

A Timesaving Guide



THE RESULTS-DRIVEN MANAGER

RDM

- ◆ IDENTIFY EMPLOYEE STRENGTHS
- ◆ IMPROVE PRODUCTIVITY
- ◆ REINFORCE POSITIVE BEHAVIORS

MANAGING PERFORMANCE to Maximize Results



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Managing Performance to Maximize Results

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Introduction

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As a manager, you tackle a wide range of responsibilities. Evaluating your employees' performance arguably counts among the *most* crucial of your managerial tasks. After all, performance assessment enables you to generate valuable results for your company, including:

- Determining how well your team is meeting organizational goals
- Identifying important strengths on which your direct reports can build
- Discovering opportunities for improvement in individual subordinates' skills
- Crafting professional development plans for each of your employees

- Making key decisions about compensation, promotion, and rewards
- Documenting patterns of poor performance that protect your company from legal liability if an employee must be demoted or let go

Indeed, according to Dick Grote, author of *The Performance Appraisal Question and Answer Book: A Survival Guide for Managers*, effective performance assessment can constitute the most valuable instrument in a manager's toolbox. "No other management process," Grote maintains, "has as much influence over individuals' careers and work lives." As Grote acknowledges, a careful appraisal process can help improve an employee's performance for an entire year. And when an effective process is applied broadly across an organization, the resulting overall performance improvement can give that company a vital competitive edge. Perhaps it's not surprising that, given the strategic value of effective appraisal systems, some of the most successful firms refuse to divulge their evaluation techniques.

Yet despite these advantages, the performance assessment process, by its very nature, also contains limitations that can make evaluating employees' contributions particularly challenging. For example, delivering critical feedback during a formal performance review can demotivate the employee in question, instead of inspiring him or her to excel. "In the span of a 30-minute meeting, [a manager] can transform a vibrant, highly committed

employee into a demoralized, indifferent wallflower who reads the want-ads on the weekend,” write Tom Coens and Mary Jenkins in their book *Abolishing Performance Appraisals: Why They Backfire and What to Do Instead*.

In addition, many managers find it difficult to determine whether they’re evaluating employees’ performance accurately. Sure, anyone can recognize a true superstar or a world-class slacker. But how can you be certain you’re accurately judging the contributions of 10, 20, or more direct reports—most of whom fall into the broad range between star and slacker and who are probably performing as well as their training, tools, and work environment allow? On a practical level alone, who has the time to conduct such a grueling analysis? And what metrics should you use to distinguish among the many individuals in this group? Lacking concrete measures, any attempt to hand out individual ratings will inevitably be colored by your selective memory, emotion, and personality. Moreover, you may suspect that it’s important to customize your performance reviews for top talent, average contributors, and poor performers. But how, precisely, should you tailor your feedback for each of these employee categories?

Thanks to these and other inherent challenges raised by appraisal systems, managers and employees alike often approach performance reviews with (at best) some level of nervousness and (at worse) downright loathing. Equally troubling, negative feelings about the assessment process can lead to a waste of a company’s valuable time:

Managers postpone formal reviews, eventually conducting a series of “wooden exercises in which what is not said looms largest, no one suffers much discomfort, and nothing worthwhile is accomplished,” notes business writer Monci J. Williams.

Finally, though some companies have tried to address the limitations of traditional performance reviews by devising innovative techniques, the resulting solutions raise their own difficulties. Take 360-degree feedback—whereby an individual receives input on his or her job performance from supervisors, peers, direct reports, and sometimes even customers or suppliers. Sounds promising, doesn't it? This rich array of feedback must be far more comprehensive and useful than input coming from just the employee's manager—right? Possibly. Yet 360s contain their own inherent difficulties. As just one example, individuals who are evaluating a superior may hesitate to provide honest impressions, for fear of retribution if their identity were to be revealed. Or an employee who is competing with a peer over a plum assignment or promotion may, if calculating enough, deliberately provide a negative assessment of that peer's performance in order to sway their manager's choice.

