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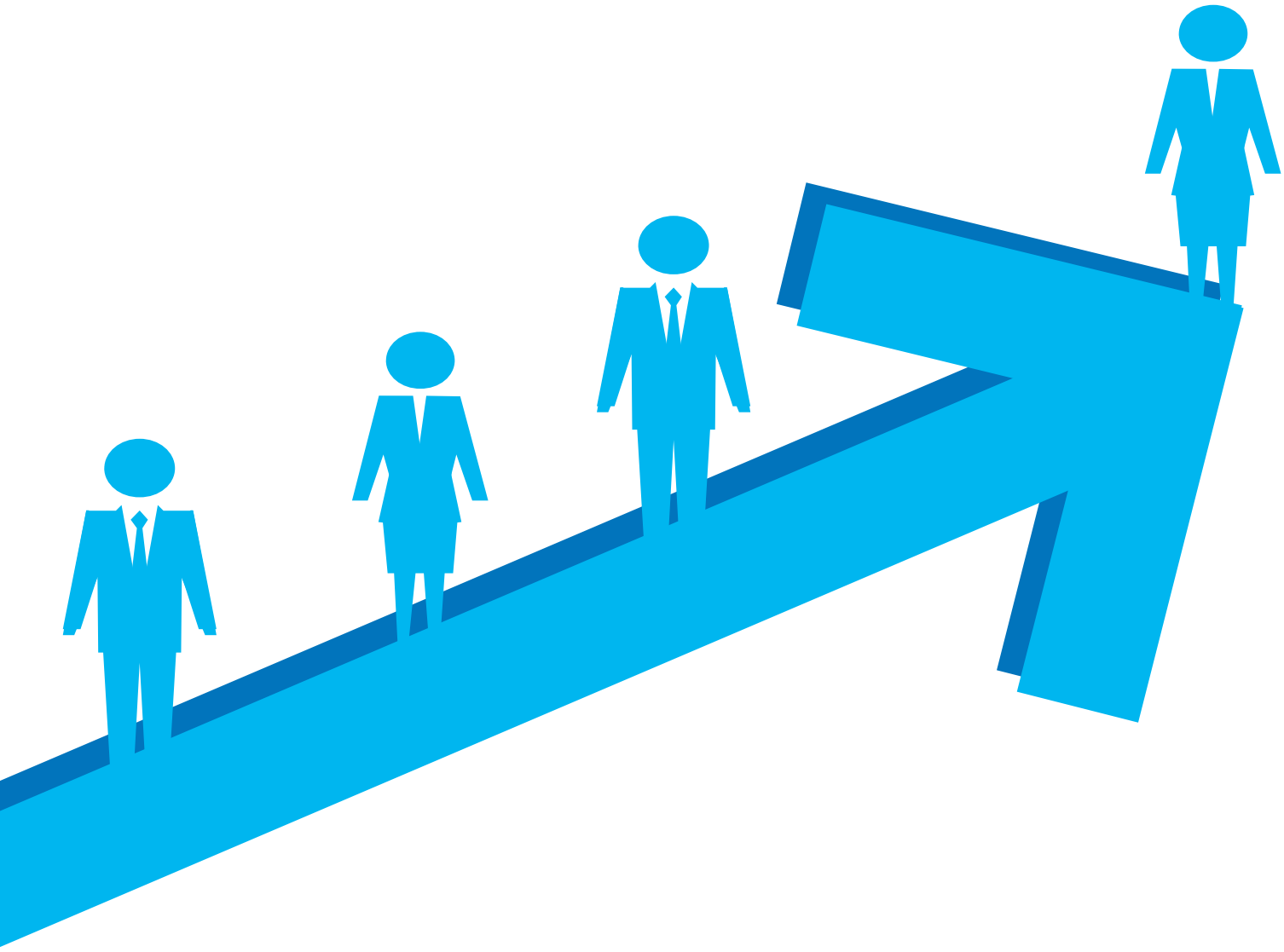
Performance Management Can Be Fixed:

An On-the-Job Experiential Learning Approach for Complex Behavior Change



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Performance Management Can Be Fixed

An On-the-Job Experiential Learning Approach for Complex Behavior Change

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OVERVIEW

In spite of numerous attempts over decades to improve performance management (PM) systems, PM is viewed as more broken than ever, with managers and employees seeing it as burdensome and low value. Yet, the behaviors that PM intends to achieve are in fact important drivers of engagement and performance. So where's the disconnect? The problem is that formal PM systems have reduced PM to intermittent steps and process that are disconnected from day-to-day work and the behaviors that actually drive performance—communicating ongoing expectations, providing informal feedback in real time, and developing employees through experience. To deliver on its promise, PM needs to shift from focusing on the formal system to focusing on the PM behaviors that matter every day. We describe a five-step PM reform process that helps organizations achieve this change and is showing promise for increasing PM satisfaction and results. Central to the intervention is that organizational members do not just learn about effective PM behavior but intentionally practice and solidify it through a structured, on-the-job experiential learning intervention that drives meaningful behavior change. The change management and training interventions discussed here provide a model for organizational culture and behavior change efforts beyond PM. Concrete examples from implementing this approach at Cargill are provided.

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Performance Management Can Be Fixed

- **95%** of managers are dissatisfied with their PM systems.
- **59%** of employees feel PM reviews are not worth the time invested; 56% said they do not receive feedback on what to improve.
- **Almost 90%** of HR heads report their PM systems do not yield accurate information.

