Turning strategy into action on the front line

Transforming the purpose and practice of Performance Management

3C SPECIALISTS IN PERFORMANCE MANAGEMENT

FOREWORD:

The broad definition of performance management can be summarised as an 'activity and set of processes that aim to maintain and improve employee performance in line with an organisation's objectives'. For a long time, two things have struck me as wrong about this summary – the focus on process and an aim merely to maintain the status quo. Why would you want to strive to remain where you are?

Fifteen years ago I set out to turn that definition on its head.

Working in the corporate world meant I had seen, and experienced, first-hand the lacklustre results produced by traditional performance tools. Annual appraisals that involved nothing more than a chat and reassurance that the employee was doing a good job and C level executives fixated on task delivery rather than behaviours, values and competencies. Improved performance was the last thing many of these organisations were achieving. UK organisations, and more specifically their HR Directors, had a major problem on their hands.

As a trained mathematician, and MBA graduate, I was very good at solving complex problems. And the problem of performance management, or rather its delivery of mediocre results, was one that presented (at least to me) a matter worthy of real thought. I decided to challenge the corporate perception of performance management, to re-write the rules and re-define what Performance Management is, and crucially, what it is NOT.

I knew that for performance management to work I needed to re-engineer the approach so that it focused on transforming strategy into action. Organisations needed to lift performance

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management from the realm of process into the reality of achievable, tangible results. Over the years I and my team at 3C have created a template for a radically new model for managing performance: one that meets the needs of employees and leaders whilst driving the business onwards and upwards.

Over the last fifteen years I have applied this model time and again, refining and developing our approach with clients that include major public and private sector organisations both in the UK and across the world. Together we have developed practical yet creative solutions to what has been HR's biggest headache.

Our most recent innovation has been to transform how organisations visualise performance management activities through the ground-breaking Performance Management Canvas. The canvas brings to life the human, social and emotional context within which employees and organisations manage performance. You can read more about it in section two of this white paper.

People from all areas of business have often asked me to write down what informs our programmes, and this white paper is my response. It brings together what I and my colleagues have learned from academic research with our own hands-on experience implementing successful Performance Management solutions.

The paper is also a chance to create an authoritative reference document to help organisations think through the real challenges of designing and embedding an approach to managing performance that works. This is a much better approach than falling back on repeated doses of management training that rarely make a long-term difference.

Finally, this document is a reflection of my values and that of the business I founded fifteen years ago, 3C.

Clarity – The paper presents a clear analysis and summary of the essential academic research and case study evidence about performance management. The document is fully referenced if you want to explore the topics further.

Creativity – In sharing our new thinking about performance management, informed by our deep understanding of the research, we hope to enable and encourage creative thinking in you and your teams.

Communication – At the heart of performance management is a relationship between an individual and their manager. Our innovative work on performance management puts this relationship centre stage, recognising that it is shared purpose that drives performance, not exhortations to 'work harder'. Everything we do leads to improving the quality of communication across an organisation to create shared meaning and purpose.

So enjoy the journey, take what you need, make use of the ideas and models you find and feel free to share your thoughts and experiences with us.

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Executive summary

Performance Management has risen to the top of the agenda in many organisations, driven by a combination of two apparently separate issues. First, much current practice of performance management is widely disliked and frequently fails to create value. Second, many organisations are struggling to implement organisational strategy effectively, yet see there is an urgent need to deliver a significant improvement in areas such as productivity, growth and innovation.

This paper brings together a) the research examining performance management processes, b) the research revealing that organisations are far weaker at implementing strategy than they are at developing it, c) the research showing that CEOs and business leaders want and need HR Directors to use every tool available to turn business strategy into action on the front line.

For the strategic HRD, performance management offers both a high-profile platform and the greatest opportunity to impact the business.

Our paper argues that successful performance management needs to form a deep understanding of purpose. Why manage performance in the first place? What must performance management achieve? Why do employees choose to work here? What is the employee experience they seek?

In section 1 we review the evidence for what actually impacts performance at the employee, manager and organisation level. We show that shared purpose underpins almost every aspect of high performance.

We see how to transform a set of technical, bureaucratic processes (useful though some of these might individually be) into a coherent approach that:

- motivates and enables employees to take ownership of their performance

- replaces the pressure to be a 'magic manager' with a deep understanding of what actually creates high performance and how managers can support it

- enables leaders to actually implement the strategies they have spent such effort developing.

In section 2 we explore how to apply the theory in practice. We show how our ground-breaking Performance Management Canvas transforms the way organisations see performance management. The Canvas reveals that high performance comes from consistently aligning employee motivations with business performance drivers, not a cycle of bureaucratic activity. Visualisation enables everyone to see 'what makes for high performance here'.

This white paper will help strategic HR leaders replace stale debates about 'ratings, rankings and appraisals' with a different kind of conversation. We show that conversations can be future-focused, and designed to shape a deeper understanding across the workforce about what it means to own their performance. This will result in greater engagement and satisfaction for employees and better results for the organisation.

So, enjoy what is here, think big, focus on purpose, and make direct use of both the big picture tools and the tactical details.

Turning strategy into action on the front line — the research

Performance management – a matter of life and death?

Ten years ago, a researcher and academic then based at Aston Business School wrote a paper that made startling claims. Michael West demonstrated that a reduction in mortality rates – the number of patients dying in the hospital – was correlated with the quality of appraisals experienced by the staff.

He linked hospital performance data to output from NHS staff surveys. He showed that the more staff who worked with shared goals, or who worked in teams where the success of the team depended on everyone in it, the greater the reduction in patient mortality rates.[1]

Michael West's comprehensive and detailed work led to a huge wave of interest across the NHS. Many hospitals looked again at how they managed performance at every level.

We think his findings are so powerful that when we run performance workshops we summarise his work by stating: 'Good performance management stops people dying'. It makes people think.

There are two critical insights from this work:

- Good performance management genuinely makes a difference to performance. You'd be amazed at how many leaders believe that performance management makes no difference at all.

- When organisational leaders see that a fresh approach to managing performance enables them to deliver their strategy, then they want it to be successful. They'll give it their buy-in, and give HRDs the support they need to make performance management successful.

Too often we see organisations bogged down in ratings, goals and annual appraisals. In the rest of this white paper we will show how performance management can be an enabler of change and an effective way to deliver your organisation's strategy.

We may not all be saving lives every day, but we can become effective performers in a high performing organisation, working in a way that is much more fulfilling than 'just doing our job'.

'Good performance management stops people dying.'

Is performance management broken?

