative. Set up timelines and determine parameters for the software which will serve your process. It is important to keep in mind that roll-out plans are best when incremental, rather than broad and overwhelming.



5. Launch: Drive adoption of the new program with enablement resources and feedback training that ensure employees use and embrace the solution, which is crucial to bringing about the desired change.



6. Review & Revise: Once your process is up and running, be sure to follow up on a regular basis with the people you surveyed at the beginning. You want to make sure you're hitting the targets you've specified, and moving towards the end goal of the change initiative. Review and revisions cycles will be ongoing from this point.



3. Choose: Find a software provider which meets your requirements, and has the flexibility to grow with your organization as you continue to iterate and improve your process.

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