Performance management (PM) is profoundly broken. It is universally disliked by managers and employees alike, seen as low value, and has failed to meet its intended goal of improving performance. The negative affect toward PM is at an all-time high. Representative statistics from studies over the past several years appear to the left.[1 2]

Organizations are taking a hard look at their PM systems and experimenting with new approaches. For example, Adobe eliminated its PM review.[3] Cargill abandoned ratings and reduced its formal system steps. Microsoft recently announced it was eliminating forced rank ratings, and GE has made similar reforms.[4] There is consensus that PM is broken, but the looming question is—what exactly should we do to fix it?

What Should We Do and Not Do to Fix PM?

For over 50 years, we've repeatedly attempted to address dissatisfaction and disappointing PM results by tweaking our PM systems. These attempts to fix PM have led to vicious cycles of reinventing PM only to achieve disappointing results and then reinventing it again and again.[5] Over time, our PM systems have become increasingly bureaucratic, perhaps due to the assumption that steps and paperwork would drive the PM outcomes we're seeking.[6 7] To set expectations, for example, we've engineered formal goal-setting processes to start the cycle, but the goals often become outdated in weeks or months. We've required mandatory mid-year reviews thinking these would improve feedback quality. We've also created elaborate rating processes to differentiate employee performance, some of which require fine-tuned judgments on many rating factors or splitting hairs, such as stack ranking each and every employee.

Steps and process have not only failed to yield high quality PM outcomes, but they have created extreme dissatisfaction with PM systems,[8 9] indicating that further system fixes are not the answer. Instead, we believe the answer lies in driving critical PM behaviors rather than reinventing formal PM systems.[10] This notion is supported by CEB Corporate Leadership Council research,[11] which shows that employee performance and engagement are substantially higher in the presence of key PM behaviors: managers setting clear expectations, providing informal feedback, and helping employees develop and succeed. These are, in fact, the same behaviors we attempt to drive with our formal PM systems, but the systems are not producing these.

While manager behavior is important, it's not the entire answer. Managers cannot engage in effective PM alone, and it is a mistake to view PM as something managers "do" to employees. Instead, effective PM is the result of interactions between people that succeed or fail every day—and in which the parties have joint responsibilities. Contributing to the reciprocal nature of PM is that the work environment has grown more complex and matrixed. This means that effective performance is increasingly dependent on working with a larger network of managers, peers, direct reports, and customers.[12] Setting clear expectations, providing timely feedback, and leveraging others' skills and expertise to deliver become even more important when one is working with multiple peers, direct and indirect reports, and others outside of one's immediate team. The new work environment thus produces complexities that cast an even greater spotlight on the criticality of effective PM behavior.

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We've been misguided in trying to fix PM by adding more requirements and steps to formal PM systems, and this has resulted in:

- Over-engineering PM processes,
- Reducing PM to intermittent activity spurts that spike and then go flat in between, and
- Turning PM into a "check the box" exercise that fails to address the behavioral and relationship drivers of performance.

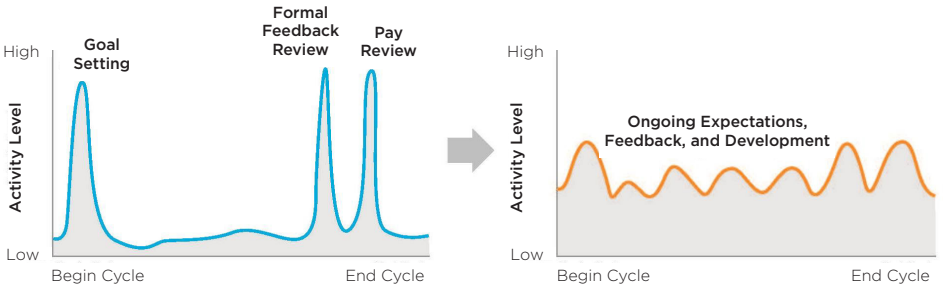
A Way Forward

A fundamental shift in orientation is needed to drive effective PM behavior day-to-day rather than the cyclical, intermittent activities that characterize formal PM systems. The changes we are proposing may imply that we are focusing on the PM system in isolation. This is not the case, and moreover, a narrow focus on the PM process alone is misguided. Although PM systems do not function well today, they can be linked to almost every other talent management process an organization executes. This means we need a systems approach to PM reform in which changes are considered in the context of the organization's overall talent management strategy. We need to evaluate the impact of changes to the formal PM system on related talent management systems and outcomes, such as engagement, compensation, high potential identification, and leader development, and potentially make changes in these systems to align with the envisioned PM changes. Viewing PM reform too narrowly or in terms of simply "tweaking the PM system" is a mistake that can lead to unintended consequences and lost opportunities.

PM Today and Tomorrow

What PM is Today—Intermittent Formal System Steps

What PM Needs 'To Be'—Effective Day-to-Day PM Behavior that Drives Performance Gains



Characteristics of PM Today

- Lengthy, formal goal-setting begins the annual cycle
- Development is usually discussed at the annual review and often results in formal training
- Feedback occurs infrequently on a schedule, and is avoided and perfunctory
- Managers are trained on how to complete steps, leading to a "check the box" mentality
- Ratings are time consuming, complicated, and do not differentiate employees well.

