CRF COMMUNITY BRIEFING PAPER

# HR DIRECTORS

## Has performance really changed?

October 2021

CORPORATE RESEARCH FORUM

"I'm still surprised how popular the topic of performance management is," joked Marc Effron, author of 2010 work *One Page Talent Management: Eliminating Complexity, Adding Value* and President of The Talent Strategy Group, over a long-distance Zoom call from the East Coast of America. "We [continue to] do more performance management redesign for large corporations every year than I ever thought we'd do across my entire career."

"The challenge is – there is so much noise and confusion about what really works, and so many shiny new objects people are chasing that really aren't core to how we manage performance," he adds. "The opportunity for a lot of companies is to simply execute better on the basics."

Effron's analysis encapsulates the business world's enduring fixation with performance management and distils the underlying reality to a lot of the work that goes on in this space. Rethinking performance management approaches is a task persistently found at the top of executive teams' agendas, however, in searching for an elusive 'fix' organisations are often swayed by the latest fads rather than properly executing the fundamental principles and having clarity on what performance means for their business.

All too often work to improve organisation performance gets short-circuited to performance management systems and is viewed as HR's responsibility, with a narrow view on employee performance appraisals and rating systems. In reality, we need to start by thinking about performance at the level of the organisation. The ownership of managing performance logically starts with the leadership of the organisation and those who have accountability to stakeholders. Leaders have a responsibility to create the conditions for employees to be effective and should be ensuring that every manager and employee takes ownership of performance in their area.

CRF's ongoing research shows that there is a rising dissatisfaction with traditional ways of assessing and measuring individual employee performance, leading to a small but prominent number of leading organisations abandoning performance appraisals and ratings. Case studies in this briefing provide a snapshot of current approaches and trends.

Just 2% of companies globally feel that their performance management approach delivers exceptional value according to research from CRF Partner Mercer (Global Performance Management Study, 2019). This is a shocking statistic, and is probably a reflection of continuously changing performance systems. But is the real problem that these systems have been designed and implemented poorly, failing to adapt to changing work realities? Or is there something fundamentally wrong with them in principle?

The subject is an emotive one – and efforts to find the next big thing often stem from the kind of human dissatisfaction highlighted in the above statistic. Organisations are also ever eager to streamline time-consuming processes that deliver questionable value to the business (professional services firm Deloitte found that it was spending close to 2 million hours a year on its performance management system ahead of its recent overhaul).



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The search for the holy grail of performance management is also driven by the subject's importance for success. Those businesses that can solve the performance puzzle await the spoils of organisational excellence and market dominance. Add to this the national importance from a productivity and economic standpoint and the quest for solutions becomes even more critical.

Organisational performance is complex to define and the ability to measure it extremely challenging. This combination means many businesses are without a clearly articulated performance model, and struggle to link the performance of individuals and teams to business outcomes. Yet, this is the crucial piece of the puzzle. CRF's sister organisation PARC's report *Performance Management: Its Impact On Business Performance* concluded that there is strong circumstantial evidence that companies that can link business, team and individual goals clearly and communicate them tend to be better performers.

Performance management-related queries are amongst our most frequent from CRF members. The purpose of this briefing paper is to provide a snapshot of current trends. We might assume that the past two years of disruption would have caused many organisations to revisit their definitions of organisational performance and bring their performance approaches under review, raising familiar questions around ratings, appraisals and feedback processes in light of new working practices and transformed business objectives. However, our research finds that this is not the case. Over two-fifths of respondents to our 2021 member survey said that they expected their organisation's practices for performance management to remain more or less the same as a result of Covid-19, with a further two-fifths saying they would only change somewhat. Where work had already been underway to review performance management systems this is continuing, but businesses are not racing to overturn current practices directly due to the business impacts of the coronavirus pandemic.

As with many aspects of our lives, the pandemic has instead served to accelerate change already in motion. Conversations with CRF members highlight common trajectories towards: continuous feedback in place of formal annual appraisals; adaptable and shorter-term performance objectives; team based goals; and a focus on development and purpose. In various guises, organisations are continuing the move towards continuous performance management offering them the flexibility and agility to meet changing business needs and creating high-growth environments characterised by innovation and creativity.