If all this makes you feel even more discouraged than usual about how you can best assess your people's performance, take heart: There *are* ways to surmount the unique challenges presented by the appraisal process. The articles in this collection offer a wealth of ideas and techniques for boosting the odds that your performance

evaluations will deliver their promised business value. Though assessing your employees' contributions will never be easy, a few changes in how you approach the process can help you turn an odious task into a productive one. In this volume, you'll find sections on overhauling your performance appraisal system for greater effectiveness; customizing performance feedback for excellent, average, and poor performers; and using the power of expectations during reviews to inspire employees to give their best on the job. Additional sections present ideas for selecting the right performance metrics for your team and for individual employees, as well as for making the most of 360-degree feedback.

Here's a quick preview of what you'll find in this book:

Maximizing Your Performance Management System

The most effective performance appraisal systems exhibit certain shared characteristics—described in the articles that make up this section. In “Performance Appraisal Is Dead. Long Live Performance Management!” Monci J. Williams recommends replacing once-a-year, formal, manager-to-employee reviews with a two-way, continuous process of feedback, development, coaching, and goal-setting that occurs throughout the year. Through frequent exchanges, you and each of your employees identify both skill deficits and skills that your company may require of

workers in the years ahead. Informed by this knowledge, employees put together plans for their own development and training that will enable them to master the desired behaviors.

The success of this approach, Williams contends, hinges on how you talk with your employees. Williams offers nine suggestions for effective communication—including conducting at least three or four performance-related conversations yearly with each employee, conveying clear expectations about the new skills and behaviors you want your direct reports to demonstrate, and delivering generous positive feedback.

“Alternatives to Performance Reviews” affirms the flaws inherent in traditional assessment systems. To surmount these flaws, the article makes a compelling case for “unbundling” the multiple functions of the traditional annual review (feedback, compensation decisions, and legal cover) and creating separate mechanisms for each function.

For example, one software firm that has abolished performance reviews expects managers and employees to conduct some kind of discussion about performance at least monthly—though employees aren’t rated at those times. The sessions focus on where improvements can be made in performance and how employees can implement those improvements. Other companies handle pay decisions through a separate mechanism as well. For instance, General Motors’ powertrain division awards pay increases based on an employee’s experience within a given pay

grade. Other companies award raises to subordinates who acquire specific new skills, or offer merit-based raises in discussions separate from feedback sessions.

In "Performance Appraisals with More Gain, Less Pain," management consultant Peter L. Allen distills key points from Dick Grote's book *The Performance Appraisal Question and Answer Book* about how to make your appraisal system more effective. Grote recommends at least two formal meetings with each employee every year—one at the beginning (to plan) and one at the end (to review). In between, Grote advises, managers "should be coaching their employees every day." Keeping a regular written log of employees' contributions can also help you better prepare for formal reviews—and prevent you from falling victim to all-too-common biases (such as focusing only on the negative or remembering only recent events). Tying performance feedback to your company's strategy and mission also helps, as does clarifying the handful of key responsibilities each employee has and evaluating his or her performance against those responsibilities.

The section concludes with "Successful Performance Measurement: A Checklist" by business writer Karen Carney. This article provides five key criteria against which to judge the effectiveness of your approach to performance assessment: (1) "Our system starts with big-picture goals—and everyone knows what they are"; (2) "Every group has performance drivers linked to the big-picture objectives"; (3) "Individual and work-group performance

objectives are clear and reasonable”; (4) “We educate and coach employees continually”; and (5) “We have a clear and simple system that tracks progress toward our goals.” In addition to these criteria, Carney offers three tips for assessing work that doesn’t lend itself to easy quantification—such as relationship-building and creativity. Advice includes involving your employees in determining their own measurement criteria (for example, “If you weren’t on this team, what wouldn’t get done?”), finding qualified judges (other employees, customers, suppliers, business partners) to assess people’s performance according to these criteria, and combining hard and soft metrics as appropriate.