Characteristics of PM Tomorrow

- Real-time expectations and goals as situation changes
- Development is part of daily work, leveraging work experience
- Real-time meaningful feedback to and from managers, peers, direct reports, and others
- All employees are trained how to engage in effective PM behavior
- Rating complexity and time is streamlined

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Realizing the promise of PM will require significant organizational change and learning. Success requires approaching PM reform as a classic change intervention, in which a holistic strategy is needed.[13] Gaining leaders' attention to drive complex change requires a strong business case that is tied to the organization's strategy and success. Before deciding how to change the PM system, it is critical to establish "the why" or compelling reason to invest in change. To gain maximum traction, the PM strategy needs to align with the organization's culture and values, enable the organization's priorities (e.g., customer focus, collaboration), and ideally, contribute to solving key business challenges (e.g., lack of agility, deficiency in global competitiveness, inconsistent innovation).

Cargill Example: Plan Change

The changes to the PM system were squarely focused on addressing the company's priorities at the time (2010) to become more agile in response to rapid external market changes, reduce complexity, and simplify processes to focus on creating value for customers and generating sustainable profits. Cargill also sought to reinforce its strong culture of valuing employees. The stated goal of PM reform was to:

- Increase employees' alignment with organizational strategy and goals, focus on work that impacts business results, and agility to quickly make changes in priorities.

Cargill conducted a thorough study to understand the current state of PM, leveraging engagement surveys, historical PM surveys, and interviews with employees, managers, and leaders globally. A Kaizen approach was used to evaluate the PM process, identify process waste, streamline the process, and estimate savings. The research results revealed three pervasive pain points that the PM strategy was designed to address:

- Major disconnect between performance management process and daily work.
- Managers are reluctant to give candid feedback to employees.
- Managers view performance management as an administrative drill.

A Five-Step Path to PM Reform

- Step 1. Plan Change—evaluate current state and develop a PM strategy.
- Step 2. Streamline the Current System—remove burdensome, low-value steps.
- Step 3. Motivate Change—change mindset about what PM is and prime behavior change.
- Step 4. Embed Change —train behaviors and solidify behavior change.
- Step 5. Evaluate—demonstrate impact on attitudes, performance, and business outcomes.

A Path to PM Reform

We propose a five-step plan for PM reform based on the premise that embedding effective PM behavior in daily work is foundational for driving performance and engagement.

Step 1. Plan Change

PM reform begins by evaluating the current PM system and developing a strategy to transform the PM process. We begin with a diagnostic process (e.g., existing survey or evaluation, talent management system documentation, behavioral audit, and key stakeholder interviews) to assess the effectiveness of the current system. The diagnostic also provides a baseline against which improvement can be assessed following the PM intervention.

The planning phase also involves gaining a deep understanding of the organization's values, culture, and strategic priorities. Understanding these is essential to build a compelling business case that will engage leadership, not only in supporting change but in acting to drive it.

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Step 2. Streamline the Current System

An inordinate amount of staff time (and hence cost) is devoted to PM activities; significant financial resources are also expended on automated PM systems. Organizations are thus investing billions of dollars in activities that employees, managers, and HR heads see as burdensome and low value. An important goal of PM reform is to create value and improve attitudes towards PM. Accordingly, it is important to examine the most burdensome and low-value PM activities to determine if they can be reduced in complexity or eliminated. We are not advocating that the entire PM system or any particular part of it be eliminated in all situations. Rather the system streamlining process focuses on making the right choices about what PM system components are needed to address each organization's specific goals, culture, and needs. Several formal PM components are potential candidates for streamlining:

- Cascading goals are a significant time sink, difficult to execute effectively, and produce low ROI and value in most cases.
- Using an extensive goal-setting process to initiate the annual PM cycle is also of questionable value. Different types of goals will be more or less effective depending on the type of work performed. Many jobs are better suited to ongoing project-based goals or behavioral expectations. The ROI of a formal goal-setting exercise to kick off PM annually is dependent on whether or not meaningful goals can be set that will retain their relevance throughout the year.
- Mandatory review sessions are often viewed as perfunctory and low value, because they occur at prescribed times (e.g., mid-cycle, end-of-cycle), rather than when feedback is needed to motivate or course correct. Moreover, the focus of these reviews is often backward-looking rather than forward-looking, making them of little value for development.
- Narratives are used to document ratings and decisions, but there is often lack of alignment between narratives, ratings, and rewards that can prompt challenges to the PM process and put organizations at risk. Additionally, when narratives are required, managers and employees often focus more on wordsmithing the narrative than on meaningful performance conversations.
- Rating processes have grown complex to force differentiation among employees. Organizations are starting to move away from the most egregious of these; for example, Microsoft eliminated stack-rank ratings. These rating processes are unpopular with employees and give an illusion of precision that does not exist. Organizations like Cargill and Adobe have moved away from ratings, because they see them as adding little value.

Of the PM components that can be potentially streamlined, the one that generates the most discussion is how much to streamline ratings. The reason this is controversial is because many people believe that ratings are essential for decision-making. While this is true in some cases, others have found that their performance ratings fail to differentiate sufficiently among employees to support differentiated decision-making. Examination of HR decisions across organizations reveals that decisions are rarely based on performance ratings alone, and other factors sometimes carry more weight than ratings.

