OPEN CAPITAL ADVISORS

TALENT CURRICULUM

Organizational & role structure

Learning & development

Career paths

Performance management

Compensation

Values & culture

Engagement

Each module in the series contains an explanation of the topic, case studies, considerations and activities to reflect on for your organization

When done right, performance management is a comprehensive process that drives employee development and company results

- PM involves defining performance expectations, assessing employee performance, and providing feedback on the same to employees

- PM plays a critical role in an organization, helping leaders to:
  - Improve communication between employees and managers
  - Support employees to grow and improve effectively
  - Identify low performers to target support for performance improvement
  - Identify high performers target efforts to retain / develop future leaders
  - Make and communicating defensible pay and promotion decisions

- PM is often associated with just the appraisal process; in fact, to be effective it needs to be a much larger system extending beyond annual reviews

Your PM system should drive results

A global PWC analysis showed that effective performance management delivers tangible results[1]:

+3%

Improvement in employee productivity

+5%

Increase in time spent on strategic priorities

+15%
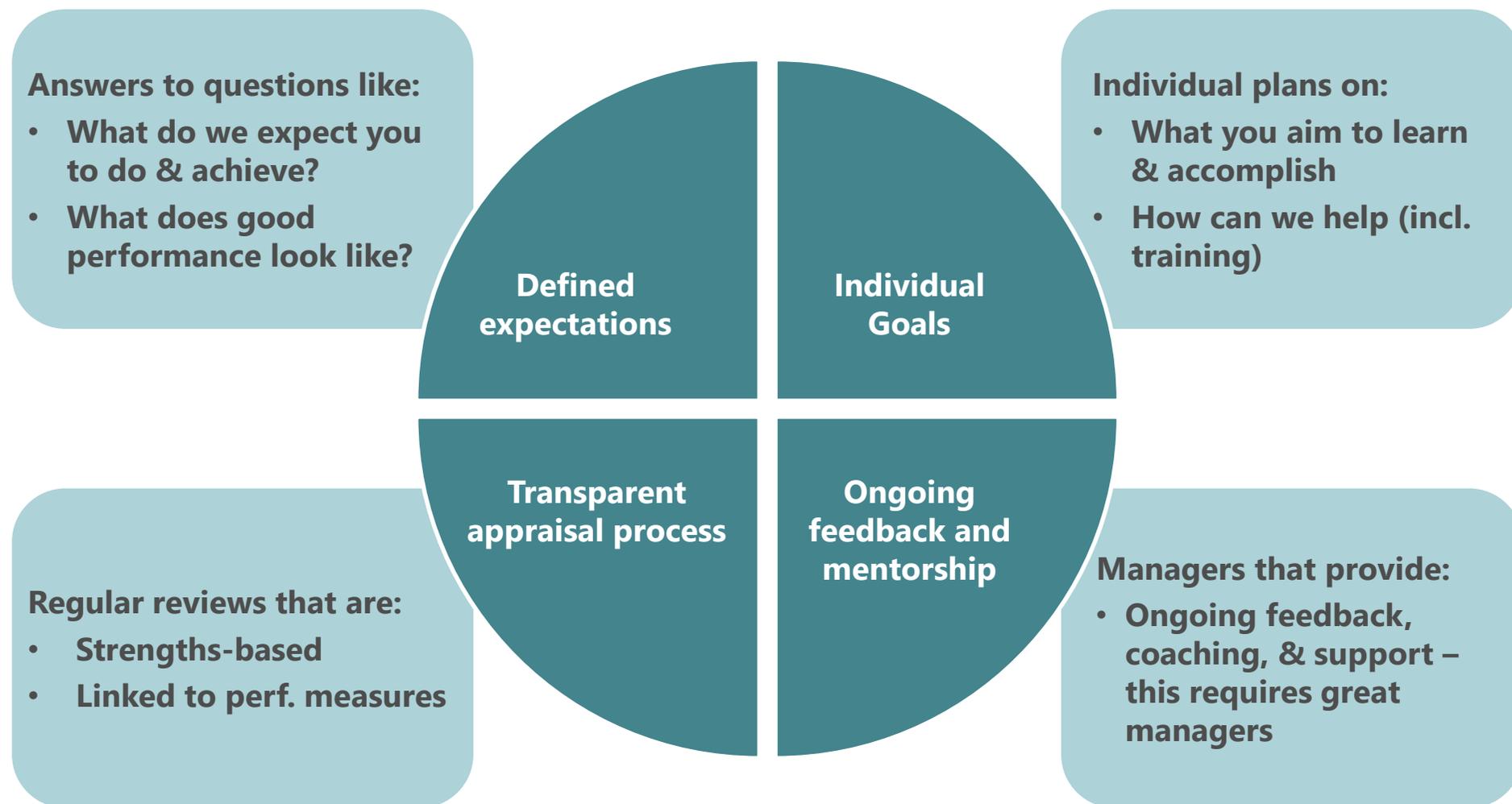
Jump in project completion rates

-13%

Decrease in turnover rates[1]

OPEN CAPITAL ADVISORS

PM is evolving away from hierarchical, top-down systems towards models that aim to support and empower employees to succeed

	Driven by efficiency	Driven by profitability & growth	Driven by empowering employees	Driven by mission & purpose
				Today →
Perspective	The corporation viewed people as "workers"	Leaders as the "kings" of the corporation	Leaders lead by example & empower employees	Management are now "team leaders"
Goal	Goals focused on production	Top-down, cascading goals	Organization-wide goals	Aligned but localized goals amongst teams
Comp. philosophy	Comp. linked to productivity	Comp. linked to rank	Comp. linked to team success	Comp. linked to holistic perf. incl. development
	Example: Henry Ford of Ford Motors	*Example*: Jack Welch of GE	*Example*: Steve Jobs of Apple	*Example*: Google, Netflix

