



# New Trends in Employee Performance Management

Webinar held on 19<sup>th</sup> August, 2015

## Q & A

- 1) **Managers generally have a tendency to keep employees happy to tend to give a decent rating. How would we handle this?**

As you rightly mentioned, managers tend to give a decent rating to keep their employees happy. Rating is also generally prone to other “rating errors” like Central Tendency, Personal bias, Halo effect etc. Please refer to - <http://blog.synergita.com/2014/11/how-to-avoid-common-rating-errors-during-performance-appraisal/> - which clearly explains these errors.

Managers have to be educated about the possibility of these errors creeping in while they rate employees, and then encouraged to give an objective rating.

Large organizations are now trying to eliminate rating for this reason. When there is no rating, managers are able to freely give a mix of both positive and constructive feedback on a continuous basis. Employees also take it in the right spirit as there is no comparison with other employees over their rating and they also realize it is for their development.

Few organizations are also trying to separate performance reviews from salary revisions. This will enable manager and employees exchange frank feedback, as they are not worried about the salary impact occurring out of performance rating.

- 2) **Many companies have abolished PMS instead they have started daily reviews. How has this been perceived by the employees?**

Firstly these cannot be just considered as “Reviews”. In Reviews, managers look at the past work and judge them. Instead, in the current approach, managers and employees are encouraged to have “**Frequent and Meaningful Discussions**”. These conversations provide clarity on what is expected of each team member (expectations are clearly set), and how each one can contribute their best to the work that is assigned. As part of this, managers also provide positive and constructive feedback of the work that was assigned previously and help in course correction and coaching.



Generally both employees and managers like the frequent conversations. Employees understand that this is for their own development and managers understand that it is their responsibility to help employees perform well.

HR can also be facilitators and inculcate the right spirit and educate about the benefits of continuous conversations.

**3) If the bell curve is abolished.... how does the HR maintain/allocate the budget at time of appraisal? (and)**

**Is long tail an ideal curve for an organization with limited average budget of around 7-8?**

According to me, one of the reasons why companies do a forced ranking or normalization to a bell curve is that it would be easy to stay within the compensation budget.

Actually, we know that the budget is not for individual members but for the whole organization / or business units. Say for instance, the Software Testing Unit in a software company is assigned a budget of “10% increase in salary from the current numbers.” So the 10% would be converted into numerical terms and then distributed to the employees.

So within the overall limit of 10%, few people might get a 12 % increase, few of them might get 8% increase and few others might get 6% etc. Organizations need not necessarily need to distribute on bell curve, to stay within the budget.

The difference in the increment % might be due to the following factors:

- 1) Performance of the employees
- 2) Penetration into the salary band
- 3) Performance of the business unit/ team and
- 4) Performance of the organization.

One need not necessarily have a bell-curve to distribute the available budget. It can be distributed in any other way and a long tail (natural graph of performance) would still be fine to distribute your budget of 7-8% hike.

**4) With this new trend had the transparency been lost?**

According to me, transparency is not lost by the new trend. In fact, the frequent conversations make things very transparent to the employees.



Employees are clear about the work that is expected of them, they are given timely feedback on performance and where they need to improve etc. So, there is no surprise element for employees during the year end annual meetings.

These frequent conversations can also be made shared to HR and management, so they are also aware of the happenings.

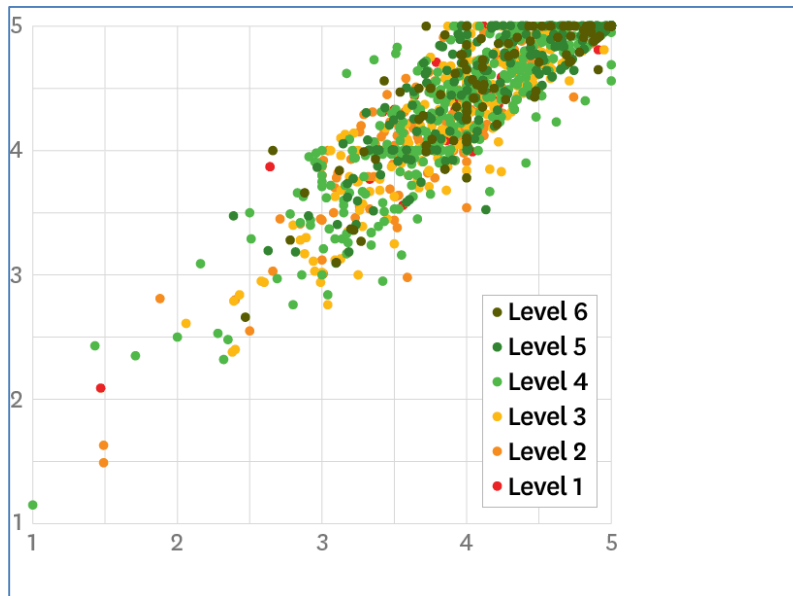
**5) Still I feel the new way of evaluation is similar to the bell curve, in a different way. What do you say?**

In some companies who are doing a radical change and getting rid of annual performance reviews and ratings, there still might be a meeting at the end of the year where the employee performance would be reviewed and they will be considered as Met, Not Met or Exceeds Expectations. In such a case, we don't force fit employees into a bell curve but allow a natural curve to be formed.