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This does not mean that all organizations should abandon ratings. In Cargill's case, the example we discuss here, the organization's strategy, culture, and needs were such that eliminating ratings made sense and contributed to the positive outcomes Cargill was able to achieve, but this will not be the case in all situations. Cargill, like Adobe, had small differences in pay increases across employees, so ratings could be removed fairly easily, with relatively little consequence. It is possible to eliminate ratings when there is more compensation at risk, but this requires implementation of alternative processes to support decision-making. The bottom line is that there is no one right answer to the question of what should be done with ratings or any other aspect of the PM system, for that matter. What we suggest, however, is that consideration be given to streamlining low value aspects of the formal process that are burdensome and time-consuming and that whatever PM activities are retained are useful and directly support the outcomes the organization aims to achieve.

To help identify the best approach for handling ratings, it's helpful to conduct an exercise that examines the extent to which the organization uses ratings and what impact they have on decision-making. It has been our experience that such an exercise sometimes yields surprising results, with at least some areas impacted less by ratings than people initially think. Below are several examples that illustrate this from our work across different organizations.

Dealing with poor performers. Many people believe performance ratings are needed to deal with poor performers. However, managing poor performance usually invokes a separate process (called a performance improvement plan [PIP] or opportunity period) that puts employees on notice that their performance is below expectations. Documentation separate from the PM system is prepared to formalize the improvement areas and timeframes. Performance is then monitored and managed against these requirements. These PIPs are used to manage poor performers, because the primary PM system often does not contain sufficiently differentiated rating information or sufficient documentation to provide a basis for employee actions that can result from an opportunity period, such as separation.

Developmental Feedback. One use of ratings is to diagnose areas for development. Unfortunately, to the extent that ratings are used for decision-making, there can be decrements in both their accuracy and quality that undermine their effectiveness for development. This has prompted the use of separate processes that are strictly for development, for example, 360s that only the employee sees. Research has shown that development-only evaluations are both more accurate and differentiated than ratings from the PM system. Of note is that the higher quality information these tools provide can erode quickly, if their purpose changes from development to decision-making or even small, seemingly innocuous changes are made (e.g., making 360s available to employees' managers rather than the employee alone).

Promotion. Some think performance ratings are an important input to promotion decisions. However, movement into other jobs often requires different competencies or proficiency levels that evaluations of current performance do not address best. For this reason, promotion decisions often rely on, and are better served by, assessments that forecast an employee's ability to successfully perform the new role requirements.

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Merit Pay Increases. Ratings are often viewed as the critical driver of merit pay increases. However, a good number of managers have reported that instead of using the rating processes, they retrofit their ratings to align with the pay increases they want or need to give employees. This occurs as a practical matter. Managers often have small raise pools, and pay increases in any given year are affected by factors outside employee performance, such as (1) the risk of attrition, (2) internal or external equity, (3) where employees sit on their pay lines, and even (4) whose turn it is to get a larger increase this year—a phenomenon that results from small raise pools. To the extent that there is alignment between ratings and pay increases, it can be the latter driving the former. However, there is also sometimes lack of alignment that can be difficult to both explain and defend.

Bonuses and stock options. These often result in more highly differentiated rewards than merit pay, and it is in situations with high variable compensation that we tend to find the most over-engineered and complex rating systems, perhaps to give an illusion of precision and due process because more is at stake. However, manager calibration sessions or second-tier reviews are often used to ensure fairness in high stakes rewards. During these, initial ratings can be realigned, and thus, it is often the discussion and not the ratings themselves that drives decisions.

Both research and practice have shown that more complex rating processes do not improve rating quality or outcomes. Thus, it is prudent to simplify performance ratings to the extent feasible, while still addressing the organization's PM needs (e.g., a rating of record or input into decision-making). In some cases, wholesale elimination of ratings may be the answer; in others, it will not be the answer. The key is determining the most effective solution or input into decision-making on a case by case basis, based on the organization's goals and how PM fits into its larger talent management framework.

Replacing numerical ratings with broader categories is worth examining, especially as we consider what is gained by communicating a numerical rating to employees. It pins a number on the person that will only be satisfying if it is the highest number available. Neuroscience research shows that evaluations activate a flight or fight response, in which communicating less than top standing can decrease subsequent performance. Given that managers don't gain anything by unnecessarily disenfranchising employees, it is no wonder that formal PM ratings show little differentiation. It is thus reasonable to consider their value from a motivational perspective, especially in light of the disengaging impact they can have on employees.

We have successfully streamlined goal-setting, formal reviews, documentation, and ratings, with accompanying increases in manager and employee satisfaction. Example results from Cargill appear on the next page. Along with this, we are advocating increased focus on the ongoing PM behaviors that matter most for driving performance. However, this leaves open an important question of whether there should be any formal PM process or tools and what these might be. In streamlining current systems, it is important to be mindful of fairness and legal defensibility concerns, and the need for due process in decision-making. It is not advisable to eliminate PM activities that are important for fairness or defensibility, such as assessing performance against job-relevant criteria and proper documentation of decisions. On the next page we discuss some tools and more episodic PM activities that we have found to be useful, either because they provide information that facilitates the critical PM behaviors (discussed in detail in the next section), or they add value beyond these. The items we suggest all reinforce evidence-based practices for driving fairness and high performance, without adding low-value process or significant burden.