CEOs of global businesses have begun to speak publicly about fresh approaches to performance management. Managing performance has moved from HR operations to the executive suite as shown by the following headlines:

'Accenture will get rid of annual performance reviews'
Washington Post **July 2015**

'Why Adobe Abolished the Annual Performance Review and You Should Too'
Business Insider **April 2014**

'Performance Management is Broken'
Deloitte, quoted in *Harvard Business Review* **April 2015**

'Don't Kill Performance Reviews Yet'
Harvard Business Review **November 2016**

The eye-catching headlines are only part of the story. More than three quarters of organisations have either revised their performance management systems in the last 18 months, or plan to do so soon.[2] Just 14 per cent of organisations see their performance management as fit for purpose. That's extraordinary when you stop to think about it. It suggests that performance management as it is currently understood is not delivering on any level.

The conclusion from Deloitte's Global Human Capital Trend 2014 research was that 'only 8 per cent of companies report that their performance management process drives high levels of value, while 58 per cent said it is not an effective use of time.'

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Yet Michael West showed in his NHS research that it doesn't have to be like this; that performance management can be one of the most powerful levers available to deliver organisational results. Getting it right is critical, doing it badly is not an option. A deeper understanding of the problem is needed.

What's the problem?

The performance management problem has been known about for a long time. In 2004, the researchers Armstrong and Baron in Managing Performance wrote that:

'Performance appraisal has a reputation as a punitive, top-down control device, and unloved system. Performance management is a holistic, total approach to engaging everyone in the organisation in a continuous process, to improve everyone and their performance, and thereby the performance of the whole organisation'.[4]

A 2016 CIPD Research Report explained that performance reviews were to be seen as: 'overly time-consuming and energy sapping; disappointing and ultimately demotivating for individual employees; divisive and not conducive to co-operation and effective team-working; and most damningly not effective drivers of performance'.[5]

We see many organisations stuck in a continuous cycle of training, replacing software systems, more management training, changes to processes, and yet more management training. Perhaps this is a cycle you recognise? If all this activity was having a positive effect then satisfaction with performance management would be much greater than the research suggests.

Too tactical, too complex

In many organisations the purpose and value of performance management is now lost in a mass of competing priorities, different philosophies and management styles, rapidly changing strategies, market pressures and technological innovations.

The CIPD report cited above recommended: 'Introducing some clear water between assessments that inform pay and promotions and those that help employees improve should make performance management a far smoother, more productive and less fraught process'.[6]

From a decade of work in the field we see that performance management is a catch-all process for far too many tactical interventions. These may include managing variable pay,

identifying high performers, dealing with poor performers and building capability. All of these activities may be useful. But none of them warrant the levels of complexity and bureaucracy commonly associated with managing performance.

Traditional problem-solving techniques don't help

While the data shows that for many organisations performance management is broken, the typical approach to fixing it is not much help either. We often see organisations using a traditional problem-solving technique like Root Cause Analysis to discover which piece of performance management is broken. The organisation attempts to mend the specific 'piece' accompanied (inevitably) by more manager training. Sound familiar?

The research shows that just changing one piece of the overall performance management process may not create the desired results, as the following examples show:

- **'Let's remove all performance ratings across the organisation'.** It seems like a simple idea, but it isn't. The consultancy CEB Global reported that a significant proportion of organisations removing ratings had found overall performance dropped. They also discovered that other organisations found performance improved when ratings were removed, but only when certain conditions were in place. The conditions were not the same in each organisation.[7]

- **'Goal alignment'.** Some research revealed that in the highest performing companies, 46 per cent of employees' goals were specifically aligned with the company goals, but this figure fell to only 18 per cent in the companies that were not performing well.[8] That research is often used to justify more training for managers to help them set better goals.

  Yet most managers in major organisations (high performing or otherwise) have been taught how to write SMART goals for decades. Why do the training and the mantra that 'goal setting is the best solution,' rarely work? More recent research suggests that the typical SMART goal is not a lot of use for the cognitively complex work that is so typical of many of today's organisations.[9] Does this mean we should abandon goals or not?

- **The 'agile organisation'.** Forbes Magazine published a paper in 2013 arguing that the real issue facing organisations was the relationship people have with technology, and that the answer for performance management was for technology to be more agile.[10] It may well be that for some organisations, agility (whatever that means in practice) is the over-riding driver of success. In which case, technology that supports agility may be a good idea. But a world-weary manager might point out that if this article were written today, the word 'agile' might well be replaced with 'collaborative'.

- **The 'annual appraisal'.** The cry 'let's ditch annual appraisals in favour of regular feedback and coaching' is a call we hear often. It is an unhelpful debate since the two are not mutually exclusive.[11]

Focus on strategic purpose

So, if mending different pieces of performance management is not going to work, what does the research say about how we should consider the overall performance management challenge?

A Harvard Business Review article suggested that the pressure to re-think performance management was a result of organisations changing their strategic priorities. In advanced economies, argued the authors, there was less need for individual accountability and more need for development, agility and shorter-term targets. Teamwork and collaboration – rather than individual performance – were to be the new watchwords.[12]

There are a few examples of organisations that have found a different way – often after many attempts at 'mending the problems' and sometimes after major organisational crisis or change. The common denominator to their success is that they had a purpose – they knew, or discovered, what business outcome they wanted from performance management and they transformed their approach to deliver it.

Microsoft reported that they had 'tinkered with their performance management for over a decade' before finally re-thinking the whole thing.[13] The company recognised that their previous performance management had focussed on continuous improvement and decided instead to re-work its approach to one that encouraged innovation. It removed all annual goals for staff and replaced them with three simple measures of impact common to all employees. Microsoft also introduced three 'check-ins' a year to keep what they knew to be performance drivers high on the agenda.

Yorkshire & Clydesdale Bank took the opportunity of a management buy out to re-think what performance management should be delivering for the organisation. [14] With a strategic ambition to give customers a seamless experience, it changed performance management to focus on collaborative working and 'joining things up' for the customer. One result, (amongst other changes) was that all individual goals were replaced by team performance goals or metrics.

What these approaches have in common is a specific strategic purpose for managing performance. This is quite different to a generalised ambition to be a 'high performing organisation'. Instead, the successful approach digs deep into ***what specifically high performance looks like here, in this organisation***, which is where the HRD can take the strategic lead.

Key takeaways

- ☑ **Competing tactical purposes have created complicated, unpopular performance management with limited value**

- ☑ **Strategic priorities requiring agility, shorter term targets and more collaboration are driving the need for a change in performance management**

- ☑ **Traditional problem solving has not 'fixed' the problems**

- ☑ **Successful approaches to transforming performance management focus on strategic purpose**

Strategic HR leadership – the opportunity presented by performance management

What do businesses want from their HR leaders?

