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EXECUTIVE SUMMARY: WE’VE GOT A HUNCH... 

Performance Management (PM) is a topic at the forefront of discussions among business leaders and human resource professionals today. While it is universally recognized that the intent of PM (to drive organizational performance and support individual development) is a necessary and worthy cause, many question the value actually achieved through PM programs today. Some believe that traditional PM approaches result in negative or counter-productive outcomes rather than the positive ones which were sought when the program was designed and implemented.

Many factors influence the disparity of views regarding PM, including globalization, changing workforce expectations, new technologies, and recent research on motivation and reward theories that challenge several of the foundational human behavior assumptions that PM programs have been built upon.

As with so many aspects of business, there is no clear “one-size-fits-all” solution to achieve the desired outcomes of PM. Proposed strategies tend to fall into two categories: “fix what’s broken” or “abandon the old and start new.” Strong arguments can be made for applying either approach, and what is right for one organization may not make sense for another; much depends on an organization’s maturity, desired outcomes, culture, leadership style and organizational mission.

For all organizations, it is imperative that leaders engage in thoughtful conversations around the concerns raised about traditional PM, ask critical questions and gain alignment in their assumptions and direction as they design/re-design their PM programs to best fit their organizations.
INTRODUCTION

Performance Management (PM) is currently a hot topic among business leaders and human resource professionals. In fact, over the last several years, PM has become a rather controversial subject. While it is universally recognized that the intent of Performance Management, to drive organizational performance and support individual development, is a necessary and worthy cause, there are many voices challenging the value being delivered by most PM programs today. The more ardent critics go so far as to say that traditional approaches to PM destroy trust between management and employees and do little to advance the development of the targeted employee groups.

Conversations have been ignited and many forward-thinking entities are currently questioning the future role and format of Performance Management. More complexity is added to the PM debate by the recognition that the working world has experienced significant changes driven by globalization and shifts in the expectations and demographics of today’s workforce. Additionally, new technologies have been introduced that were not available during the design of most currently operating Performance Management programs. Lastly, new research (most notably on motivation and rewards) have debunked several of the common foundational assumptions of performance programs. All of these factors have raised questions about the role of Performance Management in engaging employees, as well as the role technology should play in overcoming many of the known weaknesses of today’s common performance program designs.

While currently there is no clear trend or path for redesigning performance programs, much has been published on proposed changes and recommended solutions. What is clear is that the conversations have been ignited and many forward-thinking entities are currently questioning the future role and format of Performance Management within their organizations.

This paper provides a short overview of conventional Performance Management programs highlighting common approaches and tools, a snapshot of how most organizations are reporting their satisfaction with their performance programs, and a summary of known challenges and weaknesses of traditional programs. Finally, recent thinking on alternatives to the traditional PM approach is discussed.
According to SHRM (the Society for Human Resource Management), "performance management is the organized method of monitoring results of work activities, collecting and evaluating performance to determine achievement of goals, and using performance information to make decisions, allocate resources and communicate whether objectives are met."

1. Employee’s individual work performance, behaviors, or traits are rated and described by someone other than the employee.
2. Such ratings and descriptions relate to a specific time period.
3. The process is systematically applied to all employees or a class of employees.
4. The process is either mandatory or induced by an extrinsic incentive as opposed to being voluntary or elective.
5. The results of ratings or documentation are kept preserved by someone in the organization other than the employee.