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Cargill Example Results

Initial Concerns	Data One Year Later
"The process is only as good as we make it. I question whether my manager will actively discuss this with me throughout the year." (76% were confident they would have ongoing discussions).	85% had ongoing discussions with managers.
"We already have 1-on-1 discussions once per month but these aren't meaningful. My manager does not contribute to these."	69% received useful development feedback; 70% felt valued due to ongoing discussions.
"Removing the leadership model from the performance document will generate less discussion about it."	77% received feedback on leadership behavior.
"There are still a lot of questions about how incentives will be determined in the new 'no rating' approach."	Receiving performance ratings did not improve employees' understanding of the link between their performance and compensation.

Establish Role Descriptions. Role descriptions that define major duties of positions are a valuable resource. The key is to create succinct role descriptions that capture the major responsibilities for each major job type and level. These are useful for establishing consistent baseline expectations for similar roles, and they also help employees understand distinctions between levels and what it takes to be move forward in their careers.

Identify Meaningful Performance Measures. Although ratings add little to decision-making, knowledge of results and effectiveness is essential for directing work effort. This requires ongoing assessment of performance against a standard to identify gaps and make course corrections. Rather than having an elaborate year-end performance rating process, managers need to identify job-relevant methods for assessing performance in real time (e.g., customer feedback). Once established, these do not change frequently, but they should be examined periodically to ensure their meaning and relevance.

Conduct Career Conversations. There is value in pulling up once or twice a year to discuss larger career aspirations and opportunities within the organization, including an individual's goals, new skills or experiences that are needed to achieve these, and ideas for acquiring them.

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Step 3. Motivate Change

Four Key PM Behaviors

Inspire: Link work to the organization's mission and its success.

Adapt: Set shorter term goals and expectations that flex with changing situations.

Align: Provide and receive regular, informal feedback to praise and course correct in real time.

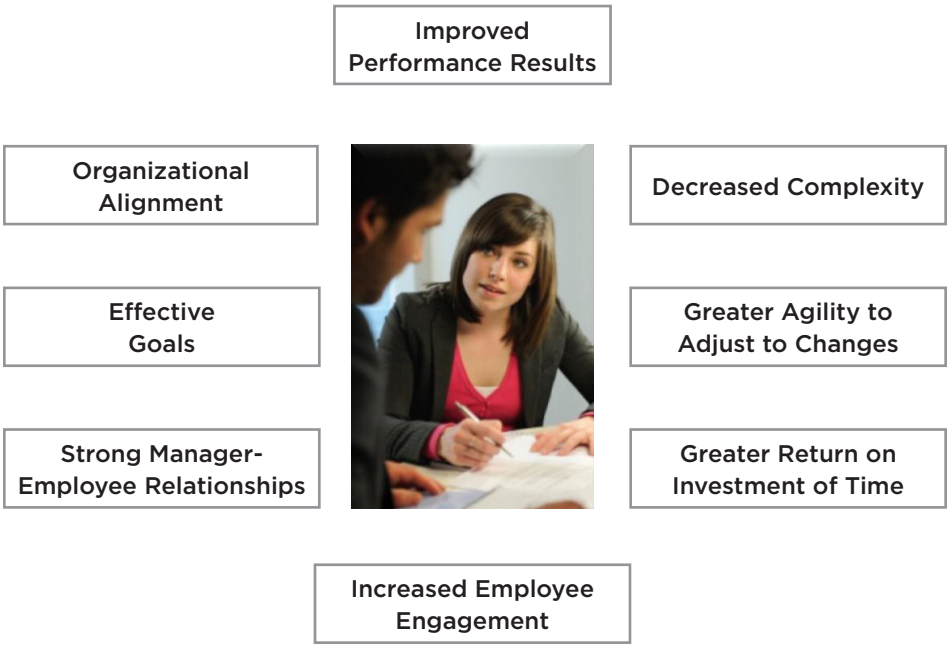
Grow: Develop as part of daily work by leveraging work experiences and others' expertise.

The promise of performance management can only be realized if there is a shared mindset about what effective PM is. Three points are key:

- It is ongoing day-to-day behaviors that lead to performance and engagement, not the formal PM system steps and process.
- While managers play a critical role, day-to-day performance involves more than managers, and effective PM behavior needs to be extended to all colleagues in one's work network.
- Four critical PM behaviors—Inspire, Adapt, Align, and Grow—are foundational for high performance.

An important aspect of motivating change is communicating the "WIIFM" (what's in it for me). This wins over individual hearts and minds, creating the motivation, ownership, and positive affect that are required for behavior change. PM behaviors can also be directed to cultivate a culture in which employees are genuinely valued and motivated, which helps maximize engagement and performance.

Cargill Example: WIIFM—"What's in it for me?



How I Fit and Why I Matter

As part of Inspire, it is critical for managers to make sure each and every employee feels valued by understanding where they fit, how their work is important, and why they matter, irrespective of how geographically distant they may be from the central business or how peripheral their work may be to core operations. This instills in employees a sense of purpose and is foundational for trust, open-communication, engagement, and high performance.

Inspire—Link work to the organization's mission and its success. An important function of PM is to align the activities of employees with the organization's mission and objectives. The best way to achieve this is through routine conversations from which employees come to understand the organization's mission, environment, and factors that impact their daily work. Understanding the big picture and how the organization gets things done equips employees to make decisions and course correct in alignment with the organization's goals and realities. This not only empowers employees to perform more effectively but provides meaningful connections between individual work and the organization's greater purpose.

