

Performance Management is Out: Performance Enablement is In

Taking a Fresh Look at How Performance Management Can (and Should) Work

Performance management, universally known (and often hated), is the practice of setting, monitoring, and reviewing employee goals and performance. In spite of mixed sentiments, supporting employee performance has long been a cornerstone of organizational development and success. However, traditional methods of performance management have increasingly come under scrutiny. They are often found to be ineffective, bias-laden, stress-inducing, and unsuitable for the dynamic nature of today's workplace. Consequently, many organizations are turning to alternative performance management methods to drive better results and align with modern business needs. In this report, we will delve into the reasons behind the shortcomings of traditional systems and explore three contemporary alternative methods.

The Flaws in Traditional Performance Management

In the 2023 Lighthouse Research & Advisory Performance, Engagement, and Culture Enablement (PEACE) study of 1,000 global workers, we found that those employees who work in a company where their performance processes are primarily backward-looking are twice as likely to say their employer has a dysfunctional culture. Not only that, but those same workers are about 40% more likely to say their future with the company is uncertain.

Traditional performance management systems typically revolve around annual reviews where employees are graded against a set of objectives or compared to their peers. While this might sound effective in theory, several issues plague such systems:

- **Lack of Continuous Feedback: An annual or biannual review is retrospective. Feedback, if given once a year, can be outdated or irrelevant. By the time feedback is received, opportunities for improvement may have passed, leading to diminished performance over an extended period of time.**
- **Promotion of a Fixed Mindset: Traditional methods often categorize employees, fostering a fixed mindset. For instance, being labeled as “below average” might discourage efforts to improve, while “above average” might instill complacency.**
- **Reduced Engagement: High-pressure grading systems can lead to stress, reducing job satisfaction and engagement.**
- **Increased Bias: humans are biased, plain and simple. And opportunities to judge people, actions, and situations comes with a whole range of idiosyncrasies and gaps that skew perceptions.**

These are some of the typical issues, and many employers have decided that the best way to overcome them is to adapt their performance processes.

Alternative Approaches to Enabling Employee Performance

Several alternative options exist that blend a set of five different High Performance talent practices. Those five practices:

- 1. Recognition: identifying positive moments of performance to reinforce them for the employee and their peers at work.**
- 2. Real-time feedback: keeping a tight feedback loop to emphasize smaller course corrections as needed.**
- 3. Peer inputs: smoothing out individual bias by gathering additional inputs from those working closest to the employee.**
- 4. Development coaching: growing key skills with an eye towards future performance and success.**
- 5. Strengths emphasis: building on strengths as a foundation is more valuable than prioritizing the shoring up of weaknesses.**

From those five key practices, employers can explore and leverage multiple different paths to better performance practices.

For what it's worth, each of these practices is underpinned by data. For instance, the graph below shows the relationship between understanding of performance expectations and the frequency of feedback.

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In the PEACE study, employees who said they weren't fully clear on their performance goals were 65% less likely to get daily feedback and 4X more likely to never get feedback from their leaders.

Not only that, but those workers that weren't fully clear on their job responsibilities were also more likely to have a mismatch in their preference for feedback frequency and what they actually received.

Bottom line: feedback is critical to clarity and, ultimately, performance.

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1. https://hubs.la/Q01_RbqX0

Figure 1: The Intersection of Feedback and Performance Expectations



Source: 2023 Lighthouse Research & Advisory Performance, Engagement, and Culture Enablement Study (n=1,000)

As the data indicate, employees who receive regular feedback are much more likely to fully understand their performance expectations than those who receive irregular or sporadic feedback.

Feedback and the other practices highlighted above can be woven into the different approaches outlined below for optimal results and impact.

Technology Innovation in Performance Management

In recent years solution providers have brought new technologies to bear, supporting employers and workers in creating better and more equitable performance practices. One method incorporates organizational network analysis (ONA).

This technology maps organizational networks and relationships, highlighting which employees are connected and how strong those ties are. Employers can then tap into those known networks for more accurate and holistic views of performance instead of relying just on manager inputs.

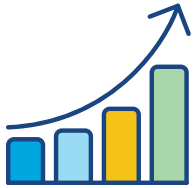


Continuous Performance Management

Continuous performance management emphasizes ongoing, regular feedback rather than yearly evaluations. Managers and employees engage in frequent conversations about goals, achievements, challenges, and development opportunities.

The benefits of this approach are clear. **Continuous feedback promotes a growth mindset by focusing on development.** It ensures timely course correction, aligns individual goals with organizational objectives, and enhances employee engagement and motivation.

Adobe, a global software giant, replaced its annual performance reviews with a system called “Check-In” all the way back in 2012. Under this approach, managers hold regular discussions with their team members about expectations, performance, and growth areas. The result was a noticeable improvement in team morale, a significant reduction in voluntary turnover, and a more agile response to business changes.