While this definition describes the majority of performance processes operating in today’s organizations, most leaders acknowledge that the intent or reasons for executing such programs is far more holistic.
The common goals can be grouped into three primary categories below:

### Primary Goals of PM Programs

<table>
<thead>
<tr>
<th>Drive Organizational Performance</th>
<th>Develop People</th>
<th>Ensure Equity</th>
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<tr>
<td>Communicate organizations’/teams’ aspirations</td>
<td>Provide employee coaching and mentoring</td>
<td>Evaluate employee performance and as such:</td>
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<tr>
<td>Create aligned goals</td>
<td>Identify future leaders and managers</td>
<td>o Equitably tie pay to performance</td>
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<td>Create a high-performance culture</td>
<td>Enhance retention of top performers</td>
<td>o Fairly evaluate people for promotion</td>
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<tr>
<td>Evaluate organizational performance</td>
<td>Define development / learning plans</td>
<td>o Fairly evaluate people for position</td>
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</table>

**Top business driver?**

Sibson Consulting’s 2010 survey of 750 HR professionals reported that the number one goal is: “…differentiated distribution of rewards based on individual performance.”

In Bersin’s 2008 study of 700 HR leaders, the top goal was: “to create a high performance culture,” with “equitable compensation” a close second.

**THE EVOLUTION OF PERFORMANCE PROGRAMS**

Despite the long history, many of the roots of today’s performance programs were founded in the 1950s post-World War II era when bureaucracies were seeking the means to align thinking across the layers of their organizations and drive behavior standards. In the late 1950s, Management-by-Objectives (MBO) emerged as an approach, and Performance Management largely became a scorecard of an individual’s accomplishments.

*Today’s performance appraisals are a ubiquitous management tool with studies reporting worldwide usage rates 90 percent or higher. US companies are currently reporting an adoption rate of 97.2% in some form of performance appraisal. (Wharton, 2011)*
Fundamentally, this approach has held for over 30 years; although it has been more widely challenged since the 1980s with the introduction of Total Quality Management (TQM) and other management approaches that focus on the role of the system versus the individual in the performance equation. Despite the questions raised, the roots of MBO remain a key element of most performance programs today.

In recent years, the fundamental design of performance programs has evolved in order to support the increased focus on the first two outcomes noted above – **drive organizational performance** and **develop people**. As such, goal setting today has a greater focus on linking individual goals to company or team goals, behavior-based appraisals have become a returning interest, and more features have been added to enhance the career development aspect for targeted employees. These design elements are in various stages of adoption within most organizations. Bersin & Associates (2008) tracks these advancements and provide us a snapshot of performance management design maturity in the above image.
PERFORMANCE MANAGEMENT: IS IT WORKING?

As noted in the introduction, Performance Management has become a highly-debated topic in the recent years. After reviewing the statistics, it is clear that over the past 10+ years, organizations have heavily invested in their methods and approaches to Performance Management in an attempt to improve the employee experience and to expand team performance. The most notable advancements include:

- greater employee engagement in the processes
- a shift to more development-driven philosophies
- a rise in the inclusion of peer feedback
- increased frequency of calibration meetings
- new technology and process enhancements

Yet, despite the investment of time, energy and capital, there is little evidence that supports Performance Management’s success in achieving the fundamental benefits it set out to deliver. In fact, we are unable to find any notable data that proves a direct linkage to business outcomes.¹

Other related attributes such as employee engagement, understanding of organizational strategies and objectives, and clarity of career success criteria, are certainly proven to increase organizational performance, but those factors may or may not be enhanced by an organization’s Performance Management process. Clearly improving those factors is the intent of Performance Management, but the traditional methods, despite their longevity of application, have mixed results at best in delivering against those expectations.

The 2006 Performance Management Survey, which collected data from 1,031 respondents, found that when respondents were asked if their Performance Management process was seen as contributing to individual performance:

- 8% said that their process contributes in a significant way and few improvements are required in the future
- 45% said that their PM process contributes, but more improvements are required

¹ The available data is summarized in the table on the following pages. This data was derived primarily from surveying participants in PM programs, namely HR Professionals, managers, and employees.
Nearly half (47%) are not sure if their PM process makes any contribution at all. The more recent 2010 Sibson Consulting study, which surveyed only HR professionals, found that even the HR executives, a group known for their advocacy of Performance Management, gave their processes a low score with 58% of those surveyed grading their PM programs at a “C” or below. Only 43% said their PM system was effective.