This work should be underscored by the question: What is the purpose of performance management in the organisation? And, how are these specific systems aligning to improve organisation performance? Organisations must consider approaches against the outcomes they are looking to achieve, and the firms' wider talent and performance philosophies. ***In this context successful performance management involves aligning what performance means for the organisation and what performance means for the individual.***

## RIPPING UP THE CALENDAR: CONTINUOUS FEEDBACK AND INFORMAL CHECK-INS

The abrupt advent of global disruption over the past two years confirmed for many the futility and incongruence of constricting measures of performance to an annual timeline. When looking to build agile and responsive business models, in this new age of uncertainty, how useful is it to set employees year-long goals without any capacity for flex? This strict annual approach restricts organisations' ability to manoeuvre resources and talent to meet arising business demands, and risks limiting innovation from its workforce who otherwise doggedly chase goals set at the start of the annual cycle. "Goals can't be annual anymore," one HR leader told CRF. "They should be relevant today and updated whenever they need to be."

This is a trend accelerated, if not forced by pandemic circumstances, but a practice that had already been gathering increasing popularity with organisations. Tech giants such IBM, Microsoft and Adobe have been leading the way for years in replacing annual reviews with frequent, informal check-ins between managers and employees. Deloitte overhauled its performance management approach mid-last decade, scrapping once-a-year reviews for a simple design with the (self-proclaimed) hallmarks of "speed, agility, one-size-fits-one, and constant learning". At the time the firm defined three objectives at the root of performance management: recognising performance, measuring performance, and fuelling performance. These were achieved through: the annual compensation decision, the quarterly or per-project performance snapshot, and the weekly check-in. Touching further on the latter two points:

- To measure performance Deloitte scrapped its traditional process of ratings, calibration and 360 feedback and instead turned the spotlight on team leaders. Rather than asking managers what they *think* of each team member, Deloitte introduced four future-focused statements that asked what they would personally *do* with each team member. For example: 'Given what I know of this person's performance, I would always want him or her on my team'. These questions are asked at the end of every project, or every quarter for longer-term work, to collect consistent and continuous data.
- Then to fuelling performance. The hard part – and often the forgotten pillar of performance management. Deloitte's redesign called for team leaders to check-in with team members once a week with the belief that this keeps employees focused and on track to complete their best work. The check-ins are initiated by team members.





Deloitte's example shows this kind of work has been underway for some time, and its hallmarks match the thought-process that many organisations are currently going through. The majority of interviewees for this research have recently implemented, or are in the process of implementing, performance management systems which allow for goals to be flexed much more frequently throughout the year and rely on frequent feedback conversations rather than annual reviews to assess progress.

HR leaders expressed that 'classic' performance approaches (with annual scorecards and appraisals) do little to drive the high-performance of individuals or organisation. Instead, they act as a (time-consuming) mechanism for deciding pay, hated by managers and employees alike.

"From my research on the topic, it seemed to be to me that the way a lot of organisations were doing it (the structured annual process) felt quite out of step with the pace and agility required in the modern world. With business priorities evolving, it wasn't flexible enough to keep pace effectively with that," said Cath Jowers, Group Head of Talent at mining company Anglo American. "The whole process felt quite like the 1950s, but also – how developmental was it and how much does it actually optimise performance? That's the bit I keep coming back to – how much of this is about managing performance in terms of just identifying people who aren't delivering, or how much is about driving exceptional performance outcomes?"

One organisation also found that even if traditional approaches did have the flexibility to change goals within the annual timeframes, employees were often reluctant to, due to the associated paperwork of doing so. The organisation in question has recently moved from annual appraisals to quarterly check-ins, in which employees are encouraged to set six to eight team-based goals at any one point in time.

Asset management company Schroders began updating its performance management approach in 2019. *(See case study for full detail).* The business has moved to a continuous feedback model, replacing mid-year and end of year reviews with employee-led performance check-ins.

"[The traditional system] wasn't generating the growth mindset which is so critical for high-performing teams," explained Jan Stancliffe, Learning and Development Business Partner. "It was more about the process and less about driving business performance, and seen as an 'HR thing' rather than anything that was a lever for high-performance."

The company's new approach has kept a rating system. However instead of receiving just one rating plus checks against conduct and behaviour, employees now receive three in the form of a 'Performance Snapshot': one for Business Excellence (relating to business performance), one for Behavioural Excellence (relating to "how you show up" and management performance), and one for Conduct (relating to meeting regulatory behaviours). (The business did previously capture conduct ratings and require managers to assess employee behaviours as part of performance management). The three new ratings are no longer awarded as part of an end of year appraisal, ratings draw on employee outputs from the bi-annual check-ins, and while there are still end of year conversations these instead revolve around long-term career development.

RS Components has also recently evolved its approach to move from a formal once-a-year performance review to regular ongoing conversations. Called 'Talking Performance' the approach revolves around regular conversations throughout the year that are developmental in nature, alongside regularly updated objectives. Employees have a summary review at year end in which they express what they are proud of, what they have learned and what they are focusing on development-wise for the year ahead.