HRDs have long been concerned about their relevance and influence around the board room table. Fundamentally, CEOs want the HR function to enable business strategy not just execute HR processes without a real understanding of business context. Major changes in both the public and private sectors mean HRDs need to develop a wider range of business skills with a focus on transformation, productivity, growth and innovation.[15]

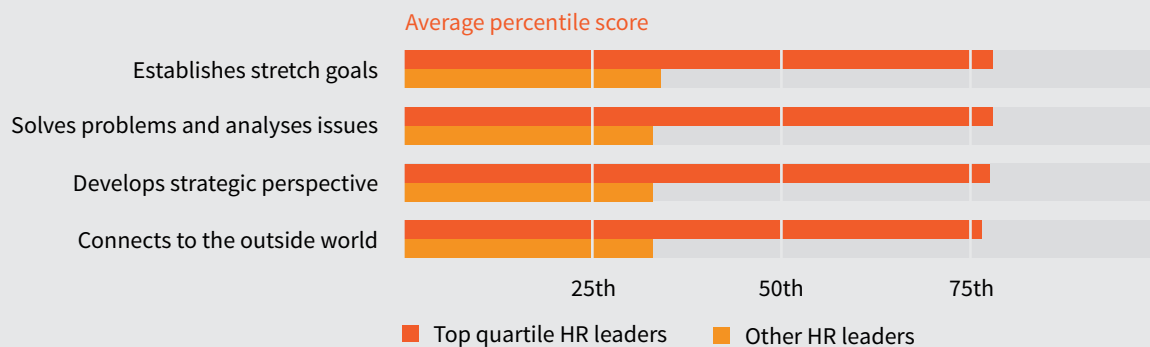In other words, the strategic role for HRDs must be to turn strategy into action on the front line.

'…the strategic role for HRDs must be to turn strategy into action on the front line.'

At Henley Business School, Nick Holley identified what CEOs really want from HRDs. 'It is,' he said, 'your support in enabling the business strategy, building the people and organisational capability to deliver the business strategy. Indeed, what they [CEOs] value most in an HR Director is the director bit, less the HR bit.'[16]

The consultancy McKinsey & Co asked CEOs and their direct reports: 'Do you believe HR could be a high impact business partner?' Eighty per cent of the corporate officers said it was critical or very important that HR be in that role. However, only 12 per cent believed they were actually playing that role within their respective organisations.[17]

Leadership development company Zenger Folkman collected 360-degree feedback data on 2,187 (mostly US based) HR leaders. Its benchmarking study of HR functions showed that 'world-class HR organisations' show a dramatically greater ability to work with the business and deal with the human capital aspects of planning and executing business strategy.

Competency gaps in Human Resources

Average percentile score

Establishes stretch goals	
Solves problems and analyses issues	
Develops strategic perspective	
Connects to the outside world	

25th   50th   75th

■ Top quartile HR leaders   ■ Other HR leaders

Overall, Zenger Folkman found some of the best leaders in the organisation were in the HR function. The company reported that the four competencies most consistently separating the top quartile HR leaders from other HR leaders are 1) establishing stretch goals, 2) solving problems and analysing issues, 3) developing a strategic perspective, and 4) connecting to the outside world.

If we look at the challenges of performance management in relation to these four competencies, it is clear that creative ways of thinking about problems and issues, a strategic perspective and a deep understanding of how the organisation competes in the world are all vital to a successful change. In our experience, the HRDs most able to lead effective transformations of performance management are those with the strongest strategic perspective.

> **'...the HRDs most able to lead effective transformations of performance management are those with the strongest strategic perspective.'**

Strategy, performance and the HRD

So, performance management offers both a threat and a huge opportunity to the HRD.

- Fail to be an enabler of strategy, and HR is seen as a tactical function, lacking genuine contribution to the top table

- Develop and implement an effective lever to turn strategy into action, and the HRD becomes a critical member of the top team

> **'The opportunity – and its importance can't be over-stressed – is to design performance management into the heart of an organisation.'**

The opportunity – and its importance can't be over-stressed – is to design performance management into the heart of an organisation. It is the HRD who leads the transformation, enabling managers to create action from strategy and employees to take ownership of their performance.

No other aspect of the HRD's role has the potential for such strategic impact across the entire organisation.

The rewards are great for HRDs who make the transition from managing HR processes into value creation. Those making the transition will become the high impact partners to the business and the board that so many CEOs want and need.

Delivering the transformation of performance management so that it turns strategy into action on the front line requires a clear understanding of the role of three distinct groups:

- The senior leadership team devising strategy and leading the business

- The managers implementing the strategy

- The workforce executing the strategy as action on a daily basis

It is to the needs of these groups that we now turn.

Key takeaways

- ☑ **CEOs want HRDs to become high impact business partners**

- ☑ **World class HR leaders take a consistently more strategic approach than others**

- ☑ **Transforming performance management gives HRDs the greatest opportunity to create value for the organisation.**
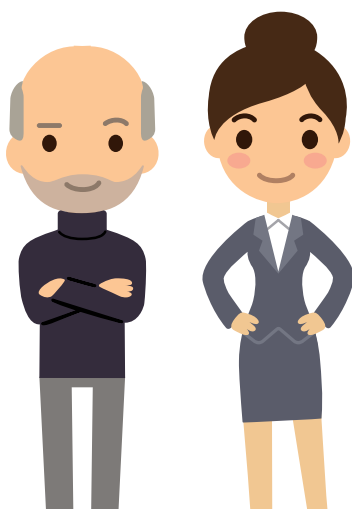
Leaders, strategy implementation and performance

The research we've seen suggests businesses and leaders are far better at developing company strategy than they are at implementing it. There is much more published research concentrating on strategy development than there is on strategy implementation. This may be because strategy formulation is seen as sexy and important while strategy implementation is seen as dull and functional. This perception of strategy implementation may be a significant part of the problem!

'Some estimates suggest that organisations fail to implement up to 70 per cent of their new strategies.'[19]

In 2005, Robert Kaplan and David Norton (creators of the Balanced Scorecard) published global research suggesting that 95 per cent of a company's employees were unaware of, or did not understand, their company's strategy. Their surveys also found that 67 per cent of HR organisations were not aligned with business unit and corporate strategies, and that HR departmental plans did not support corporate or business-unit strategic initiatives.[20]

In 2017, a study of 1,000 different organisations by K. Shimizu (University of Zurich) found that 60 per cent of employees thought that their organisations were weak at executing strategy and that only 37 per cent of employees had a clear understanding of what the organisation was trying to achieve and why.[21]

It is no wonder that CEOs want support from the HRD to ensure strategy is both understood and implemented.

In other words, the answer to the question 'why are we doing performance management?' is 'because we need to deliver strategy on the front line'. Delivering strategy is far more important than arguing over a bonus pot, succession planning or dealing with poor performers, important though these issues are.

