

Management and Performance Associates: January – February 2018

The death of the performance appraisal system?



So far in 2018, at least in the northern hemisphere, workers have battled many winter storms to get to the office and by now they're in full swing working toward their annual goals. Meanwhile, in the southern hemisphere summer vacations are almost over, and many countries have also finished their Carnival celebrations. So now it's time to get back to work for them.

Globally, most companies use the calendar year for their fiscal year. Therefore millions of employees are already working toward achieving their 2018 goals. So now is the time to ask: Are they clear about what they're supposed to be achieving? Are they aligned with their managers' and their company's expectations?

At the beginning of the year, the initial conversation between a manager and his/her team is critical in terms of establishing priorities for the next 12 months—not just in financial terms but also in terms of expected behaviors. That conversation has always been important, and nowadays it becomes even more critical because some large global companies are abandoning their performance appraisal system.

Here are some recommendations that will help you manage the performance cycle.

Focus on the conversations, not the forms

Regardless of whether your company has a formal appraisal system or not, managers and their teams still need to sit down – constantly – and ensure alignment of expectations. Every task, as menial as it may seem, needs to be aligned with contributions to the overall strategy of the company and its goals. Employees will then become engaged because they understand how the tasks they are performing contribute to the company's strategy. This should not be only one conversation at the beginning of the cycle. They need to happen constantly, as the environment and expectations change.

Focus on the future, not the past

In a VUCA (*) environment - Volatile, Uncertain, Complex and Ambiguous - companies need agility to deal with changes. Yearly goals may not make sense anymore. The "Agile Manifesto," created by software developers in 2001, outlined several key values—for instance, they favored "responding to change over following a plan." We are not advocating the death of plans altogether, but the main focus should be on being alert to external environment requirements and acting accordingly, regardless of the goals set for the year.

Have more flexible goals

Even if your company is abandoning the annual performance appraisal, goals still need to be set. What changes is that goals traditionally were set for the calendar year. Now, as jobs become more complex due to external demands, goals need to be set for much shorter terms, perhaps depending on the length of specific projects.

Give informal, frequent & brief feedback

Although this has always been our recommendation, many managers only provided feedback to their teams when "forced" by HR, once or twice a year, depending on the performance appraisal policy. A change in mindset is needed, so

that managers don't need a specific time of the year or a form to provide feedback.

Observe your team members; provide informal, frequent and brief feedback to them. How are they demonstrating agility in relation to change that is happening all around them? Are they noticing those changes? Anticipating them? Performing accordingly?

Change the way you reward employees

Instead of yearly bonuses and salary increases, consider smaller (and more frequent) performance bonuses; say at the end of specific projects. Consider a small performance bonus on the spot for an employee that obtained a client account you have been pursuing for years. Or an employee that devised a new system that increases productivity and reduces cost. Finally, remember that performance does not mean only achieving expected numbers. More than ever, considering "soft" competencies to determine outstanding performance is critical. Dealing with ambiguities, agility, adapting to and initiating change, working in teams and leading people are the competencies that differentiate between average and outstanding performers.

MAPA Consulting can help you and your team to develop these competencies.

See you next time. As always, we welcome your feedback.

- Please visit our website and check our Nov-Dec 2016 and Jan-Feb 2017 newsletters to read more about VUCA