"I did a lot of analysis around the employees who were most satisfied in that they were getting what they needed to perform at their best versus those that weren't," shared Head of Leadership and Talent, Rowan Fyfe. "Surprise, surprise what was in common was that employees having more regular conversations through the year were really satisfied with how their performance was being managed. They felt it was giving them an opportunity to be at their best."

Fyfe said: "For us, regular conversations is a very big shift. We are not even specifying the cadence around them at all. What we're not saying is that they have to be every quarter or every month because we absolutely don't want it to be a tick box process."

Similarly to Schroders' approach, Talking Performance still produces a year-end rating. The business was cautious about rethinking ratings at the same time as introducing Talking Performance, Rowan explained.

"If we change the number of ratings that's all people think the change is," she said. "They get fixated on those year-end ratings and then all the good work that we're doing about regular conversations throughout the year gets wiped out because all anybody talks about is that it means that we've gone from four ratings to five."





Instead, RS Components made a small change to one of their four rating names. Previously the ratings were unacceptable, inconsistent, strong and top. However, analysis found that managers were hesitant to use the 'inconsistent' rating with a larger number of employees being categorised as 'strong'. To remedy this, 'inconsistent' was changed to 'improving'.

The business is training managers and employees to get the most out of these new conversations via various methods including interactive role play sessions with trained actors.

This shift in approaches clearly requires better quality of feedback, and a review of line manager capability. A 2018 study of 234 organisations by the Center for Effective Organizations (CEO), found that performance feedback culture predicates performance management effectiveness. The report, authored by Gerald Ledford Ph.D. and Benjamin Schneider Ph.D. stated: "Performance Feedback Culture (PFC) is established and nurtured by company practices that focus managers' attention on doing performance feedback effectively: regular varied communication, training on how to do it well, modelling by senior executives in how they do it for their subordinates, rewards and recognition for doing it well, monitoring getting it done, and manager selection and promotion based on excellent performance feedback competencies. When these practices are in place, managers know that the organisation values high-quality performance conversations – and they have them; our evidence shows that positive organisational results follow."

A main conclusion of the study was that PFC was not only a powerful predictor of performance management effectiveness but more importantly of corporate financial performance. Thereby, in taking an approach which focuses on the individual's performance, companies are able to drive organisational performance.

Co-author Gerry Ledford told CRF: "The reason you get an organisational effect is you get many more individuals being individually successful in meaningful roles, feeling more cared for by the organisation.

"The main issue in the long history of performance management, is that most companies would rather not bite the bullet of fixing their culture because that is really hard to do, and instead they look for new techniques that will save them," Ledford added. "There is about a three-year cycle where companies say performance management is not working, come up with some shiny new techniques and they don't work any better than the old ones so they start over again without ever getting to the culture."

To return to the execution of fundamentals, the continuous feedback approach allows businesses to flex performance measures to meet new and changing business objectives in the new disrupted climate. If these are tied back to organisational objectives, as seen in the examples provided, then businesses can act with more agility to drive overall performance.

## STRENGTH IN NUMBERS: TEAM BASED GOALS

Another ongoing trend in performance management is the transition to team-based goals in an effort to inspire cross-business innovation and collaboration. As work continues to shift into project-based assignments, team-based goals engender a culture of transparency, allowing employees and organisations to better track workflows and innovation.

Anglo American has recently introduced a team-based performance approach: Team Plus *(see case study for full detail).*

"We felt the [former] process [involving individual goals] wasn't driving the right innovation levels, collaboration or conversations around development to drive extraordinary performance," explained Cath Jowers, Group Head of Talent and Leadership Development. "The idea was that everybody was focused on the real imperatives rather than pet projects, and we're working in much more of a team-based rather than a siloed way. It's having that stronger link back to our business ambition."

High-level business goals are set at the corporate business unit, group function and asset level, with each team making regular commitments to achieving these goals. Anglo American has rebranded performance management as 'performance optimisation' and all practices are linked back to the organisation's 'burning ambition'.

The new approach has also meant a shift to total team reward. Individual performance ratings have been dropped, but bonus is differentiated by job level. Jowers said: "A whole team will succeed or a whole team will fail. Everyone gets the same multiplier on their bonus at that high level, and the idea was to drive everyone's engagement in terms of getting results because you either all win, or you all lose."

A similar approach has been taken by another financial services company, which has tied teams-based performance into a teams-based return to work following the pandemic. Key to this is transparency of goal setting across teams to ensure that collaboration is happening effectively, and teams aren't working in silos towards the same goal.





Where organisations aren't ready to fully commit to team-based goals increased efforts are being made to collaboratively set goals, increasing transparency between departments and better linking innovation across the business.