Source: Predictions for 2016 – Bersin by Deloite research paper https://www2.deloitte.com/content/dam/Deloitte/at/Documents/human-capital/bersin-predictions-2016.pdf

OPEN CAPITAL ADVISORS

There are 4 key components that you need to have in place to meet the performance management needs of today's workforce

Answers to questions like:
- **What do we expect you to do & achieve?**
- **What does good performance look like?**

Individual plans on:
- **What you aim to learn & accomplish**
- **How can we help (incl. training)**

Defined expectations

Individual Goals

Transparent appraisal process

Ongoing feedback and mentorship

Regular reviews that are:
- **Strengths-based**
- **Linked to perf. measures**

Managers that provide:
- **Ongoing feedback, coaching, & support – this requires great managers**

OPEN CAPITAL ADVISORS

The effectiveness of the system will depend on management's commitment to the following principles

1

**Know
your own goals**

- Agree on what 'good' performance is and how important rewarding it is
- Agree on how underperformance will be managed and commit resources

---

2

**Get people
talking**

- Embed performance and development discussions into day-to-day work
- Everyone is responsible for collecting feedback
- Promote team members' strengths and make peer-to-peer learning the norm

---

3

**Assess
accurately**

- Solicit feedback broadly – but don't weigh it equally
- Be honest about which metrics are "hard" vs subjective
- Find ways to move past bias (e.g., concrete examples, 'stop, start, continue')

4

**Support
thoughtfully**

- Focus on forward-looking, strengths-based, coaching for high AND low performers – but think carefully about high performer retention
- Prepare for and have the tough conversations – ask peers for support!

5

Align systems

- **Career paths:** Create development opportunities for high performers
- **Learning & Development:** Align learning opportunities to needs identified
- **Compensation:** Money talks – make sure it sends the right message

OPEN
CAPITAL
ADVISORS

Deloitte used similar principles to radically re-define their performance management system

Deloitte.

Company overview

New York City-based UK incorporated multinational company providing professional services

- **Industry:** Auditing and consulting
- Provides risk, tax, audit and assurance, financial advisory and management consulting services
- **Revenue:** $36.8B (2016)
- **Employees:** 244, 400 (2016)

The challenge

- Appraisal process consumed **>2M hours / year**
- 58% of executives thought system **drove neither performance nor engagement**

Intervention

- **Defined expectations:** Reinforced use of weekly check ins to define priorities and discuss work
- **Individual goals:** Set and managed with a strengths-focused, weekly, self-assessment tool
- **Formal reviews:** Asked managers what they would 'do' and not what they thought about specific skills
- **Coaching and feedback:** Made coaching managers' job; empowered junior staff to make it happen

Outcomes

"We [now] see the possibility of shifting from ascertaining the facts of performance to considering what we should do in response to those facts"

Source: "Deloitte 2016 Global Report". Deloitte. Retrieved 7 September 2016.f

OPEN CAPITAL ADVISORS

General Electric has also adopted similar principles in re-defining their performance management system

Company overview

Multinational conglomerate with headquarters in Boston

- **Industry:** Conglomerate
- Provides a wide range of industrial solutions for clients across several sectors including oil and gas, aviation, automotive mining, and healthcare
- **Revenue:** $123.7B (2016)
- **Employees:** 333, 000 (2016)

The challenge

- GE used a "vitality curve" system which ranked employees according to performance and then fired the bottom 10%
- Management reviewed the system and concluded that it felt more of a ritual than a tool for progress

Intervention

- **PD@GE:** Software used to manage employees' performance development instead of the old ranking system
- **Individual goals:** Set and managed by managers using the PD@GE tool
- **Feedback:** Employees can give and receive feedback at any point from their managers using the new software

Outcomes

- Improvement in employees' willingness to learn
- Over 25,000 staff embraced the system within the first roll out and reported positive attitude towards feedback and performance development

OPEN CAPITAL ADVISORS

Brainstorm specific changes you can make to increase the effectiveness of your performance management system

1

Know your own goals

What are your organization's performance expectations for your employees & have you communicated this to them?

2

Get people talking

Do employees discuss their performance with each other and give each other feedback and support?

3

Assess accurately

Does the performance appraisal system in place ensure that you get unbiased, fair assessment of employees?

4

Support thoughtfully

Do you offer support that retains and rewards high performers and develops low performers?

5

Align systems

Is your performance management system linked to other aspects of the business such as career path, learning and development et.c.?

Review these five principles which support managers' ability to deliver effective performance management

Ask yourself:
- How well is your organization performing?
- Where are current management practices and systems driving the right outcomes and where do you see opportunity for improvement?

OPEN CAPITAL ADVISORS

Performance Management

responsibility effectiveness **efficiency**
program **strengths-based** discuss
content transparency **assessment**
review **setting expectations** talent
capacity management **mentorship** outcomes
opportunities education **goals** culture
systems **accountability** **culture** formal
targets **appraisal** **informal** **purpose**

Are you interested in:

✓ *Evaluating your organization's performance management systems?*

✓ *Understanding your strengths & weaknesses?*

✓ *Comparing your organization's performance against peers?*

Reach out to:
talentdiagnostic@opencapitaladvisors.com
or
take our survey directly here:
http://survey.opencapitaladvisors.com

OPEN CAPITAL ADVISORS