Finally, if the process is intended to be for the people as much as it is for the organization, then why is Performance Management almost universally viewed by participants as a “necessary evil”? The list above summarizes Bersin’s findings on the key employee frustrations related to Performance Management.

To further explore the question, “Is it working?,” we return to the three core PM objectives introduced above. In reviewing the available data, we find that the results are moderate at best.

### Drive Organizational Performance

- 46% of survey responses disagreed with the statement “performance management helps managers make strategic operational decisions.” (Sibson, 2010)
- Only 47% of Sibson’s respondents indicated that performance management helped the organization reach its strategic goals.
- Hewitt 2010 survey responses found that only 15% of employees’ goals were “very aligned.” This number was unchanged from the survey conducted 5 years earlier.
- The Corporate Executive Board research, published in their 2010 summary on Confronting Six Enemies of Post-Rcession Performance, found that only 21% of employees were fully productive, the rest were “not fully mobilized against the right goals.”
Develop People

- 63% of HR professionals noted that managers lack the courage to address performance issues. (Sibson, 2010)

- The most common complaint is the quality of the feedback and coaching provided. In every study, it was noted that managers receive low scores on their feedback and coaching skills.

Ensure Equity

- Only 30% of employees trust the performance management process. (Sibson, 2010)

- Only 38% of employees think their leaders have their sincere interest in their well-being. (Towers Watson Global Workforce Study, 2010)

- Multiple types of rating bias have been proven to drive inequities.

- 32% of managers reported they do not clearly understand the role between pay and performance in their organizations. (Bersin, 2008)

- 35% of employees and managers do not feel the process is implemented consistently. (Bersin, 2008)
There are a growing number of thought leaders speaking out against the traditional approach to Performance Management. The most prolific critics include:

- **Samuel Culbert**, professor UCLA’s Anderson School of Management.
- **Tom Coens**, Employment and Labor Lawyer, previously served for ten years with the US Department of Labor and has also taught graduate courses at Michigan State, Loyola, DePaul and Aurora Universities.
- **Mary Jenkins**, private consultant, 18 years with General Motors in HR, has taught graduate courses at School of Labor and Industrial Relations at Michigan State University.
- **Alfie Kohn**, author of *Punished by Rewards: The Trouble with Gold Stars, Incentive Plans, A’s, Praise, and Other Bribes* (1993). Described in *Time* magazine as "perhaps the country’s most outspoken critic of education’s fixation on grades [and] test scores." His criticisms of competition and rewards have helped to shape the thinking of educators, as well as parents and managers, across the country and abroad.
- **Peter Cappelli**, head of Wharton’s Center for Human Resources.
- **Daniel Debow**, CEO of Rypple, Toronto-based social software company that creates products designed to help people share real-time feedback and provide coaching.
- **Jeffrey Pfeffer**, professor at Stanford University’s Grad School of Business.
- **Daniel Pink**, author of four books about the changing world of work — including the *New York Times* bestsellers, *A Whole New Mind* and his latest: *Drive: The Surprising Truth About What Motivates Us*, which uses 50 years of behavioral science to overturn the conventional wisdom about human motivation and offer a more effective path to high performance.
- **Marcus Buckingham**, internationally renowned consultant in his field, a sought-after speaker, and a *New York Times* bestselling author. Challenging accepted and entrenched social theory, Buckingham pioneered a revolutionary concept—that people will be dramatically more effective, successful, and fulfilled when they play to their strongest skills rather than attempting to improve their weaknesses. He calls his research-based technique the “strengths revolution,” and his work has been proven again and again in boardrooms, seminars, and in the lives of individuals around the world.
The criticisms of the conventional approach, which is so widely in use today, can largely be summarized by the following headlines:

1. Traditional performance management impedes the reception of feedback and limits honest dialogue.
2. There is no solid evidence that the process motivates people or leads to improved performance.
3. Performance appraisals seek the negative, rather than focusing on strengths.
4. The process is focused on the individual, rather than the system or organization.
5. The activity of comparing people erodes attempts to create a collaborative culture.
6. Fairness and standardization in ratings or the judgment of performance cannot be achieved.
7. The output of the process is unreliable for making talent decisions.