Clearly, this is an approach that will only work for certain organisations and certain functions. Organisations noted frustrations within certain teams – such as legal departments – where work is more naturally siloed and doesn't require as much collaboration to deliver the best results.

## DEVELOPING WITH PURPOSE

Throughout discussions for this briefing paper, most interviewees spoke of their performance management approaches moving to a more developmental approach.

"A shift is happening to seeing performance management as more of a developmental exercise versus a reward or punishment exercise," said Alastair Procter, SVP, Strategic HR Operations at Interpublic Group of the advertising organisation's current approach. "Behaviour and example [also] play a more prominent role in how performance is evaluated, as well as greater specificity and more concrete goals around activities that are widely viewed as important, such as DE&I."

Organisations spoke of prioritising developmental aspects of feedback conversations, with many making it a requirement that this is the first topic of discussion. As Procter highlights, this approach is paired with an increased focus on 'how' work is getting done, not just the 'what' traditionally seen in objective setting.

Another People Director added: "Our point of view on performance has developed into one based on trust and enablement, and our culture is evolving to one focused on our purpose (and connecting people to why they do things), wellness and a leadership model with care at the heart of it."

Sue Whalley, Chief People and Performance Officer at Associated British Foods agreed that purpose is increasingly coming into focus: "I believe aligning leaders and colleagues around the sense of purpose to do the right thing for people and for the world together, with a shared understanding of the 'why' for the organisation has got to be a more important part of how we inspire, support and develop people to contribute their very best every day."

Leaders are being held more accountable for progress on sustainability, environmental and governance issues, and organisations are starting to think more about establishing metrics to track progress against these measures at an individual level. Subjective assessments of contributions to DE&I are arising as potential features of performance reviews.

A key driver in Anglo American's recent review of its performance management approach was better tying performance measures back to the company's values. *(See case study for full details).* In the mining company's former traditional system managers were required to answer 'yes' or 'no' to whether an employee had met the company values as part of the annual review. This question was overwhelmingly answered yes, without the need for context, and provided little insight as to how employees were hitting this target.

"We're a very values driven organisation, and it felt like it wasn't the right kind of integration and that the values weren't given the right kind of focus," explained Group Head of Talent and Leadership Development, Cath Jowers. In the company's new team-based approach there is frequent feedback from all team members on 'how' goals are achieved.

NatWest provides another good example of purpose-led performance management. *(See full case study for details).* In 2020 the business rebuilt its performance management approach to align with new CEO Alison Rose's focus on organisational purpose. The business' new approach also takes a strong developmental approach, with future-focused quarterly check-ins focused on upcoming development and learning.

"We have a clear set of goals focused on our customer, our people and purpose and it's about giving a clear articulation of how you're going to work with each other to achieve that, as well as how you as an individual are going to achieve that," said Statutory Reporting Lead Peter McDonald. "Performance systems support our culture and our culture influences our performance system."

From a developmental perspective, IBM's 2015/16 redesign of its performance management provides an interesting example. The revision was prompted by IBM's business transformation to bet big on AI and hybrid cloud technology which brought a stronger emphasis on project work and a skills need to match the speed of innovation in the technology sector.

The company involved employees heavily in the design process, crowdsourcing feedback and ideas and relying on enterprise design thinking. The output was Checkpoint – launched in February 2016 – a system more focused on





feedback than assessment. Frequent check-ins replaced single ratings at annual reviews, with employees able to request feedback from peers and managers through the company's mobile app. Goals can be revised throughout the year and employees are assessed on their business results, impact on client success, innovation, personal responsibility to others, and skills.

The speed of technological change made skills development a key aspect of the new approach. IBM now includes a personalised learning platform and digital career adviser for employees as part of its performance management system. The platform uses data to create personal learning journeys, drawing on internal and external resources such as learning courses, business review articles and YouTube videos. The digital career coach helps employees advance in their career, with personalised counselling and historical data on career steps. These integrated platforms also form part of the business' predictive attrition program which serves managers with warnings as to employees who might be considering leaving and possible skills or developmental actions that could stop the departure.

IBM's work again highlights that the ongoing trends in performance management are consistent and that recent years have not brought revolutionary new practices or approaches. It provides a positive blueprint for a top-down approach driven by business strategy, in which managers are held accountable for communicating performance culture and drivers just as employees are encouraged to develop their skills to match new business objectives. This clarity on what your people to do differently and how it going to impact company performance is the critical element to effective performance management.

## IS IT WORKING?
### EVALUATING EFFECTIVENESS

Evaluation is a crucial step in avoiding a state of permanent revolution when it comes to performance management systems. While it can be hard to make a direct causal relationship between the process and the performance outcome it is important to evaluate the effectiveness of what has been implemented. Mechanisms need to be built into the systems which enable us to 'course correct', adjusting elements of the system to achieve the desired effect. In this way data can be monitored and fed back to improve the system dynamically.