In Deloitte, team members are given 4 questions periodically, 2 of which involve rating in a 1 to 5 point scale (strongly agree to strongly disagree):

- 1) Given what I know of this person's performance, and if it were my money, I would award this person the highest possible compensation increase and bonus
- 2) Given what I know of this person's performance, I would always want him or her on my team.

So an employee gets rating from all the managers that he has worked in the course of the year (or periodically), and it is cumulated and plotted in a scatter graph (x axis represents first question, and y axis, second question, and dots represent employees).



This is taken as the basis for compensation and promotion decision (and then other elements like complexity of projects, contribution to company development initiatives etc. are later added to it).

So some sort of understanding about performance of employees might still be needed, but not forcing it to form a bell curve.

#### 6) What could be the best frequency of setting up the goals to the employees?

It depends on organization's unique needs. But to be impactful, goals should be minimally set at-least once a month and the frequent conversations should happen once in a month where goals are reviewed, priorities revisited, feedback is provided and course correction happens.

#### 7) How do we record Agile Feedback?

Frequent conversations are informal one on one discussion between managers and employees. So, the **spirit** of giving feedback is more important. But, having said that, just like every meeting where minutes are recorded, it would be a good practice to record these in software, where you can store, retrieve, refer and use.

Large organizations like GE have an app, where they can record the discussions. These apps are flexible. Managers and Employees can even do a voice recording of their meeting and store it in the app or take a snapshot of what is written in a note-pad etc. and upload it in an app. So, it is all a question of re-visiting what is discussed.



**8) Conducting the performance reviews in once in a month or quarter still needs some paper work. How we can track the performance effectively?**

According to me, these are not performance reviews but frequent discussions (Please refer answer to Question 2). Managers and employees would still want to record feedback in a software /app, so as to refer back for future discussions. (Refer answer 7). As you mentioned paper-work might still be there (in case of software and apps, it would not there), but these are just done for managers and employee reference and no pressure involved.

The idea is not to track past performance, in strict terms, but help to improve performance through frequent interactions.

Tracking performance on strict numerical terms is too stressful and time consuming activity, especially if it is done once a year. Instead of that the frequent interactions will help managers understand what employees are doing on a regular fashion, and help them to improve performance.

**9) In large organizations where there are multiple people playing similar roles, goals also have to be similar...In that case there has to be a structure for assessment also... what is the alternative to normalization or force fitment?**

I agree that goals would be similar for people in similar roles. But even in case we have a structure for assessment, some of the rating depends on personal bias, individual manager styles (some managers might be strict, some lenient etc.) etc. But at the end of all this exercise, sometimes only the past performance gets assessed. Instead of this, if we go with qualitative feedback, it would help employees understand where there is an issue, how they can improve etc. In other words it would help in employee development. Though past performance would still be looked into, it would be done to help the employee perform better in future, and not for comparing with others.

Alternative to normalization or force fitment – either do away with the rating or just allow the natural performance graph to form (in which case as you say, some structure for assessment would still exist).

**10) Can we have this presentation in a non-editable format for reference in the future?**

Yes sure, we are attaching the PDF version of the presentation with this mail.

**11) How does this reduce subjectivity in the feedback?**

When we give feedback to someone, subjectivity / personal bias do creep in. It cannot be totally eliminated.



But when, rating is eliminated, and feedback becomes qualitative and frequent, the subjectivity element reduces to a considerable extent. When a right mix of positive and constructive feedback is given, employees are more open to take it for their own development. Similarly, when managers don't have to rate or judge someone, they are more open and frank to share their views.

**12) If the rapport between the manager and employee has gone bad then will this not end up in a sore situation?**

True, it is a difficult scenario when managers and employees don't share a good rapport. Problems will arise and frequent discussions may become a nightmare etc. and instead of focusing on improving performance, time will be lost in resolving the conflict.

In such a case, HR would act as facilitators and try to assess the situation and even have the employee report to a different manager, if such a situation arises.

**13) You talked about recency issues. How other companies are addressing this?**

Continuous feedback is the way the recency issue will be solved. We can't expect managers or employees to remember the whole year's performance. Frequent interaction will help managers and employees to note down relevant points on the performance.

A lot of companies have already started bringing in the continuous feedback culture within their organizations, and a lot of software offers this feature as well.

**14) How frequently are these "check-ins" conducted between a manager and his/her team member?**

There is no hard and fast rule of the frequency of the "check-ins". Actually, the managers can be given the freedom to decide the frequency of check-ins based on the work of their teams. If the managers and employees are informed about the significance of the check-ins, this will automatically happen with no pressure or push from HR.

In the case of Deloitte they have a check-in every week.

**15) How we can analyze new trends in performance management?**

Organizations have started adopting the new trends only in the recent past. So, it might still take some time to understand how well it is helping in employee performance.

**16) Hi, how many people are participating in this program?**

We had 45 people who attended this webinar. We would like to thank you all for your participation. Hope the session was informative.