We see that once leaders have realised the full implication of 'good performance management stops people dying' in the context of the NHS, then their desire for an equivalent lever in their own organisation pushes them to commit the time and resources necessary for the transformation.

Key takeaways

☑ **Up to 70% of business strategy is not effectively implemented**

☑ **CEOs need support from the HRD to ensure successful strategy implementation**

☑ **Successful performance management goes beyond aligning goals and becomes shared purpose**

Employees own their performance

After looking at the role of the HRD and senior leaders, conventional reviews of how to refresh performance management typically turn to the role of the manager. We take a different view. Our position is that performance management should be primarily about the employee. Senior executives in organisations have for years distracted themselves by assuming that 'management' means that managers are responsible for employee performance. Our work with clients starts from the position that the only person who can ultimately change and improve their performance is the employee themselves.

'The realisation for employees is that: 'I own my performance and my manager manages it.'

Fortunately, the motivations of individual performers, and the characteristic behaviours of high performers, have been well researched over many years. While there may be cultural differences, the underlying concepts vary little across very diverse workforces. The motivations are summed up well in management author Dan Pink's book, *Drive: The Surprising Truth About What Motivates Us*.[22] He describes the motivations as:

- The desire for a shared **purpose** – why are we doing this, why am I giving this my time and talent?

- The desire for **mastery** – can I excel, am I recognised for being great at my role, being an expert, a specialist? What can I do to get there or stay here?

- The desire for **autonomy** – how much control and influence can I have over what I do and how I do it?

These motivations are well known in HRD circles, as they derive from long standing, highly respected research published by Maslow, Herzberg and others.[23] The ideas have had currency since the 1950s and yet they are rarely included in performance management strategies. In fact, much of current performance management practice has the effect of damaging or undercutting these motivations.

We see that in many cases the drivers of performance have been reduced to technical bureaucratic process:

- Purpose is reduced to 'alignment with the strategy'

- Mastery is reduced to meeting capability requirements and possibly giving further development for employees identified as 'high potential'

- Autonomy is frequently reduced to an overwhelming mix of KPIs, SLAs, targets, business plans and only occasionally alleviated by effective goals or objectives

The over-use of process to replace managing performance can have unintentional consequences.

Manufacturer 3M has a century-long history of innovation, with the company's Post-it® note being one of the most well-known products ever made. The Post-it® note, developed in the 1980s is known for being an initial product failure, it was 'the glue that wouldn't stick'. At the time product developers were given freedom to explore their apparently unsuccessful glue further. After 2005 research and development efficiency processes meant that inventors were no longer given adequate time to tinker with products before having to demonstrate successful commercialisation. 'We were letting, I think, the [efficient] process get in the way of doing the actual inventing,' said Dr. Larry Wendling, staff vice president at 3M's Corporate Research Laboratory. [24]

A 2011 PricewaterhouseCoopers CEO survey[25] summarised the quandary of process over purpose. CEOs complained that: 'Those in middle management… found innovation disruptive to their day-to-day activities and felt it got in the way of running an efficient operation – which is what they were paid to do'. Too much performance management is designed to reward the wrong behaviours for the wrong reasons and with damaging outcomes.

What can be done to get away from the technical bureaucratic process and back to the highly motivational intentions of performance management? At 3C we have observed that few organisations recognise the conflict between the motivating ideals and the bureaucratic approach.

Organisation performance is positively impacted by raising levels of employee engagement.[26] Performance management provides a highly effective way to raise individual engagement by enabling people to take greater ownership of their performance.

Those who do take greater ownership develop a deeper understanding of what the organisation needs them to do, and the behaviours it values.

In our experience once employees start to take ownership of their performance, we see behaviours such as:

- Seeking feedback on their performance

- Engaging with guidance and coaching from managers and colleagues

- Thinking more widely about better ways to achieve the required results

- Developing a deeper understanding of how the organisation delivers its purpose

- Taking greater responsibility for their development and career

- Learning more from others

Employees exhibiting these performance-improving behaviours rarely need their activity micro managing. Conversations with these employees are very different to conventional appraisals with their focus on ratings, rankings and annual goal setting. In our work with clients we help to develop these behaviours across the workforce to deliver the organisation's strategy.

'Too much performance management is designed to reward the wrong behaviours for the wrong reasons and with damaging outcomes.'

Key takeaways

- ☑ **The only person who can improve employee performance is ultimately the individual employee**

- ☑ **Mastery, autonomy and purpose are the known motivators of performance**

- ☑ **Too often performance management reduces the motivators to bureaucratic processes, reducing their value**

- ☑ **Empowering employees to take ownership of their performance reflects reality – managers cannot force performance improvement, employees have to choose to engage**

- ☑ **When employees take ownership of their performance, conversations can be forward looking, focused on understanding how to improve, rather than 'what good looks like'**
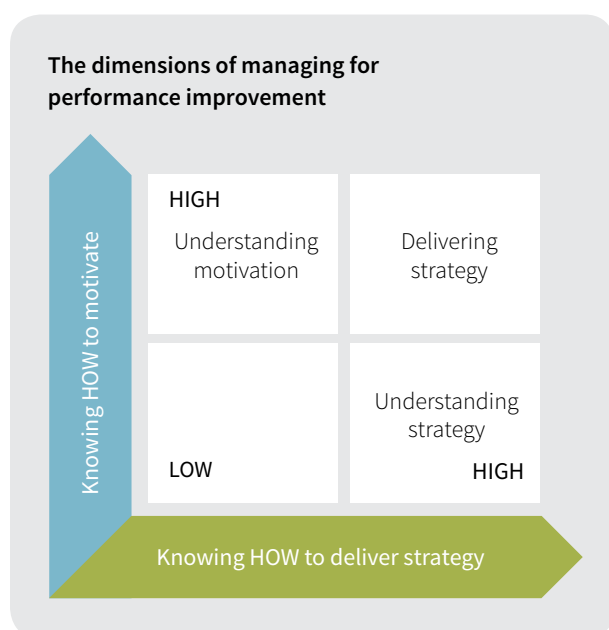
Managers and performance management

Most organisations want next year's results to be better than they were this year.

When organisations say they want managers to 'manage performance' what they really mean is they want managers to 'improve performance'. For example, in the public sector there might be a drive to increase service user satisfaction, while in the private sector a company might want to grow revenue.

Organisations often assume that technically skilled and knowledgeable managers will know how to deliver the strategy. In practice, managers rarely have the opportunity to learn how to do it. A great underwriting manager, for example, doesn't necessarily know how to grow an underwriting business. A great software engineer doesn't necessarily know how to improve customer satisfaction.