In this new context, line manager capability is being brought under the microscope as organisations increasingly turn to continuous feedback. Interviewees agreed that to develop a strong Performance Feedback Culture they were having to be more selective and considered about line managers.

The 2018 Center for Effective Organizations (CEO) study defined the six dimensions of Performance Feedback Culture, all of which relate in some way to manager capability:

**1. Communication**

- How are you communicating to managers about the importance of providing honest, effective performance feedback?
- How likely is it that the typical manager at your organisation has received this feedback?

**2. Training**

- What are your methods of training for managers to provide honest, effective performance feedback?
- How many of your managers have received this training, and how many have the skills needed to provide the feedback?

**3. Monitoring**

- What methods are used to monitor whether managers are driving honest, effective performance feedback?
- What is the likelihood that senior managers will know if a manager is not delivering this feedback?
- What is the likelihood that someone in the HR function will know?





**4. Modelling**

- Do senior managers receive honest, effective performance feedback from their manager?
- What importance do executives give to providing feedback to their own team?

**5. Rewarding**

- How do you reward managers for delivering honest and effective performance feedback to subordinates?
- How effective are you in doing so?

**6. Selecting**

- Within your organisation, how important is the ability of a candidate for a managerial position to provide honest, effective performance feedback to employees?
- Within your organisation, how important is the ability to provide honest, effective performance feedback as a promotion criterion?
- What are your methods for assessing a management candidate's ability to engage in this honest feedback with employees?

It's difficult to disaggregate performance management processes from other environmental factors when looking for evidence of high-performance drivers. Often businesses have to rely on soft data relating to employee and manager satisfaction, in place of hard evidence that links directly back to new performance processes. What you can measure is if the precursors to high-performance are present:

- Are personal goals clearly defined?
- Are they clearly aligned to what the organisation is trying to achieve?
- Are developmental actions taking place as part of the process (for employees but also their managers when new systems have been implemented)?
- Have employees noticeably improved?

## CONCLUSION

The consensus amongst HR leaders interviewed for this briefing was that the fundamentals of performance management have not changed. Neither has the fundamental definition of performance itself.

"It comes back to what is a high-performance organisation," said Sue Whalley of ABF. "You need and want everyone in the organisation to be feeling that they are contributing to a broader sense of purpose and ambition for the business and that they can deliver more than might be imagined. You want them to feel engaged, that what they're doing is worthwhile, and that when they come to work they are learning, developing, and are respected for who they are and the impact they can make."

To return to PARC's 2019 report on the subject, looking back at the history of people management it is clear that many of the practices discussed in this paper have been topics of discussion for some time – yet they still feel remarkably current. To remedy the root cause issues within organisations it is a question of clarity, communication and consistency. An organisation is a sum of its parts, but it must be clear on what company performance means in practice, communicate the performance model through the business and translate this into individual performance objectives. While the detail will be different for every business, the process is fundamentally the same.

We recommend the following actions:

- **Define what company performance means within your business.** To be able to align individual performance to organisation goals you first need to define what performance means at the highest level. The ownership of managing performance should start with the leadership of the organisation and those who have accountability to key stakeholders. Leaders should be seeking to ensure that every manager and employee takes ownership of performance in respect of their areas of responsibility.
- **Define the *purpose* of performance management at your organisation.** Marc Effron said: "This is a fundamental question that most companies can't answer and explains why performance management often doesn't work: there is no clarity around what it's supposed to do." As with any process there is no one-size fits all approach, and clarity around purpose of performance management will assist in defining which approaches your organisation should investigate.
- **Communicate the performance model and translate it into team and individual performance criteria.** Individuals need to understand how and why their performance goals relate to that of the business, and their goals should be derived directly from the performance model. A study by the Institute for Corporate Productivity for the American Management Association (AMA) identified that the largest gap between low and high performers was due to simple but fundamental factors, such as whether organisations' strategic plans were clear and well thought out.





