Conduct **positive performance** conversations

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Dave Ulrich explains to Alan Hosking how companies can resolve the performance management paradox through positive performance accountability.

In what way is the thinking on performance management changing?

A senior leader at a company recently said, "We have done away with performance appraisal because it causes so many problems." On further discussion, she said that instead of performance appraisal, they trained managers to help employees set goals, then to have conversations with those employees about their goals to make sure they were on target. In a somewhat similar situation, a business school recently decided to avoid grades which created tension and went to a high pass, pass, and low pass system.

As these cases indicate, performance management faces a major paradox. On the one hand, employees and managers all recognise and studies confirm that it is often the most loathed HR practice. Performance management feels like hazing to the employees being appraised and isolating Scrooges to the managers doing the appraisal. Studies suggest that current performance appraisal systems do not perform well. A SHRM survey found that 90% are dissatisfied with appraisal systems and only 55% of HR professionals felt that the annual performance reviews are an accurate appraisal for employees' work.[1] A DDI survey found overwhelming dissatisfaction with performance management.[2] The Corporate Executive Board (CEB) found that only 14% of organisations are actually happy with their performance management systems and 23% say performance management reflects employee contributions.[3] The Institute for Corporate Productivity found that eight percent of HR executives feel performance management made a contribution to business.[4] Finally, World at Work/Sibson found that 60% of HR executives give their own performance-management systems a grade of C or below.[5]

Surely this is doing away with accountability?

Not at all. Accountability matters. Research has shown that firms with performance evaluation systems have higher shareholder financial returns than firms without them (total shareholder return of 7.9% vs 0%; return on equity 10.2% vs 4.4%).[6] Other research shows that performance management and variable pay have the most significant impact on financial performance of organizations of many HR practices.[7] Other researchers have found that performance management is the biggest predictor of hospital success.[8] Without accountability, employees don't perform as well. Few wash their rental car before returning it, but many fill it up with gas because of obvious accountabilities. I have tried to lose weight without weighing in and my good intentions were not realised without accountability. Without accountability, people are unlikely to change and not improve performance.

So, performance management faces a conundrum. Don't do any performance management and accountability sloughs and performance lags; or build and implement complicated processes and frustration ensues and performance lags. This paradox of doing or not doing performance management can be (at least partially) resolved by focusing more on positive accountability through conversation more than process.

Is conversation, then, more important than process?

Performance management generally follows a linear flow with processes of setting standards, evaluating and differentiating people against standards allocating rewards against performance, and doing follow up (see Figure 1).

This linear logic often leads to increasingly complicated debates and processes about setting goals (standards of what is expected like rate vs rank), identifying measures (behaviours and outcomes at individual and team level), ensuring consequences (financial and non-financial short and long term), and feedback or follow-up. When these relatively simple processes become more complicated, they create a means/end inversion where the focus is more on following the protocol or process than ensuring accountability that leads to performance.

Resolving the performance management extremes (do away with it or rigorously institutionalise it) comes from shifting focus on these four processes to conversations. Conversation means that performance is much less about forms, procedures or policies, and much more about dialogue and conversation between a manager and employee and among employees on the same team. When this conversation focuses on what's right more than what's wrong, performance management enables positive accountability. Visually, this shifts from a linear flow to a conversation logic (Figure 2 on the following page).

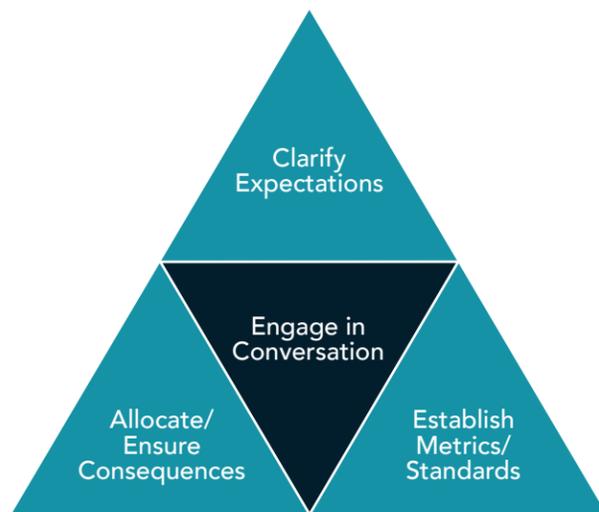## How does one create effective conversations?

Over about a 15 year period, one leading company implemented a host of "best practice" performance management systems following the four step process logic, including management by objectives (MBO), behavioural anchored rating scales (BARS), key performance indicators (KPI's), ranking employees, and 9-box. None of these initiatives increased performance. Upon reflection, they concluded that the key to effective performance accountability was less the specific performance appraisal practice and subsequent processes, and more the ability of a leader to have a candid, thorough, positive and specific performance conversation with employees. They worked to help leaders have a mindset of and skills for positive conversations where employees would leave a dialogue feeling better about themselves. More specifically, they also trained leaders to have a three-step affirming performance conversation:

- "Help me understand…": this lead-in frames the leader as coach who wants to help, not as a superior who wants to control;
- "The data …": this discussion introduces specific data about an employee's performance and behaviour. Focusing on data allows the leader to help the employee know where they stand on specific behaviours and outcomes without judging the personality or style of the individual; and

Figure 1: **Traditional Performance Management Processes**

1 Set Clear Goals	**2** Identify Measures	**3** Ensure Consequences	**4** Provide Feedback
Where are we going?	How do we know if we are getting there?	What happens if we hit or miss standards	How do we follow up?

