



## TALENT LEADERSHIP AND LEARNING COMMUNITY EVENT: SHARED EXPERIENCES ON PERFORMANCE MANAGEMENT

On 24<sup>th</sup> April 2023, CRF hosted an online discussion where members could share their experiences of performance management, particularly relating to the use of individual ratings systems. Participants emphasised the importance of creating an overall performance management system which drives business results, discussed potential ways of moving away from using individual performance ratings and reward, and managing performance through a feedback culture. This summary shares key insights from the discussion.



### INDIVIDUAL PERFORMANCE RATINGS AND REWARD: USES AND CHALLENGES

**Members shared several challenges they have experienced with individual performance ratings.** Employees do not like feeling like they have been labelled, and using individual performance ratings can also derail performance review meetings, as employees focus more on their specific rating than on broader feedback. There are also difficulties in how ratings are distributed, with members sharing their experiences of colleagues facing difficulty in differentiating between middle ratings, as well as inflation caused by line manager hesitancy to rank people 'in the bottom half' of ratings. One member additionally shared that their individualised performance management system was not driving business results; employees were setting 'safe' objectives, rather than setting stretch goals that they may miss.

**Some members have therefore moved away from individual performance rating and reward systems.** One member shared that, for management population and above, they based reward solely on company performance. Another member shared their journey in this area, outlining how they removed the systems which depended on individual ratings, replacing individual performance management with team based performance management and reward. This system helped reward the people who enable the high performers (a role which is often overlooked) and therefore also supported team effectiveness. In this new system, each part of the business defined a set of critical goals and then individuals and teams created commitments to align with these. Other key points concerning ways to transition away from individual performance ratings included:

- The need to be clear with employees that individual commitments still need to be recorded, and also to be clear with line managers about expectations relating to feedback and regular performance conversations.

- The importance of emphasising that any talent ratings should not be used to measure performance, and that there is a clear difference between a colleague being high performance and high potential.

**Managing under and over performance are key challenges of moving away from individual rating systems.** Participants discussed the difficulties of removing individual recognition, and their concerns that employees may think that underperformance will not be addressed, or that exceptional performance will not be rewarded. They highlighted the need to maintain clear systems to identify and address under and over performers. Examples of this could include a 50% reduction in bonuses for anyone on a Performance Improvement Plan (PIP), and supporting exceptional performance through public recognition in team meetings or token recognition through gifting flowers.

However, participants shared their common experience that people still wanted to receive individual recognition, particularly in a high inflation environment where employees tend to be more salary focused and want to be financially rewarded for going 'the extra mile.' Participants therefore questioned whether a cost of living crisis is the right time to decouple individual performance and financial recognition. One member also highlighted how, even without a formalised individual ratings system, there will usually still need to be a three category shadow ratings system in place in order to meet the needs of outstanding performers and deal robustly with underperformers.

**Several members shared that they still use some form of individual ratings, often linked to reward.** For example, one member shared that they use individual ratings and reward, based on how people perform against their objectives as well as feedback from colleagues. Another participant shared that their organisation provides great flexibility in pay and performance ratings across different parts of their businesses, which has driven their ability to attract exceptional talent. However, this structure will likely be impacted by the 2024 EU Pay Transparency Directive, though it is not yet clear how this will look in practice.



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### MANAGING PERFORMANCE THROUGH A FEEDBACK CULTURE

Members discussed how regular feedback can support individual performance and development, and how feedback should be regular and future focused. Key points discussed regarding feedback and performance management included:

- Members shared they are encouraging colleagues to give feedback upwards, as well as also encouraging peer-to-peer feedback sharing.
- Feedback should be received from a broad range of sources in order to reduce the risk of it being biased towards one particular style of judging performance.
- Feedback should support future growth and colleagues should know what are the takeaway actions when receiving feedback. In particular, members have noticed a trend amongst younger generations to request coaching after receiving feedback.
- Organisations should provide extensive skills-building to support feedback conversations.
- Line managers may be concerned if feedback relating to their direct reports is not automatically shared with them, as they do not know whether their direct reports are only informing them of the positive feedback they receive (especially when feedback is linked to performance reviews).
- There is sometimes some hesitancy amongst line managers to have difficult conversations, as they fear accusations of harassment or bullying. One member shared that they are implementing training to deal with this, and another highlighted that they have introduced 'radical candour' as a way of giving feedback, which is based on the idea of challenging and supporting someone.
- One member shared that they had recently started using a digital system where feedback can be given to anyone in the organisation, which is built in house and allows digital performance review conversations (including feedback and personal development plans).

### FURTHER READING

CRF. **Building a High-Performance Culture.** Short Course. <https://crflearning.co.uk/course/culture>

CRF. 2021. **Has Performance Really Changed?** Research Update. <https://www.crforum.co.uk/research-and-resources/research-update-has-performance-really-changed>

CRF. 2023. **Team Effectiveness.** Research Report. <https://www.crforum.co.uk/research-and-resources/research-team-effectiveness>

### crf SAVE THE DATE



Register now for our next TLL Community event:

**Wednesday 28<sup>th</sup> June 2023, 12.00pm** with an agenda to be confirmed soon.

Register your attendance [here](#). Also please get in [touch](#) with any topics that you would like to discuss and feature at a future session.

If you have any further questions or comments, please contact **Senior Projects and Events Executive, Will Pemberton**, [will@crforum.co.uk](mailto:will@crforum.co.uk)

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