- **Set clear goals.** This should be done across all levels of performance: organisational, function and individual. You can't measure performance unless you know what you're measuring against and that's where goals are crucial. Effective performance management is dependent on the quality of goal setting in the first instance. Organisations should also consider how important behaviours are in the process, and define the small number that directly drive performance in their business.
- **Establish mechanisms to monitor manager effectiveness, and design training to build their capabilities.** You need to be able to track which managers are capable at providing quality feedback and implementing performance management systems. Do you need to update the criteria for managerial candidates to encompass new capabilities? How can you train current managers to improve their performance? Also consider what incentive structures you can implement to reward managers with strong performance in this regard, and what measures you have to remove those who are performing poorly. Hold managers accountable for their performance throughout the process.
- **Focus on developing a performance feedback culture.** As discussed in the final section of this report, PFC is built and sustained through communication, training, monitoring, rewarding, assessing for hiring and promotion, and modelling by senior executives. Gerry Ledford said: "In the end it is the performance feedback climate of the organisation which compels managers to have frequent, honest, two-way conversations about employee performance, rather than specific performance management techniques that make the difference. A company with the right climate and primitive techniques often has a very effective PM process. A company with a poor climate can have all the latest bells and whistles and have a terrible and unsuccessful PM process – managers simply duck the tough conversations and the techniques make no difference. So, if you want to affect business performance, you have to tackle the culture and climate of the organisation."
- **Define HR's role in performance management.** To successfully align performance, HR will need to liaise directly with the leadership team. HR should strive to design a science-based, simple process that has a clear purpose and reason for being and build the capability of managers to successfully execute the process. When implementing new approaches HR will also need to play a change management role to embed the change.

Performance management is a critical component of the success of organisations, making it a perennial topic for reinvention within organisations. Unfortunately, this attention can often by misdirected – tinkering with the minute detail of processes rather than defining high-performance within the organisational context. ***The real value of performance management is in clearly tying individual performance to that of the organisation and communicating how the two connect.***

## CASE STUDY APPENDIX

### ANGLO AMERICAN – TEAM BASED GOALS

Mining company Anglo American started work on reviewing its performance management approach four years ago, driven in part by dissatisfaction in the traditional annual process but more fundamentally to enable the organisation to achieve it's 'burning ambition' – a set of extraordinary goals and targets that redefined the concept of performance itself. Doing the same thing as before, slightly better, was only going to lead to marginal performance improvement as opposed to the radical shift necessary.

"We felt the process wasn't driving the right innovation levels, collaboration or conversations around development to drive extraordinary performance," explained Cath Jowers, Group Head of Talent and Leadership Development. "We'd set some very ambitious business goals and were asking how we drive more breakthrough thinking to optimise performance."

Jowers adds: "Our [previous] performance management system didn't align with [these business goals], as people were reluctant to set stretched targets in case they didn't meet them. Effectively, you were better saying I'm going to go for a 70% performance and getting it, than you were saying I'm going to go for a 90% performance and only reaching 80%. In one scenario you'd have met and in the other scenario you'd have failed."

Another driver was the 'how' of people performance. The traditional system required managers to answer 'yes' or 'no' as to whether the employee had met the company values – a question that was overwhelmingly answered yes without the need for any additional context.

The result of the review was to introduce a team-based performance approach: **Team Plus.** The new approach fosters greater organisational alignment through a limited set of goals that are consistent with each other, aligned to the enterprise ambition and owned collectively by all members of the leadership team. Team Plus fosters greater accountability within teams at all levels of the organisation. The onus is shifted from the manager to all team members seeking and offering feedback and support to one another, although the manager is still held accountable for the overall performance of the team.

"The idea was that everybody was focused on the real imperatives rather than pet projects, and we're working in much more of a team-based rather than a siloed way. It's having that stronger link back to our business ambition," said Jowers. "[It involves] short-term objectives, regularly reviewed in a team context and with an opportunity to provide feedback and a focus on how we are working together not just what we are delivering."

The approach simplifies the process, Jowers explained: "We're not asking teams to do any extra work. We're just asking them to do their existing work with a different focus." Usual team meetings can be shifted to Team Plus meetings in which objectives are set, and progress measured. Similarly, individual check-ins have been refocused with new performance aspects, rather than requiring any additional meetings.





Anglo American has found simple, bite-sized training resources to be most useful in changing these day-to-day practices as opposed to sophisticated, over-detailed tools. The new approach has also meant a shift to total team reward. Individual performance ratings have been dropped, although bonus is differentiated by job level. Given that performance management often serves as the basis for reward decisions, Anglo American felt it couldn't radically change one without revising the other. Jowers said: "Everyone gets the same multiplier on their bonus at that high level, and the idea was to drive everyone's engagement in terms of achieving results because you either succeed or don't together. Essentially, increasing the 'size of the cake so everyone gets a bigger slice' is much more powerful than 'slicing the cake into smaller portions' to reflect the perceived contribution of individual team members."

The Group Head added: "We are very much trying to integrate this with all of our people systems and how they deliver our organisational model. Our view would be that in order for us to have a high-performance culture, we have to make sure everybody is clear around expectations and is supported and developed in order to deliver those."