Figure 2: **Focus on Conversation more than Process**

- "So that we can make improvements … ": this focuses on the future and what can be better more than on the past and what has gone wrong.

These affirmative conversations are not just a calendared event, but an ongoing process when leaders interact regularly with employees. By learning these productive conversation techniques, almost any performance system could be effective. The most important thing that managers can do to improve performance accountability is to have candid dialogue between leaders and employees.[9] By having these conversations, leaders model how to be transparent about accountability issues without being burdened with complex processes.

What are the best ways of holding positive conversations?
These conversations should encourage opportunity more than threat to trigger neurological openness to improve. Generally four types of conversations

Table 1: **Types of Conversations to Improve Performance**

Target	Question	Comment
Employee with self	What do I want?	Self-reflection helps the employee be aware of what is most valued.
Boss and employee	What does the organisation want or require?	Business literacy helps the employee know the value they contribute for company success today and tomorrow.
Boss and employee	How am I doing?	Reviews help the employee know what is working and what is not; this is best done through on going conversations around specific behaviors and outcomes.
Boss/HR and employee	How will I be rewarded?	Financial and non-financial implications of performance to differentiate rewards.

occur to ensure performance (Table 1)

The culmination of these conversations helps the employee gain what is called a growth mindset, which means that the employee conversation emphasises learning what can be improved more than evaluating what has gone wrong.[10] These conversations all focus on the future, not the past. They encourage resilience and perseverance more than defensiveness and rationalisation. They run into the behaviour problem without judging the person. They validate the person and their potential more than casting suspicion. They focus on learning from both successes and failures rather than critiquing. They offer career opportunities which match skills and commitments. They shift the locus of control for improvement from the leader to the employee. The conversation is not about the forms, tools or processes, but about creating a positive relationship between leader and employee.

Can you give real life examples?
Adobe has implemented positive performance accountability system called The Check In. The essence of this work is an informal system of ongoing, real-time feedback. There's no prescribed timing and no form to fill out and submit to HR. Managers decide how often and in what format they want to set goals and give feedback. Rather than dwelling on workers' shortcomings, managers are told to focus on goals, objectives, career development and strategies for improvement. Employees are evaluated on the basis of what they achieved against their goals, rather than how they compare to their peers.

At Accenture, they focus on impactful conversations. These conversations begin with a commitment to Know Yourself. The conversation then shifts to Take Action to Grow where employees' strengths and interests set priorities for their personal growth more than objectives. The conversation between employee and manger emphasises these priorities. The conversation focus then leads to

Table 2: **Good Practices in Conversation for Positive Performance Accountability**

Current practice	Emerging practice
Performance conversation at one point in time.	Performance conversation in real time (ongoing) around events (annual celebration, promotion, salary).
Focus on ability ("you are smart") that creates a fixed mindset.	Focus on effort ("you work hard") to create a growth mindset. Praise efforts as well as results.
Look back to emphasise performance ("you are good at …".	Look forward to see opportunity and create learning ("What did you learn that you can apply in the future?").
Emphasise what is wrong.	Focus on what is right (keep 5:1 positive to negative ratio).
Leader behaviour is to command and control being distant from the change process.	Leader behaviour is to coach and communicate by modeling change and personal improvement.
Focus on action.	Focus on sustainability of actions.
Talk and tell what has happened and should happen.	Listen and engage in affirmative conversation on what could happen next.
Prepare by going through paperwork process.	Prepare by thinking about how to help the individual person.

Reward for Success where rewards are based on value created for the business. Their work requires a culture shift where employees focus less on their ranking and more on the value they create. It also requires helping managers become coaches.

When conversations matter more than processes, the focus is on value created than completing forms. When these conversations focus on the positive and what is right, they build a positive accountability. When employees sense a personal responsibility to be accountable, they create more value.

How does one build conversation practices?
Focusing on conversations to drive positive performance comes from a number of specific practices (see Table 2). Business leaders who want to deliver sustained performance master coaching and conversation skills. They focus on what's right more than what is wrong. They offer immediate and timely feedback and feedforward to employees. They help others feel better about themselves. Employees who receive positive performance conversations recognise how their personal aspirations can be better realised by delivering organisational outcomes. In a positive performance setting, employees feel more opportunity than threat and they are more willing to deliver their best effort. HR professionals responsible for sustained performance who focus on conversation more than process will emphasise simplicity and connection.

And a few last thoughts?
For legitimate reasons, most employees do not like bureaucratic appraisal processes that monitor performance, belittle employees, and focus

on what is wrong. But, accountability matters. Without personal and public accountability, people don't improve and organisations do not meet expectations. This means focusing much less on performance appraisal as a bureaucratic, annual process, and much more on performance accountability where leaders hold positive conversations with employees, mutually establish expectations, link expectations to consequences, implement accountable reward systems, and follow up on performance. ∎

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