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Managers need to be able to describe in straightforward terms how the business operates, what keeps the lights on, and the organization's unique approaches to sustaining operations. They need to help employees identify opportunities for broader impact and contextualize decisions to help employees navigate increasingly complex roles. Employees have responsibility for understanding the organization's business and how their work fits in. Employees should be able to describe how they contribute to the larger organization's mission and ask questions if needed to clarify this.

Adapt—Set shorter term goals and expectations that flex with changing situations. Communicating expectations is a core tenet of effective PM. Many organizations have over-engineered this process to the point that it requires significant investment but yields few actionable outcomes. Setting SMART objectives annually, for example, ignores the dynamic and ever-changing nature of work.[14 15 16]

Rather than set goals once per year, research has shown that it is more effective to set ongoing expectations as needed and link feedback to these.[17] This benefits managers because it helps to ensure employees have a better grasp of what to do, making it more likely that work will be done right the first time and require less rework. It benefits employees because it helps them understand what they need to do and how their success will be measured. Different types of expectations may be set that focus on project or task results, behavioral expectations, or bottom line results. The type(s) of expectations that make the most sense will vary by circumstance and type of work.[18]

Align—Provide and receive regular, informal feedback to praise and course correct in real time. Closely aligned to clear expectations is receiving clear and direct feedback in real time, rather than once or twice a year in formal review sessions. Informal feedback includes praise and recognition, which are underutilized. Often taught is the situation-action-impact model in which we are trained to convey exactly what the person did (behaviorally) and its impact on others. This model may be useful for formal constructive conversations to address consistently poor performance. However, the vast majority of constructive feedback opportunities are "teachable moments," when a misunderstanding occurs, something did not go as planned, or there is a problem to solve. These are naturally occurring feedback opportunities inherent in work that can result in such things as edits to documents, problem-solving sessions, or post-mortems on what could be done differently next time. This type of informal feedback is sometimes not recognized as feedback, but it is usually the most meaningful feedback one gets in a work context.

There has been less attention devoted to informal than formal feedback and hence, we have fewer informal feedback models. However, recent research provides some important insights for how informal feedback should be provided and also raises questions about the efficacy of our formal feedback models, as well. Pink, for example, proposed that people engage by getting there on their own, through trial and error experiences.[19] This suggests that feedback focused on "telling" people exactly what they did wrong and need to do better will not be as effective as helping them discover this on their own. Coaching behaviors that ask the right questions and modeling behaviors employees can replicate are likely to be more productive than traditional "tell me" feedback approaches. Also supporting these notions is neuroscience research that shows people shut down in response to negative feedback. However, they react very differently to more positive coaching behaviors on both a cognitive and emotional level. Coaching behaviors also stimulate different parts of the nervous system than discussing what an employee did wrong or needs to improve.[20] Providing informal feedback benefits managers by improving employee skills and enabling them to produce higher quality work with less input from the manager. Feedback benefits employees by enabling them to develop skills and be more autonomous, which is key to motivation and job satisfaction.

Types of Expectations

Objective Metrics

- Best for jobs with readily measureable outcomes (e.g., sales, production quotas).
- Best when this enables measuring what matters versus what can be measured objectively.

Behavioral Standards

- Can be used for all jobs.
- Most relevant for knowledge work (e.g., critical thinking; communicate clearly).

Task or Project Results

- Best for dynamic and unpredictable jobs with defined outcomes.
- Closest to SMART objectives (e.g., complete task "XYZ" by Tuesday).

Using a coaching approach in which managers demonstrate effective listening skills, ask the right questions, and make employees feel valued and part of something important (e.g., "how I fit and why I matter") is more engaging for employees than providing the traditional feedback that tends to focus on weaknesses and "development opportunities."

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Grow—Develop as part of daily work by leveraging work experiences and others' expertise. Employee growth is the shared responsibility of every employee and manager. Managers need to demonstrate a credible commitment to employee development and understand each employee's capabilities and aspirations. This responsibility includes identifying what capabilities the employee needs for the future and providing developmental experiences to enhance these capabilities on-the-job, where most development occurs.

Employee responsibilities in the growth process include honestly evaluating their own capabilities, initiating conversations with their managers and others about their career aspirations, and looking for opportunities to take on new experiences and responsibilities. Developing employees through experience serves managers because employees become more capable and can take on more responsibility, freeing up the manager's time. Development serves employees because it strengthens their mastery and accomplishment, helping to position them for future opportunities.

Cargill Example: Everyday PM Mindset

Everyday Performance Management is a new mindset, built on a few foundational principles:

- Effective PM is an ongoing process, not an annual meeting and a form to complete.
- Day-to-day activities and practices predict the PM quality, rather than forms and scales.
- Employee-manager relationships are at the heart of effective PM.
- PM systems need to be flexible to address different business needs.

To reinforce this new mindset, performance management has to be wrapped in the daily work—not be a separate process marked by semi-annual or annual events and requirements.

- Accordingly, the new approach and system focus on engaging in ongoing, effective conversations and de-emphasize and simplify administrative requirements.
- Ongoing employee-manager discussions are the mechanism to set and align expectations, build trust, seek and provide feedback and coaching, and develop and engage employees.

The specific process to motivate change needs to be customized to each organization's maturity and needs. However, it typically entails meetings, briefings, or webinars that (1) lay the foundation for change, (2) introduce the four behaviors that matter most, and (3) prime learning by showing how the change will benefit managers and employees.