Below we highlight a few of the underlying arguments that support these eight criticisms of conventional Performance Management. The critics’ arguments and evidence cover far more territory than we are capable of presenting here.

1 | TRADITIONAL MODELS IMPED FEEDBACK AND LIMIT HONEST DIALOGUE.

Because the outcome of a traditional performance review (the performance discussion between a manager and an employee) is used to influence or drive decisions regarding that employee’s advancement and compensation, the meeting simply cannot be an open and honest discussion on the part of the employee or the manager. Employees will resist acknowledging a perceived weakness if it will be thrown back at them in a performance review and live in the file forever. Samuel Culbert notes “the conversation between the boss and subordinate is forced into a box that undermines straight-talk interactions and colors every conversation between the two of them for the next 364 days.”

Perhaps more concerning, the “set-up” puts the control in the hands of the manager and reinforces a message of dominance. In an era where companies are working to empower
their employees, this message is counterproductive. Coens and Jenkins (2002) say the successful transformation of a culture to one of autonomy and empowerment “will come only when the employee takes on a new view of herself, accepting that she is an adult who is responsible for her own growth, development, and self-worth.”

2 | THERE IS NO SOLID EVIDENCE THE PROCESS MOTIVATES PEOPLE.

“It seems quite probable, as we continue to question our current practices, that most systems of performance appraisal … will be unmasked as detrimental to human spirit.” – Dick Richards, Artful Work

“There’s a huge disconnect between “what science knows and what companies do.” – Daniel Pink, Drive

“Modern management has stolen and smothered intrinsic motivation and dignity. It has removed joy in work and learning. We must give back to people intrinsic motivation, for innovation, for improvement, for joy in work, for joy in learning. The need is to make a person only responsible to him / herself.” – Henry Neave

As we noted above, there is scant evidence that connects employee morale or improved engagement levels to Performance Management. If there was a clear connection, then logically we would see an increase in employee morale correlated with the expanded usage of conventional Performance Management, but we have not.

It is also frequently noted that conventional designs are based on theories of motivation that have been largely disproved over the past 20 years. The belief that people need to be extrinsically rewarded to be motivated has been soundly disproved and the research is extensively covered in Daniel Pink’s 2009 popular book Drive. Also, traditional PM models assume that managed / supervised workers will be more driven and thus more likely to outperform self-managed teams. The research however points to the contrary with overwhelming data supporting self-management as the higher-performing model.

Further, as organizations have increased the usage of ratings and rating distribution techniques, the critics believe this has had the opposite effect of that which was sought in terms of motivation. In short, at any time, 80% of people believe they are operating in the top quartile compared to their peers. As such, nearly any rating system is more likely to disappoint a majority of employees, far more than it will be to engage them.

Lastly, the rigor and focus that has been added to many of the PM processes in the last 10 years has resulted in dehumanizing of the process which can lead to disengaging employees further.
3 | PERFORMANCE APPRAISALS SEEK THE NEGATIVE.

Marcus Buckingham has conducted extensive research on performance and the connection to doing work as it relates to an individual’s strengths. In reviewing the Gallup 12 survey results, he has identified a performance correlation to the responses of the question: “At work, do you have the chance to do what you do best every day?”

Teams that say “yes” have demonstrated notable lower levels of turnover and higher productivity. Yet, he has found that only a mere 20% actually do answer “yes” to this question when asked. Further, he’s found that only 25% of employees indicate that their supervisors discuss their strengths in performance conversations.

Despite the research, today few Performance Management programs are structured to focus on the strengths of those being reviewed.