In our work with clients we see that most performance management training is focused on motivation. It overlooks the critical need to learn what actions to take to deliver the organisation's strategy. We have created the following matrix to analyse course content. We use the analysis to ensure training will prepare managers to deliver strategy.

In our experience, most performance management training scores HIGH on the vertical axis (knowing how to motivate) but LOW on the horizontal axis (HOW to deliver strategy). Too much manager training doesn't make any difference to the organisation's ability to deliver strategy.

Managers, performance and action

We regularly work with CEOs who say they are unhappy about the performance management bureaucracy they see all around them in their own organisations. They worry that their organisations are falling behind the performance curve, that they are leading a mediocre operation.

One major public sector CEO said to us recently: 'We are just average. We think we are excellent, but we aren't. We believe we have excellent people, and regularly rate them as high-performing. I think they want to be excellent, but actually, we don't know what that looks like if we are honest'.

And a CEO of a global financial services business told us: 'We want growth. Everyone in this organisation will say they understand we want growth. Yet hardly anyone seems to know what to do to deliver growth'.

The two CEOs' observations are revealing. The organisation may employ individuals who are good or even excellent at their individual jobs, but those individuals don't know how to improve the overall performance of the organisation. Why should they know how to do this if they have not been taught how to improve performance?

The dimensions of managing for performance improvement

	HIGH	
Knowing HOW to motivate	Understanding motivation	Delivering strategy
		Understanding strategy
	LOW	HIGH

Knowing HOW to deliver strategy

A well-regarded article in *Harvard Business Review*, Are Leaders Portable, examined whether successful managers in one industry were able to repeat their success in another sector.[27] The authors found that success was not inevitably repeated in other industries.

One example from the research showed that when the telecommunications industry in the USA was deregulated and challenged by new entrants, 'few former Bell Systems managers were able to successfully transition to the fast-moving, entrepreneurial, growth-oriented environment (of the new entrants), despite being seasoned veterans of what was considered one of America's best-managed companies'.[28]

We've found that this academic account of managers in global companies is similar to our own experiences with clients. Managers do not know how to deliver the strategy through improving employee performance.

In our view, this lack of knowledge is a real challenge, and the challenge will not be solved by coaching or feedback courses, setting targets or KPIs.

'Our approach is to give managers and leaders the knowledge and skills needed to deliver the strategy.'

A second HBR case study looked at Gap, a global retailer. The case study examined what happened when managers and leaders were given the knowledge and skills to deliver strategy, as well as the skills required to motivate and engage their employees. Gap found that their overall approach, which included more frequent conversations, a change to bonus structures and removal of performance ratings raised the bar on performance, supported a shift in culture to being both nice and honest, and increased the time managers spent developing performance to deliver strategy (now they knew how to do it) rather than administering the process.[29]

Key takeaways

☑ **Managers need to know how to deliver the organisation strategy**

☑ **Simple exhortations to their team to work harder will not deliver the required results**

Managers, motivation and engagement

The ability to motivate is still a critical skill for managers. We can motivate employees in many ways – fear and money are both good at short term motivation. However, neither fear nor money will create an engaged employee; which neatly highlights the difference between motivation and engagement. Engagement is, to use Dan Pink's phrase – intrinsic motivation.[30] Motivation that comes from me, not from external factors.

An engaged employee is one who is intrinsically motivated and prepared to put in discretionary effort without an external prod such as money. Some of the most important research in the field of performance management links high levels of employee engagement to business results.[31] What creates engagement are the intrinsic motivators outlined by Pink – mastery, autonomy and purpose.

'We enable managers to see that: it is the employee's job to own their performance and it's the manager's job to manage it.'

It is the manager's role to set expectations, provide feedback and create an environment where high performance behaviours can flourish.

High performance behaviours

So how should we understand high performance behaviour? The research in this field is well established. It starts with the 'big five' personality traits, also known as the five-factor model.[32] Three of these five behaviours are associated with high performance across most roles and responsibilities:

1. conscientiousness – hard work

2. emotional stability – persistence, resilience, and relative calm when faced with obstacles

3. openness to learning from experience

Of the remaining two personality traits, 'extraversion' is associated with high performance in sales and managerial roles, while 'agreeableness' is associated with high performance in service roles.

It is not really surprising that those who work hard, overcome obstacles and learn from experience tend to deliver the best results and do well. It is actually more surprising that such basic research is so often forgotten, and instead management development programmes become weighed down with highly complex theories of motivation.

'Giving managers the understanding and skills to create a working culture where high performance behaviours can flourish, regardless of an individual's working style or psychometric profile, is likely to bring results.'

The research suggests that a manager wanting to improve team performance should develop a deep understanding of how to:

• deliver the required results (what must be done)

• engage employees through sharing purpose and offering as much opportunity for mastery and autonomy as possible

• encourage and develop high performance behaviours

If the manager understands how to do these things, they will be able to create a practical working environment in the office where high performing employees can grow and flourish.

However, we rarely meet managers who are confident they can engage employees, deliver results and drive high performance. Instead, the managers we see are overwhelmed by the very programmes designed to help them. Many organisations set out a massive list of 'leadership behaviours' requiring people to be all things to all people. For example, organisations expect leaders to have an eye for detail at the same time as seeing the big picture, to build immediate capability and develop people for the long term. And of course, they must

be expert at 'managing talent', 'having difficult conversations', 'celebrating success' and a whole raft of activities that are deemed critical to management performance.

We call it the 'magic manager' syndrome – perpetuated by a vast array of training providers promising to have found the magic bullet solution to making managers super-human performers.

At 3C we have built our development interventions from these simple but powerful observations.

We create a deep understanding of what drives performance. We help people understand how to create an environment where high performance can flourish. There is no magic potion.

Key takeaways

☑ **Though managers may have technical expertise, they often lack the knowledge of what must be done to deliver the organisation's strategy. They may not, for example, know how to grow the business, increase productivity, or transform customer service.**

☑ **Interventions to improve performance need both highly specific content relevant to what the organisation wants to achieve, as well as a practical understanding of how to create an environment where the drivers and behaviours of high performance will flourish.**

☑ **Too many manager training programmes promise a 'magic manager' solution. Inspiring managers to 'do better' only works if they know what to do and how to do it.**
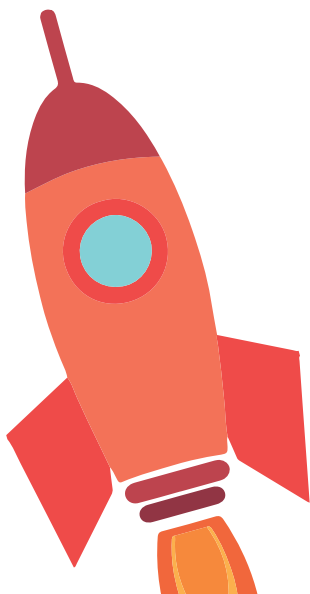
Performance management and business strategy

In his seminal book *Good to Great: Why Some Companies Make the Leap and Others Don't*, Jim Collins[33] published the research completed over many years about what underpins high performing organisations. He found that leaders in high performing organisations have a passionate shared purpose, a deep understanding of what they can be best at, and a clearly defined economic engine – they know how to turn their strategy into profitable action.