OKRs (Objectives and Key Results)

OKRs is a common goal-setting framework that asks two primary questions: “Where do we want to go?” (Objectives) and “How will we know we’re getting there?” (Key Results). These objectives and results are revisited and revised quarterly and are defined down to the employee level.

OKRs benefit the workforce and the employer by promoting clarity and alignment across the organization. **Similar to a set of shared set of core values, a set of clearly-defined OKRs gives workers comfort that they are prioritizing the right tasks day to day as long as they are aligned with the key results areas.**

Additionally, the approach is flexible, allowing teams to adapt to changes quickly. By setting clear, measurable results, the system emphasizes **outcomes** over **activities**, fostering a results-driven culture.



Strengths-Based Performance Management

Instead of focusing solely on improving weaknesses, strengths-based performance management concentrates on identifying and amplifying an individual's strengths. Employees and managers work together to understand what each person excels at and how those strengths can be applied to their roles more effectively.

In the 2017 edition of this study, we found that employers with worse revenue, employee retention, and employee engagement numbers were much more likely to be focusing on fixing weaknesses, not highlighting strengths.

The strengths-focused approach boosts employee confidence and engagement. By leveraging strengths, organizations can improve productivity and job satisfaction, and each employee gets a chance to shine in their own respective way. It also promotes a positive work environment by focusing on the positive attributes of an individual rather than solely on areas of improvement.

Each of these options has its own pros and cons, but each of them also short circuit some of the common challenges with traditional, typical performance reviews by incorporating the five High-Performance talent practices.

Employers that want to attract, engage, and retain top talent have to look at how their talent and performance practices influence that, or they will quickly find that their outdated methods may drive their top contributors to other organizations with a more modern approach.

Key Takeaways



The world of work has moved beyond the traditional performance management systems with their rigid structures and infrequent feedback cycles. Employers using this approach are increasingly misaligned with the realities of modern businesses. Many organizations have already seen the benefits of embracing more agile, continuous, and holistic performance management methods.

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Employees who have a firm and comprehensive grasp on their performance standards at work are much more likely to get regular, consistent feedback at work. They are also 50% less likely to have plans to quit their job compared to those with little to no clarity on their position's performance requirements.

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In order to drive employee engagement, growth, and organizational success, it's essential to move away from outdated performance management paradigms. Continuous feedback, OKRs, and strengths-based approaches are just a few of the alternatives that offer a more dynamic, motivating, and results-driven approach. As the landscape of work continues to evolve, so must the tools and methods we use to manage and foster performance.

About the Study

The 2023 Lighthouse Research & Advisory Performance, Engagement, and Culture Enablement (PEACE) Study was gathered via online surveys in Q2 2023 from 1,000 global workers (United States, Canada, India, UK, and Australia).

Respondent demographics:

Gender:

- 46% female
- 54% male

Ages:

- 6-17: 2%
- 18-24: 14%
- 25-34: 36%
- 35-44: 26%
- 45-54: 15%
- 54+: 8%

Statement of Ethics

As an independent analyst firm, our research and reporting provide unbiased, neutral views of the HR technology marketplace. While this specific research was vendor-funded, it does not impact how we share the data with employers and practitioners. If you have any questions, please contact us and we'd be happy to discuss our ongoing commitment to ethical standards.

About Lighthouse Research & Advisory



Lighthouse Research & Advisory is a modern analyst firm dedicated to setting the standard for excellence in talent, learning, and HR. By providing compelling research and actionable insights for business leaders, our team's mission is to navigate the rapidly changing field of human capital management to support today's talent and learning functions.

Our advisory, research, content, events, HR Awards Program, and other offerings serve tens of thousands of employers across the globe every year.

Put simply: our goal is to chart a new course for talent. We do this with compelling research, innovative ideas, and a strong grasp of the current state of talent and technology at work. We have supported hundreds of organizations with our research, advisory, and insights since our beginning in 2016. In addition, our data also inform key product and strategy decisions at the industry's leading technology and service providers.

Ben Eubanks is the Chief Research Officer at Lighthouse, providing trusted advice for today's modern talent leaders. Prior to joining Lighthouse, Ben worked as a research analyst and an executive practitioner. His analyst work focused on learning, talent acquisition, and talent management. During his career, he has published more than 100 pieces of research and provided advisory services to executives from some of the largest and most respected organizations in the world.

Unlike most analysts, he also has hands-on experience working as an HR executive, leading both strategic and tactical talent practices. Ben is the host of We're Only Human, a podcast focused on the intersection of people, technology, and the workplace. In addition, he runs upstartHR.com, a website serving HR leaders that has reached more than 1,000,000 readers since its inception.