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Cargill Example: Planning for Sustainable Change

The success of Everyday PM depends on the acceptance and adoption of the new performance management mindset and behaviors by employees and managers.

- The changes in mindset and behaviors will not happen overnight.

Cargill recognized that it would take several PM cycles and sustained focus on continuous improvement to realize improved individual and organizational performance.

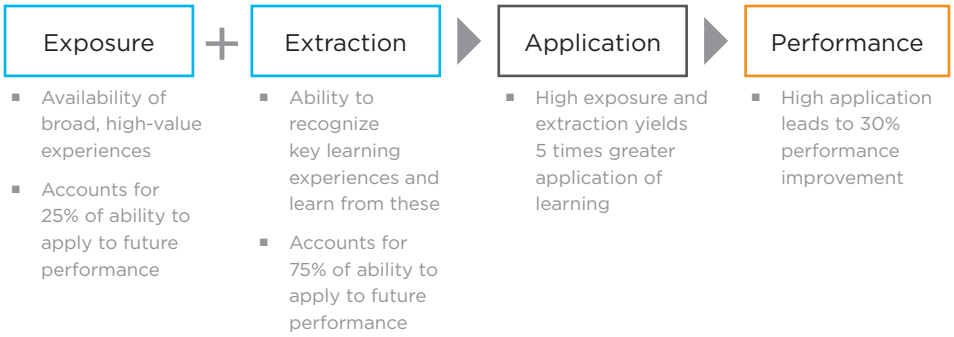
Discussions with Cargill leaders and change experts led to the recognition of the following key enablers of successful and sustainable change:

- Messaging: a vehicle for communicating and reinforcing a shared PM mindset.
- Modeling: of effective day-to-day performance management practices from senior leaders and recognizing effective managers.
- Accountability: business leaders hold their people managers accountable for practicing everyday PM and building the required skills/capabilities.
- Capability: investing in strengthening performance management-related capabilities, including building trust, effective two-way communication, delivering feedback, and coaching.

Step 4. Embed Change

The strategy used to embed change is an experiential on-the-job learning intervention. We chose this approach over other learning methods that occur outside of work because the latter were shown to be less effective for complex behavior change than in-work learning. The intervention was specifically designed to overcome barriers to effective on-the-job learning,[21] which include: people not knowing know how to (1) approach, structure, or learn through experience; (2) make learning intentional; and (3) practice the right things and extract learning from experience. Both managers and employees also lack the time and expertise to effectively structure on-the-job learning to gain value from it.

CEB's Corporate Leadership Council's Model of Effective On-the-Job Experiential Learning



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Experiential Learning Content Model

Intentionality

- Planning before the exercise
  - What do I want to learn?
  - How will it help the business?
  - How will it help my career?
  - How will I measure success?

Support Networks

- Identify relevant learning partners from network—managers, peers, reports

Deliberate Practice and Feedback

- Iteration is key
- Can be used for all jobs
- Structured practice
- Obtaining feedback
- Reflection and repetition

Reflection

- Questions throughout and at the end to drive reflection
  - What did I learn from this experience?
  - How will I apply that to future performance?
  - Am I seeing cues of successful learning?

We thus developed PM learning content that provided purpose, structure, and guidance in how to learn from experience, what and how to practice, and how to extract learning. Research has shown the importance of providing structure for effective experiential learning.[22] In our approach, we leveraged experiences readily available in day-to-day work by identifying routine activities that could serve to teach new and more effective habits related to the desired PM behaviors. We identified component behaviors that comprise the four PM behaviors. Some were manager-only (e.g., managing performance problems), some were employee-only (e.g., receiving feedback effectively), and others applied to both. For each behavior, we summarized key information learners would need to know to execute the activity well and succinctly presented it in the form of "How To" guides, tips, and short videos to model effective behavior.

To hard-wire new PM behaviors, we incorporated deliberate practice[23] and iterative experiences that build upon one another and led to step-by-step adaptation of new behavior. We included points at which the learner should seek feedback from others and reflect using provided questions. Finally, we developed criteria to cue learners about outcomes that indicate effective learning and behavioral adaptation. The criteria were targeted to the point at which the behaviors could be performed successfully and fairly automatically, without significant cognitive or emotional strain.[24]

Packaging the experiential learning content in an automated tool enables efficient, scalable implementation. Learners and learning partners together engage in the learning activities by leveraging on-the-job opportunities to practice and hone their PM behavior. Learning partners are peers, managers, direct reports, or even customers who commit to supporting one or more learners. Two employees can serve as mutual learning partners, or small groups can be formed to learn together. While social learning strategies (e.g., discussion groups, communities of practice) can add value, learning partners play a more powerful role by committing to practice the target behaviors with learners and provide feedback. Thus, a learning partner might share how she/he felt while the learner was providing feedback or the extent to which expectations set by the learner were clear. Learning partners thus accelerate the organization's ability to weave effective new behaviors into daily work. This occurs because implementing the learning partner concept further focuses and engages the workforce in the change effort, which facilitates hard-wiring of the new PM behaviors.

The reason why on-the-job experiential learning is more effective than other learning methods for driving complex behavior change is because work tasks inherently contain several critical and strong learning drivers,[25] as follows.