The table below shows the links between Jim Collins's research into what makes for successful strategy, and Dan Pink's approach into what makes for high performance.

Our work with a range of leaders from FTSE100 global companies, the public sector and start-ups has shown that transforming performance management means executives can deliver their strategy through effective action on the front line.

A comparison between the drivers of successful organisation strategy and the drivers of high employee performance

Good to Great, Why Some Companies Make the Leap and Others Don't by Jim Collins	*Drive: The Surprising Truth About What Motivates Us* by Dan Pink
A highly successful strategy comes from:	**A high performing employee is motivated by:**
Shared passion, or purpose among the senior team that engages the workforce	Purpose – what I am doing matters to me, it's worth spending my time and my talent being part of this
Deep understanding of what the organisation can be best at	Mastery – the opportunity to excel, to be recognised for my achievements
Absolute clarity about economic engine – the one or two business drivers that count	Autonomy – the freedom to work out HOW I deliver what is expected of me within one or two clearly defined outcomes

Conclusion

The research shows that CEOs want and need HR leaders who focus on performance management as a means to deliver strategy rather than HR-led outcomes.

Far thinking HRDs realise that:

The CEO's imperative for HRDs is that they should enable strategy to become front line action

A modern, educated workforce generally delivers the best results when working in teams with a shared purpose and goals

Implementing strategy is difficult and often neglected

The majority of employees in organisations around the world lack a real understanding of what their organisation's strategy means to them

Tactical 'fixing' of different aspects of performance management is unlikely to yield significant or strategic impact

Organisations will only achieve the results they need by redesigning performance management to both increase employee ownership and develop the skills critical to delivering the strategy

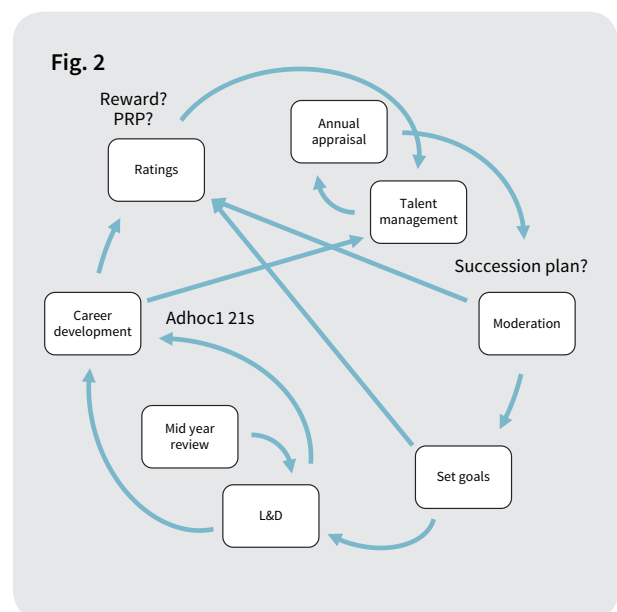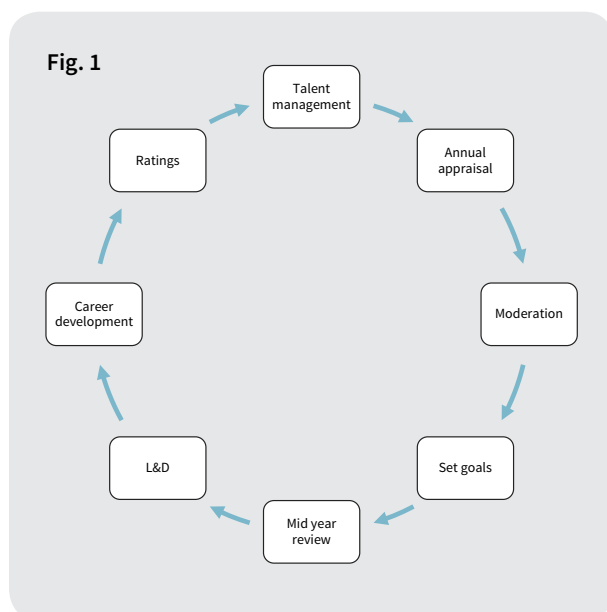# A strategic approach to designing performance management with purpose

Application of the theory in practice

One of the most difficult challenges facing HRDs who want to understand performance management is to think about it as a whole. The research we reported on in the first section shows that changing some aspects of performance management without reference to the whole is unlikely to deliver the required results. Furthermore, typical ways of visualising performance management lead organisations to see it in a very piecemeal fashion.

Typical visualisations of performance management look something like a neat cycle (Fig. 1). In reality, employees experience the processes in a less than orderly fashion (Fig. 2).

However, visualising performance management as a cycle of separate events reinforces the belief that it is simply a series of bureaucratic tasks, completely divorced from any sense of purpose, motivation, or delivery of results.

Fig. 1

- Talent management
- Annual appraisal
- Moderation
- Set goals
- Mid year review
- L&D
- Career development
- Ratings

Fig. 2

Reward? PRP?

- Ratings
- Annual appraisal
- Talent management
- Succession plan?
- Moderation
- Set goals
- L&D
- Mid year review
- Career development

Adhoc1 21s

We realised that there were two critical factors missing from the diagrams – employee motivations and shared purpose of the organisation. The result of our fundamentally different approach is:

The 3C Performance Management Canvas
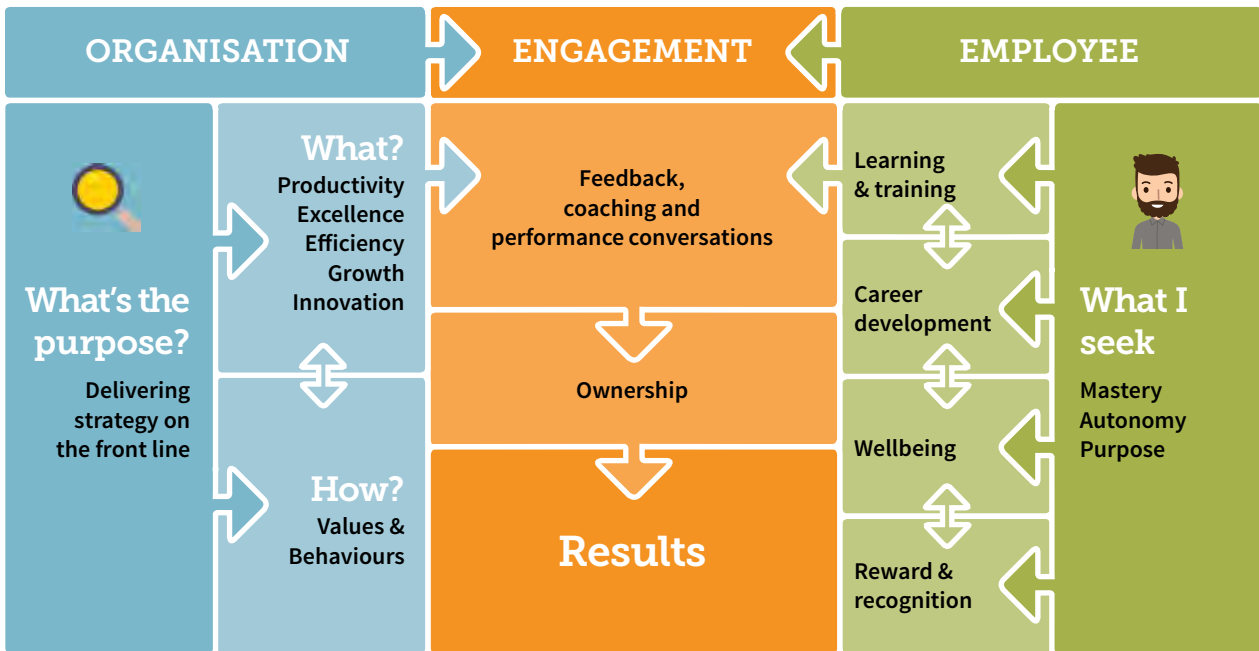
We developed the canvas after exploring the ideas set out by Alexander Osterwalder and Yves Pigneur in their book *Business Model Generation*.[34] Their book, and its companion *The Operating Model Canvas*,[35] look at organisations as a series of processes that create value.

> **'The 3C Performance Management Canvas reveals the interaction between the employee and the organisation as the process of value creation for both sides.'**

The 3C Performance Management Canvas reveals the interaction between the employee and the organisation as the process of value creation for both sides. Its power comes from capturing motivations and performance drivers rather than describing internal processes.

- I OWN my performance and my manager MANAGES it

- The more I can seek and receive feedback that increases my levels of MASTERY, AUTONOMY and PURPOSE the higher my performance is likely to be

- The more the culture encourages conscientiousness, emotional stability and learning from experience the higher my performance is likely to be

- The more people work in teams with a shared purpose and goals, the higher the overall performance of the organisation is likely to be
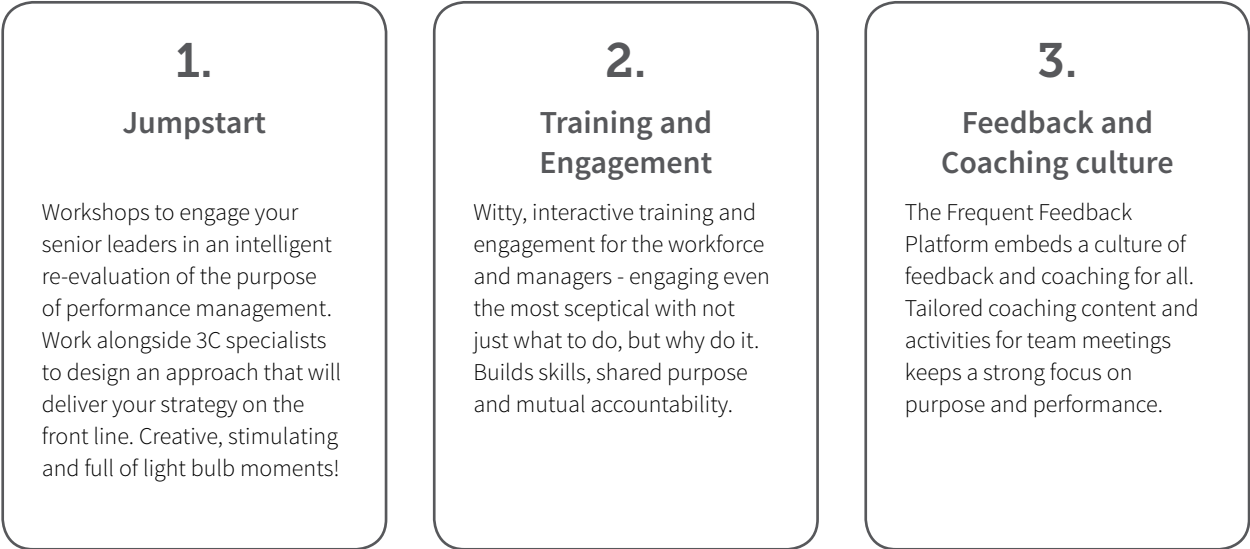
The Canvas helps us design the right solutions. But of course, we realise that effective implementation is critical.

Implementation

Our unique 3-step approach is based on the 15 years of experience, research and insight summarised in the first section of this white paper.

In particular, the research highlighted the importance of shared purpose and enabling employees to take ownership of their performance. You will see these two important themes in every aspect of our implementation, from how we involve employees in designing a new approach, to the emphasis on employees understanding how to make the most of performance conversations, feedback and coaching.

1.

Jumpstart

Workshops to engage your senior leaders in an intelligent re-evaluation of the purpose of performance management. Work alongside 3C specialists to design an approach that will deliver your strategy on the front line. Creative, stimulating and full of light bulb moments!

2.

Training and Engagement

Witty, interactive training and engagement for the workforce and managers - engaging even the most sceptical with not just what to do, but why do it. Builds skills, shared purpose and mutual accountability.

3.

Feedback and Coaching culture

The Frequent Feedback Platform embeds a culture of feedback and coaching for all. Tailored coaching content and activities for team meetings keeps a strong focus on purpose and performance.

While each project is different and tailored to the needs to the client, most organisations will need some element of all three steps to ensure a real transformation.

Many of our clients have a significant proportion of their managers promoted from technical, professional or academic roles. Within our programmes we have developed material specifically to help technical experts become great people managers. Throughout our programmes we never lose sight of the need to turn strategy into action on the front line.

'...we never lose sight of the need to turn strategy into action on the front line.'

Read on for some case studies sharing practical examples of how we implement solutions.

CASE STUDY 1:
Performance management to support vision and strategy

A major housing organisation had an ambitious new purpose and strategy in place. The recently appointed HRD realised that the existing approach to appraisals was patchy, inconsistent and inadequate. They needed performance management to promote one coherent team and support the overriding vision.