To provide this clarity, Anglo American's Organisation Model has introduced 'three questions' which employees should be able to answer in order to be their best at work:

1. What is my work?
2. How am I doing?
3. What's next?

Following the disruption of the covid pandemic, Anglo American is now refocusing its work on embedding the process and in particular on development planning to increase capability in current and future roles. The new working process involves an employee's line manager and a Manager Once Removed (MOR). "We are clear that everybody should have a development plan, and the employee should drive it. Your line manager should be having conversations with you about on-the-job development, and your Manager Once Removed should be having conversations with you about development that is going to enable future career growth," explained Jowers.

For key talent this is at least an annual conversation, otherwise employees should expect a conversation with their MOR every two to three years. The development part of the puzzle is an ongoing discussion, as the business is now able to refocus its efforts after the pandemic.

Jowers reflects "We took a step back and challenged ourselves to answer the question 'what will really optimise performance and align every colleague to drive for our business goals and live our values?'. Whilst we continue to iterate what we're doing (for example how we support managers to deal with individual under-performance and improving impact measurement so we're able to directly correlate Team Plus outcomes with business results), we believe that team-based performance drives the right behaviours to deliver extraordinary performance at Anglo American."

## NATWEST – PURPOSE-LED PERFORMANCE MANAGEMENT

When Alison Rose became CEO of NatWest in February, she was clear on the organisation's purpose: to "champion potential, helping people, families and businesses to thrive". This purpose-led focus has informed the work Statutory Reporting Lead Peter McDonald and his colleagues across the business have been doing to review and improve the bank's performance management approach.

McDonald describes the situation as a "sweet spot", able to properly align people systems to support and embed the focus on becoming a purpose-led organisation. "For performance management, a lot of what that looks like is the 'how' and not just the 'what'," he explained. "Being clear on people being evaluated on not just what business they conduct but how they conduct their business, which is becoming hugely important to us as a purpose-led organisation."

In 2019 the bank launched Workday performance management as an "enabler to move towards continuous performance management". However, following its launch it become apparent that the approach could be simplified from a user perspective.

"We talked about moving to continuous performance management, but we hadn't given it enough emphasis," said McDonald. "We had done it alongside the systems launch, and in quite a busy space. So, if you had asked a colleague if it was continuous performance management, they would say – 'it seems like I'm having the same reviews, but I'm just having more of them' – which is not what we had set out to achieve for our people."

Rose's appointment in 2020 saw the launch of NatWest's organisational purpose which brought the opportunity to strip back the process and rebuild. One of the key pillars of this was the desire to support the business in becoming a learning organisation, both from the perspective of its employees but also its customers.

"What we've tried to do is really support our colleagues across the organisation to have more frequent but really focused conversations on the development and skills that they need to be successful for our customers," McDonald explained.

This means quarterly check-ins evidenced by brief write-ups. However, instead of looking back to review the quarter gone, these check-ins are future-focused and touch on topics including tasks, development, learning and support. Objectives are also able to be repointed throughout the year.

The bank has also removed what McDonald describes as the "starting gun" in which objectives were expected to re-set on 31 December to provide a clean slate for the year ahead. The bank has switched off this function in its systems to further promote the practice of continual conversations.

McDonald said: "If the start of the year brings refreshed targets for some things then yes, please go and update your goals or specifically your measures and targets. But it





is a continual conversation about what is your work style, what are your objectives and how are you supporting people. There should be no 'wait and see' period. People are really clear about their goals and how they can contribute to their and others' success throughout the year."

While the organisation has the capability to cascade goals, and does so formally for the CEO and her direct reports, for the main part of the workforce it works to "align the organisation around priorities", and communicate strategic imperatives. These are increasingly purpose-led with ESG targets around the climate, diversity and social mobility at the senior level cascading through the organisation.

"We have a clear set of goals focused on our customer, our people and purpose and it's about giving a clear articulation of how you're going to work with each other to achieve that, as well as how you as an individual are going to achieve that," said McDonald. "Performance systems support our culture and our culture influences our performance system."

The bank still operates a fairly traditional performance rating system and bonus pool, largely due to regulatory requirements. However, McDonald – who has researched extensively on emerging approaches to performance management – notes that "we have found no better way of being clear and transparent with people for performance other than having (at a point in time) an honest conversation about how they have performed against their goals. Our people appreciate the transparency of the conversation, though there is always room to improve."

"We looked at lots of different systems, and actually for us the most transparent one was to continue to use a system our people understand. It's not perfect, of course, and will need to continue to evolve with us an organisation. However, what we need to make sure is that we're not paying lip service to removing ratings by replacing it with five different words that mean the same thing," he added. "There are definitely some really interesting models coming out of technology companies and FinTechs, where organisations have really embraced agile. However, rolling those out at scale in a highly regulated business does bring its challenges."

