

SEVEN Bytes

PERFORMANCE (OR UNDERPERFORMANCE) MANAGEMENT SYSTEMS

Developing leadership potential and securing a talent pipeline are key requirements for business success. Yet, a recent study found that 86% of CEOs were concerned that they didn't have the leadership talent needed to implement their strategy and meet the challenges they faced.

For most organisations, the performance management system (PMS) is the core process for managing talent, so it is worth asking how well does it do it, and can it be improved. Many business processes are subject to the swings of fads and fashion, but PMSs suffer more than most in this respect, probably because they are tasked with fulfilling many disparate, and often contradictory, goals. To various degrees, the PMS is expected to hold people accountable for their results, determine rewards, communicate and align individual and organisational goals, give feedback, assign, collate and analyse performance ratings, identify (and remove?) poor performers, highlight and develop leadership potential, record and document decisions in case of legal challenges, and so on.

As circumstances change, the pendulum oscillates among these competing priorities in terms of frequency (weekly catch-ups vs. Annual Review), time horizon (rewarding past performance vs. motivating future performance), and growth orientation (administrative oversight vs. personal development).

It is hardly surprising that most PMSs fail to deliver all that is expected of them, with many participants despising a process they see as bureaucratic, time-wasting and not reflecting the reality of the work they do.

In response, many organisations have dropped the appraisal element of PMS. In particular, performance ratings, a cornerstone of the PMS, have come under scrutiny and challenge. Research has shown them to be widely disliked, unreliable and demotivating.

Within this gloomy picture, however, some features do emerge as beneficial for leadership development. Organisations that have dropped formal ratings-based appraisals now report better leader quality, bench strength and gender diversity.

This is mediated, it seems, through removing the judgemental, punitive aspect thereby allowing discussions to become more developmentally-oriented, less formal and more frequent. Where 75% of discussion time is spent on development topics there are strong improvements in career path clarity and satisfaction, engagement and retention, and leaders are better prepared to face business challenges.

To realise the gains, organisations need to

- decouple the appraisal and development functions of the PMS (finding other ways to fill the information gap, if necessary)
- ensure that managers have the skills to conduct growth-focussed developmental discussions
- prioritise growth and development as topics in the PMS, with discussion frequency matched to the pace of the business.