The inherent nature of traditional performance management is the tendency to look for what is not working or to stress the weaknesses of the employee. This is further exacerbated when a forced distribution method is applied. In the end, this negative tendency undermines the value of the performance discussion, places the reviewer in an uncomfortable position of needing to make a point, and leaves the reviewee feeling defensive.

4 | THE PROCESS IS FOCUSED ON THE INDIVIDUAL, RATHER THAN THE SYSTEM OR ORGANIZATION.

Performance Management is currently designed to focus on the individual and his/her performance within a specific time frame. There are two assumptions the critics call out as inherently flawed in this approach:

- **Assumption 1**: Improving the performance of each individual will drive an aggregate improvement on the organization.
- **Assumption 2**: Reviewers can discern the influence a situation has on an individual’s performance versus the conduct of the individual being reviewed.
These assumptions are challenged by system theorists who believe that the system has more influence than the individual on the performance of either the individual or the organization. Additionally, critics note these assumptions overlook the nature and value of group interaction. In short, they argue that an organization would gain greater benefit by focusing on improving the system rather than the individuals that make up that system. As Coens and Jenkins note, “If we cannot segregate the impact of the system or the situation in assessing an individual’s performance, we need a new theory.”

5 | FAIRNESS AND STANDARDIZATION IN RATINGS OR THE JUDGMENT OF PERFORMANCE CANNOT BE ACHIEVED.

While studies show that most organizations use rating scales in their Performance Management programs, there is growing concern over this practice. In fact, the documented case against ratings is the most consistent and impassioned outcry from the critics of traditional performance programs. We have attempted to summarize much of the fervor challenging the fairness of rating scales in the following concerns:

It is difficult to distinguish differences in performance with the exception of the exceptionally good or bad performers.

- The more diverse the job responsibilities the more difficult it is to rate or compare performance.

People will attempt to manipulate and distort ratings to get a predetermined result.

- Despite people wanting to rate fairly, raters unknowingly bring biases including:
  - Leniency – the tendency to give generous ratings.

“Objective performance review is an exercise in self-delusion, the fantasy created by bosses who are convinced that they can somehow rise above that biases that make us all humans.”
– Samuel Culbert
It makes no sense to talk of team- and partnership-oriented cultures, which our marketplace is now demanding, and still hold onto this artifact called performance appraisal. – Peter Block, June 2000

In addition to the concerns about accuracy of rating scales, there is a general feeling that they can also undermine the collaborative and team-oriented work environments which so many organizations are working hard to build or sustain. Alfie Kohn summarizes this concern well, noting: “First most competition creates anxiety of a type and level that typically interferes with performance. Second, those who believe they don’t have a chance of winning are discouraged from making an effort; having been given no reason to apply themselves except to defeat their peers, and convinced that they cannot do so, these people are almost by definition de-motivated.”

- **Severity** – the tendency to rate severely (findings have shown this is often influenced by their raters’ own rating experience).
- **Centering** – clustering most people at the middle.
- **Halo or Horn** - putting too much influence on a strength or weakness of the employee.
- **Recency** – also known as the “what have you done for me lately,” bias toward recent events.
- **Categorization or Stereotyping** – dividing people into “groups” based on personal experiences.
- **Favoritism** – biases based on liking or not liking someone.
- **Gender, Race** and/or **Age** biases.
This criticism is summed up well by a recent excerpt from The Employee Performance Blog (Feb 2011): “The traditional ‘Exceeds, Meets, Needs Improvement’ rating scale (and all its variations) places the reviewer in the position of ‘judge.’ Experience seems to show that people are biased when handing out ratings and tend to be more ‘nice’ than ‘accurate.’ This is reflected in the fact that when firms use these traditional rating scales, 90% (sometimes greater) end up in the Meets, Exceeds or Significantly Exceeds position (Smith, 2011). These biased and inaccurate ratings can paint a grossly inaccurate picture of the health of an organization’s talent pool.”