The organisation's research, which identified three models of performance management – traditional, agile and disruptive – has led to the creation of a skeleton framework for future JV projects. This would be a much more "radical, disruptive" approach, where it is possible to "strip out the need for evidence and ratings and have a continual conversation about talent and agile working".

"I think eventually we'll see the cultural rejection of old performance management systems," said McDonald. "We haven't got there yet, but we will all need to continue to evolve our performance management – and rating – systems as purpose becomes an increasingly important part of the employee value proposition."

## SCHRODERS: USING FEEDBACK TO DRIVE HIGH-PERFORMANCE

Prior to 2019, Schroders' performance management process worked on a fairly traditional, hierarchical basis. Goals were set by department at the outset of the year, employees were awarded an 'on track' or 'off track' rating at a formal manager-led mid-year check-in, and then awarded a rating from one to five at year-end (one being 'under-performing' and five being 'exceptional'). To inform year-end performance conversations, managers gathered feedback from the individual's team – however the employee never directly saw the feedback they were getting.

"It wasn't generating the growth mindset which is so critical for high-performing teams, because the onus was all on the manager and it didn't give employees the opportunity to take real ownership [of their development and performance]," explained Jan Stancliffe, Learning and Development Business Partner. "It was more about the process and less about driving business performance, and seen as an 'HR thing' rather than anything that was a lever for high-performance."

The first change the asset management business made, in 2019, was to introduce continuous feedback. Schroders adapted their feedback systems in Oracle so that employees could collect and access feedback for themselves and launched an internal marketing campaign 'Career and Performance: It Starts With You' to encourage employees to do so.

Stancliffe said: "We see feedback as one of the ways in which we can reach those higher levels of performance as an organisation. Part of our EVP, which is to be the best asset manager to work for, is a piece around growth and development and [to truly achieve this] you need employees taking ownership and feeling empowered to lead the way."

2019 also saw the introduction of collaborative goal setting, with the executive team sitting down together for the first time to set goals outside of the functional silos to foster a culture of joint accountability and visibility. The HR function produced toolkits to enable leadership and management teams to run collaborative goal setting sessions across their teams.

This focus on collaborative goal setting was continued into 2020, bringing the ability for goals to be reviewed and updated regularly throughout the year rather than being a one-time annual activity.

2020 also brought the removal of formal mid-year review processes. Instead, these were replaced by two employee-led performance check-ins (in April and August), with the employee driving the conversation and the manager acting in a coaching capacity. For the first year there was not requirement to log these conversations, as Schroders wanted to encourage the right behaviours and not deter uptake. Pulse surveys showed that 85% of employees were having these check-ins. The organisation has since





introduced the requirement for employees to capture these conversation (in as little or as much detail as preferred) in an internal system so that they can be referred back to at a later date.

This shift from manager to employee-led check-ins has required significant change management, explained Stancliffe: "Even now, I'm still having conversations with people who can't quite get their head around it because they are so used to waiting for the manager to tell them things, and managers are so used to using that as a way of control."

The covid pandemic encouraged this check-in approach, but squashed plans to experiment with end-of-year changes across different parts of the business. However, at year end 2020, the majority of the organisation was awarded a three or a four rating.

"That caused quite a lot of frustration, and focus groups showed very different interpretations of the ratings with uncertainty on how they were used to differentiate performance," said Stancliffe, adding that crucially it made compensation decisions challenging given that most employees had the same rating. "It then became a burning platform for us to go ahead and start experimenting with our end of year process, and that has been a hot topic this year."

Schroders has kept ratings, but in contrast to many financial services business who have simplified their ratings, the asset management company has added more.

As opposed to one single rating plus checks against conduct and behaviour, employees now receive three in the form of a 'Performance Snapshot': one for Business Excellence (relating to business performance), one for Behavioural Excellence (relating to "how you show up" and management performance), and one for Conduct (relating to meeting regulatory behaviours). (The business did however previously capture conduct ratings and required managers to assess employee behaviours). Within each of the three new rating areas, the numerical one to five ratings have been replaced with four new levels of performance: developing, performing, excelling and exceptional. Employees will no longer complete end of year appraisals and instead ratings will draw on employee outputs from the bi-annual check-ins. There will still be end of year conversations, but these will instead revolve around long-term career development.

Schroders' performance management alterations have purposefully been "drip fed" and staggered so as to embed the change most effectively, and allow for employees to become familiar which each new process. The asset management company is mid-communicating these final changes to the end of year process which rounds out its work. However, there is a further possible consideration of introducing ratings at the end of each bi-annual check-in so that it reduces the calibration burden at the end of the year.

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