Handling Excellent, Average, and Poor Performers

Your star employees, average contributors, and underperformers all present different challenges at review time. The articles in this section offer recommendations for customizing your appraisals for each group. In “How to Get the Best Out of Performance Reviews,” business writer Michael E. Hattersley advises conducting three kinds of reviews. With star players, “commend [them] in detail, so you can reinforce positive performance. . . . Talk to [them] about the problems you’re facing and invite [them] to participate in the solutions.” With average contributors, decide whether they’re working up to

capacity. If so, review them kindly without raising their expectations. If not, let them know how they can improve and what the rewards will be for doing so. With poor performers, say so outright “but hold out some hope for improvement. Be as specific as you can about what’s wrong and how it can be fixed.” And “stick to clear performance criteria rather than attack the subordinate’s personality, which isn’t likely to change.”

In “Performance Management That Drives Results,” business writer Loren Gary provides additional guidelines from human resource experts for evaluating and managing your three groups of employees in distinctive ways. For example, identify your group’s “A jobs”—those positions that link most directly to your company’s strategy. For each A job, determine what defines top performance. Put your best people in those roles, and evaluate their contributions based on your definitions of excellence. Your “B players”—those whose performance meets basic expectations—also have a role in your team. But until they demonstrate that they can perform at A levels, don’t put them in A jobs. As for “C players” (underperformers), “more and more businesses are culling their bottom ranks of employees with good results,” notes Mark Huselid, professor of human resource strategy at Rutgers University’s School of Management and Labor Relations. Harsh? Yes. But as Huselid points out, “Do you really want C players in your [team] at all?”

In “Debriefing Robert Fritz: Telling the Hard Truth About Poor Performance,” business writer Lauren Keller

Johnson interviews Robert Fritz, coauthor with Bruce Bodaken of *The Managerial Moment of Truth: The Essential Step in Helping People Improve Performance*, to get Fritz's thoughts about this particularly difficult aspect of appraising employees' contributions. Fritz lays out a four-step process for delivering critical feedback to an underperformer: (1) Acknowledge the truth by stating the facts related to the poor performance. For example, "The project was due May 23, and now it's May 29." (2) Analyze the employee's thoughts, assumptions, and decisions that led up to the performance failure. (3) With the employee's input, develop an action plan for avoiding similar failures in the future, and ask the person to document the agreed-upon plan in an e-mail or memo. (4) Create a feedback system for tracking progress and addressing any difficulties.

In the final article in this section—"High-Performance Prison"—business writer Jennifer McFarland presents several experts' recommendations for dealing with the unique difficulties of evaluating and managing your star performers. In particular, you'll want to use performance reviews to watch for and address signs of burnout in your best people. For top performers, "success becomes a drug, and [they] constantly feel the need to score." The more they achieve, the greater the risk that they'll experience anxiety over topping their latest success. Managers unwittingly contribute to their stars' anxiety and stress by overloading them with more and more responsibilities—and high performers "will work

themselves to death to get [the work] done.” The resulting fatigue can eventually reduce these employees’ mental capacities, though many of them will strive to conceal the burnout. For these reasons, it’s vital to use performance reviews to nip burnout in the bud.

Understanding the Power of Expectations

As many human resource experts have noted, a performance review is the ideal time to communicate what you expect from employees in the coming period. But conveying expectations effectively requires some care, as the articles in this section make clear. In “Great Expectations: The Key to Great Results?” Lauren Keller Johnson presents experts’ and practicing managers’ advice for leveraging the power of expectations. Expectations exert a powerful impact on employees’ performance—but merely defining and declaring your expectations isn’t enough. You also need to apply four practices. For example, involve employees by finding out what they think of the expectations you’ve presented. People feel more committed to objectives they’ve helped define—and more confident that they can achieve them. Also discover what each person is most motivated by (competition, close working relationships, variety in their responsibilities). People are most inspired to fulfill expectations that tie into their personal interests.