If fairness and standardization across the board simply cannot be achieved, then this issue is compounded in today’s rapidly evolving Integrated Talent Management World because most talent management systems now use these ratings as the basis for crucial decision making processes such as compensation management, succession planning, development plans, and most importantly – employee performance reporting. If the foundation of the results is rating scales, and the ratings are not well thought-out, standard, or fair, then the results also will fail to be accurate, well-thought out, or fair.

Pay-for-performance is a significant topic in its right, with many books and research pieces written on the subject. In short, the value of pay-for-performance programs is an on-going debate. One element that nearly everyone does agree with is that reward or bonus programs should not be based solely on an individual’s performance rating.

A recent study by the American Compensation Journal conceded from their review of the evidence that “financial incentives may not necessarily improve performance quality.” Other notable views on pay-for-performance include:

- As noted by Pink, Kohn, and others researchers – extrinsic motivators are a poor substitute for genuine interest in what one is doing.
• Pay in most organizations is largely set by market forces, versus an individual’s performance.
• Humans do not by nature hold back performance in wait for a reward.
• Money is not a motivator, but it is a powerful de-motivator. (Herzberg)

This section has clearly recognized the many voices calling for a change in the design and implementation of Performance Management programs. Many of those who are more outspoken have been heard over the last 10 to 15 years; however, we close this section with a 1986 quote from Deming as, it seems to summarize the many points-of-view presented above.

“(The annual review) nourishes short-term performance, annihilates long-term planning, builds fear, demolishes teamwork, nourishes rivalry and politics... It leaves people bitter, crushed, bruised, battered, desolate, despondent, dejected, feeling inferior, some even depressed, unfit for work for weeks after receipt of rating, unable to comprehend why they are inferior. It is unfair, as it ascribes to people in a group difference that may be caused totally by the system they work in.”

THE FUTURE OF PERFORMANCE MANAGEMENT: TRENDS AND MOVEMENTS

In reviewing the advice provided by today’s researchers and experts in the field, we find two approaches being put forward to address the recognized weaknesses of traditional Performance Management. The first camp we will call the “fix it” camp. The second group we will call the “abandon and rethink” camp. Below we highlight the core recommendations being put forward by the leading voices from each groups.

FIX IT:

Much has been published of late as to how to improve the results of the conventional Performance Management. While the advice is broad, three key themes emerge as the most consistent improvement recommendation areas:

1. Goal-Setting
   a. Improve the alignment of Organizational and Department Goals (cascading goals).
   b. Increase accountability for results in the goal setting process (measurable).
   c. Aim for greater focus with fewer goals.
d. Incorporate more team and/or organizational goals.

e. Apply multi-rater methods during assessment.

f. Emphasize goals with a stronger job relevance or linked to desired behaviors.

2. Feedback

   a. Increase frequency – build on-going feedback into the culture.

   b. Enable timely feedback.

   c. Improve the quality of the feedback and invest in the development of managers as coaches.

   d. Focus on development feedback.

3. Process and Content

   a. Clarify the process for all.

   b. Improve the workflow/leverage new technologies.

   c. Measure the effectiveness of the PM program – monitor and improve.

   d. Create comprehensive supporting content (e.g. competency definitions, career development materials, rating definitions, etc.).

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ABANDON AND RETHINK

This solution approach is based on two fundamental concepts:

1. To achieve the desired objectives of Performance Management, the activities must be “unbundled.” In other words, each of the desired outcomes (development, compensation, advancement, and organizational performance) should have their own treatment, and leaders need to stop trying to solve all needs with a one solution.

2. To create a new cultural model that would be described by words such as autonomy, empowerment, and agility, the fundamental assumptions that have driven the historical treatment of Performance Management need to be questioned and reconstructed.

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UNBUNDLING PERFORMANCE MANAGEMENT

The concept of unbundling Performance Management could be considered a “back to basics” approach. Begin the design process by clarifying intent and then seek the best means of delivering that intent. This approach requires the designers to agree to the principle that one solution or activity will not achieve all the intended results.