- Work tasks capture learners' attention and have built-in relevance and ownership, all of which are important to hard-wired learning.
- When learners apply new concepts to real work, they discover how these play out across different people and situations and can adjust application accordingly. This provides contextualization, personalization, and varied learning experiences that are essential for deep learning.
- Naturally occurring work provides spaced practice, which is important to solidify learning.
- Transforming one's network of colleagues into learning partners drives important social elements: learning generation by participants, connectedness, and opportunities for feedback as skills are honed.

Along with experiential learning, several other techniques can help bolster PM behavior change. For example, pulse surveys assess progress on the PM behaviors and success stories reinforce change. Cargill used quarterly communications to identify the 'most engaging' managers from their engagement survey. These individuals are interviewed and their experiences and tips (e.g., success stories) are publically featured. Cargill has also linked employee engagement and PM in all relevant communications—making explicit that Everyday PM is a way to motivate and engage employees and that this is the path to high performance, which reinforces the WIIFM.

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Step 5. Evaluate

Evaluation and feedback are important components that are critical to embedding effective PM into the organization's culture. Evaluation data regarding attitudes toward PM, perceptions of value, and the presence of key PM behaviors are important to monitor over time. It is also important to monitor impact on business metrics such as profit, retention, and others that are of interest to the organization. Example results from Cargill's most recent evaluation are extremely positive and provide promising support for the PM reform intervention proposed here.

Summary and Conclusion

This paper proposes a strategy for PM reform that incorporates fundamental changes in how we design and execute PM by streamlining our formal PM processes and redirecting attention to critical day-to-day PM behaviors. To provide a more concrete view of how this transformation can be accomplished, we provided examples from Cargill's PM reform journey implementing their "Everyday PM" process. The new overall approach to PM described here has shown promising results, at Cargill and elsewhere, especially with respect to engagement related factors, such as satisfaction with the quality and frequency feedback, and perceptions about the value of PM. While longer-term studies are needed to evaluate ROI, prior research has established strong linkages between the focal PM behaviors and performance outcomes.

Cargill Evaluation Example: What Managers and Employees Are Saying

- "The simplified process made things much easier so we could spend more time on the things that mattered."
- "I am having more candid discussions during the year, focusing on accomplishments and future plans."
- "The change evoked good discussion throughout the course of the year and allowed for adjustments to enhance performance. This made the year end discussion more relaxed with no surprises."
- "This process has given me more time to spend talking with my people rather than do paperwork."
- "Performance discussions are more focused on my performance and the growth of our business than on completing a task and checking the boxes."
- "The discussions made me more engaged and feel like what I do matters."
- "Removing ratings allowed for more open dialogue about areas that need to be addressed without being under the gun to meet a rating."
- "Took the unnecessary focus off of the ratings discussion and allowed more focus on those things that would truly result in success. Instead of working toward meeting a performance rating, I now work toward continual improvement with flexible goals that may change over the year, allowing me to demonstrate achievement more often and more effectively."
- "There was more focus on content, business outcomes and observations. Ratings tend to be subjective and often serve only to reinforce the boss-subordinate relationship. I was energized by the discussion this year."

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While the core PM behaviors here are not new, recent research suggests that our ideas about what constitutes effective execution of them may be misinformed. For example, behavioral feedback models that train managers to describe what the employee did ineffectively and needs to improve are unlikely to be effective in many feedback situations, most of which are teachable moments. For these situations, coaching skills are likely to be more effective than "tell me" models in driving both engagement and performance. We additionally pointed out the importance of connecting people to work and clarifying their purpose and importance to drive engagement. We also provided a new framing of goal-setting that enables better customization to match the work. And finally, we suggested a stronger emphasis on leveraging work itself for employee development. Thus, we are proposing redefinition of what several of the target PM behaviors mean and redirection of them in ways that are more likely to increase engagement and performance.

The changes in mindset and behavior that are needed for PM reform are not trivial and will not happen overnight. In fact, multiple PM cycles may be needed to realize improved individual and organizational performance. However, once the right PM behaviors are solidified, they become self-perpetuating because done right, they give people what they want from work. Success relies on:

- A holistic approach that considers how PM fits into the larger talent management landscape and aligning change with this bigger picture;
- Treating PM reform as a change effort; and
- Driving complex behavior change throughout the organization.

Driving complex behavior change is the most difficult. It requires managers and employees to form very deep associations that hard-wire new PM behaviors, so these become habitual. To achieve this outcome, it is necessary to go beyond discrete training events that sit outside of work tasks and instead leverage the work itself for learning, with its embedded, strong learning drivers.

While there are many types of on-the-job experiential learning,[26] being able to drive large-scale PM behavior change from a practical perspective requires scalable models. We offered one such approach here that builds purpose, structure, and direction into on-the-job learning of PM behavior by focusing learners on what to deliberately practice as part of their ongoing work, how to practice, how to extract learning from these experiences, and what indicators signal learning effectiveness. While we have focused on PM reform, the proposed experiential learning techniques are applicable to any behavior change effort. Given the significant resources organizations invest in formal training, with very little evidence of ROI, the present on-the-job experiential learning model also holds significant promise for individual contributor, leader, and high potential development.

With respect to the focal topic of PM reform, however, we believe we should stop reinventing and overinvesting in our formal PM systems. Instead, these should be streamlined to the extent possible, and the substantial time and resources invested in them redirected to more productive work. There is no best way to streamline current PM systems and there are no specific PM components that should always be retained or eliminated. These decisions need to be made on a case-by-case basis, and they will depend on how PM system information is currently used, its value, and the specific strategy, PM goals, and needs of the given organization.

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