Coens and Jenkins (2002) provide a great summary of alternatives to the traditional functions of Performance Management. If we return to our three
desired outcomes of Performance Management, the recommendations are summarized as follows:

<table>
<thead>
<tr>
<th>Drive Organizational Performance</th>
<th>Increase the understanding and awareness of the organization’s strategic goals, applying a range of techniques from executive communications to team workshops.</th>
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<tbody>
<tr>
<td></td>
<td>Engage teams and departments in translating the organization’s goals into their own success criteria. This requires leaders to actively inspire and engage their teams in the organization’s mission and their role in achieving it. By defining a clear purpose, and a path to achieving it, leaders will motivate individuals in their organization to perform as a strong, collective team.</td>
</tr>
<tr>
<td>Develop People</td>
<td>Build a culture that shares, accepts, and encourages feedback. Create a culture that understands that professional growth is in the hands of each person who must be accountable for their own development.</td>
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<tr>
<td></td>
<td>Provide elective tools that enable feedback. The good news is that with the advance in technologies, these tools now exist (see Rypple at <a href="http://www.rypple.com">www.rypple.com</a>).</td>
</tr>
<tr>
<td></td>
<td>Clearly define skills, capabilities, and experiences needed to advance. When sought, provide career development support.</td>
</tr>
<tr>
<td>Ensure Equity</td>
<td>Ensure a fair and equitable compensation model based on market rates and recognition of skills and experiences.</td>
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<tr>
<td></td>
<td>Seek to take the focus away from, and not toward, extrinsic rewards.</td>
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<td></td>
<td>Consider team- or organization-based rewards for demonstrated performance.</td>
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In addition to this advice, Samuel Culbert recommends replacing the Performance Review with the **Performance Preview**. He defines the processes as follows:

1. Get rid of the performance review.

2. Create performance measures that are linked to desired corporate results and against which both the boss and subordinate will now be evaluated as a unit.

3. Get the big boss involved actively monitoring the boss / subordinate team.
4. Replace reviews with previews – an on-going dialogue between boss and subordinate, where each of them is responsible for asking the other: "What can I do to make us work together better and get the results we are both on the hook for?"
CONCLUSION

Most mature organizations have some form of Performance Management program in place today. While the core elements of the design and approach are similar across most programs, the nature of the detailed design and the execution vary significantly. Despite the broad use of PM, researchers have found no significant data that confirms that these programs are delivering the desired business value. Improvement in the satisfaction levels of PM programs have been noted when organizations expand the coaching skills of their managers, provide more content and transparency in support of career development, and improve the linkage between the goals of the organization, team, and individual. However, even with these investments, a majority of HR Professionals (the champions of Performance Management) give their PM programs a “C” grade.

Whether supporter or skeptic of traditional Performance Management, all involved in the discussion agree that the foundational aspirations to drive organizational performance, develop people and ensure equity are worthy pursuits. The divergence in opinion comes in how to best achieve these outcomes. There are those who recommend fixing the current model by investing in those attributes which currently generate the greatest dissatisfaction. Alternatively, the contrarians believe that the fundamental assumptions of conventional Performance Management are inherently flawed. They argue that to truly deliver the desired outcomes, we must decouple the core functions of Performance Management and build new approaches to engage and grow people and improve the performance of the combined organizational team.

As an organizational leader choosing the best path for your organization, we recommend that you begin by ensuring a common understanding of the core assumptions related to Performance Management. Then engage the company and a dialogue focused on answering a few key questions:

- What is our desired outcome?
- Who/What are we trying to improve – individuals or the organization?
- What motivates our people and how can we better connect them to that purpose?
- What type culture do we want to create and how will feedback be incorporated into that culture?

Gain alignment across the organization on these questions and you will be off to a strong start.