The client originally asked 3C to deliver training in SMART goals. After a thorough situation review, 3C suggested a Performance Scorecard would be much more effective at transforming the clear strategy into daily practice for the vast majority of the workforce.

Working with the executive team, 3C developed seven themes embodying what employees needed to do to be successful, reflecting the values and supporting behaviours that will make a difference.

The 3C Performance Scorecard ditches objectives altogether, being based instead on the questions the CEO would want to discuss with everyone in a performance conversation, regardless of their role. A Scorecard approach:

- captures what really matters in a set of 4-12 questions

- does not reduce anyone to a SINGLE NUMBER or WORD

- is open, honest, consistent and fair

- deepens the understanding of how to deliver the purpose of the organisation.

With no time wasted wrestling with objectives, the Scorecard allows more time to focus on the performance conversation. The Scorecard was piloted and the outcomes used to bring the themes to life across a diverse workforce. Workshops and training sessions followed for all employees and managers.

Because the Performance Scorecard is based on questions which reflect what really matters, it helps to drive and change people's behaviour. The Scorecard promotes and supports the idea of progress, development and improvement.

'...3C suggested a Performance Scorecard would be much more effective at transforming the clear strategy into daily practice...'
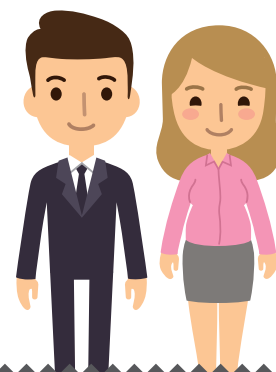
'Great work from 3C – turning what was a complex and inconsistent process into an incredibly effective and fair approach to performance and performance conversations across our organisation.'
Head of Organisation Development

CASE STUDY 2:

Performance management builds collaboration and customer focus for super-smart analysts

When the CEO and HRD of a sophisticated analytical market intelligence company set out to create growth through a strategic change, they knew they would need to think differently about managing performance. The HRD faced facts:

- most senior people were not engaged
- the process was not aligned with business performance
- the process was not delivering for the business

As performance management specialists, 3C were called in to support a re-think. Working with the executive team, 3C showed how a new approach could embed the strategy within performance management and help them deliver results. WHAT you talk about in performance really matters. There were many light bulb moments!

The resulting approach is employee-owned and focuses on having good quality, regular performance conversations – 'check-ins' – with the manager.

Crucially, the check-ins are structured around core Success Criteria – seven themes everyone discusses at least three times a year, led by the employees and focused on both performance and development.

Training sessions for all employees and managers ensured everyone across the 10 global offices understood what is expected and how to make the check-in conversations a success.

Feedback from employees shows:

- people feel aligned with the things that REALLY matter to the business

- everyone is clear about what is being measured and how

- the Success Criteria are seen as important and relevant, so worth spending time on

- the simplified approach is thought to be fair, transparent and more consistent across the business.

The result – employees have a fresh perspective on what high performance looks like in their organisation, and in a language that they feel comfortable using. People now want their performance conversation and take their share of responsibility for making them a success.

> **'...3C showed how a new approach could embed the strategy within performance management and help them deliver results.'**

'Over 99% of participants would recommend the workshops to colleagues.'

Analysis of programme evaluations

Appendices

The following appendices summarise the key challenges often preventing organisations turning strategy into action on the front line.

The issues can seem so overwhelming that managers lose sight of what is really important. HRDs need to deal with the major challenges, rather than ignore them. HRDs who are side-tracked by a series of apparent challenges become the 'procedure police force' rather than value creators.

Appendix 1: What about poor performance?

Managers notoriously find dealing with poor performance very tricky and tend to avoid it. It helps to separate out identifying and drawing attention to poor performance (the manager's role) and doing something about it (the employee's role). It is for the manager to give clear feedback about what needs to change. It is for the employee to choose to act on that feedback or not. In our experience, once managers realise it is not their job to 'make a person change', (because, as discussed, this is an impossible task) they find it easier to give performance feedback. If an employee chooses not to act, then, with all usual safeguards, a more formal process to redress performance or manage an exit needs to commence.

More worryingly, we see that the vast majority of poor performance is really because no-one quite knows *what to do to improve*. The problems are not understood, the options to improve or change not clear, and the manager can often only say 'not good enough'. In this context, the 3C approach to manager training will make a significant difference in that it provides the manager with a much greater idea of WHAT to do. In contrast, most 'difficult conversations' training focuses on conversation structure, paying less attention to what will actually make a difference to performance.

Appendix 2: The role of reward

No white paper looking at performance management would be complete without some reference to reward. And yet – all the evidence shows that in the vast majority of cases, variable reward (typically bonus) makes little difference to performance. That is not to say there is no role for variable aspects of pay. Industry has long used 'overtime' rates to encourage workers to put in hours additional to their contract. The concept of piece-work is well established, as is sales commission. It is the annual 'bonus' round that causes so much trouble.

There is a widespread belief that offering an annual bonus based on performance will actually impact performance positively despite extensive evidence to the contrary. Dan Pink reports evidence demonstrating the opposite effect – that a high potential bonus actually impedes performance of any role that requires cognitive complexity.[36]

Other research shows job satisfaction is only marginally correlated with pay satisfaction which is not correlated with performance at all. In other words, just because I am satisfied with my pay does not mean I am satisfied with my job, nor does it mean I am performing well.[37]

Research by Herzberg completed decades ago,[38] showed that once we have reached our comfort level of financial security, then motivation and performance are only marginally impacted by money. Why then do we still use annual differentiated bonus in so many organisations? The answer is that we feel we must because 'everyone else does'.

Which reveals that money, or rather reward, is primarily a function of recruitment and retention.

Reward is on our 3C Performance Management Canvas as just one factor in the many that make up an employee's experience of work.

Appendix 3: The role of technology

By itself, most technology will not change anything. Performance management platforms usually supply empty templates that are completed by employees to track progress (who has done what), primarily for administration purposes. The software does not measure the quality of what employees write in the system. This means that the opportunity to actually improve performance is not resident in the technology but in the people using it.

Our approach to technology looks at how far it can be used to improve performance, rather than record it.

Any system that can deliver practical feedback and coaching is going to be helpful. A tool that enables managers to manage their coaching and feedback for their team, and gives employees more autonomy, and the potential to develop mastery is worth having. This means no more empty templates, but practical content about how to deliver the strategy. To respond to this need we have developed the 3C Frequent Feedback platform. The aim is to do one job properly – to improve performance.

We don't pretend our platform will be right for every organisation in every situation (one size does not fit all). We do know that empty templates are for administration purposes. It is content – what should be done – that drives performance.

The strategic HRD will of course need to ensure that basic administration of performance is in place appropriately. But the strategic part of the role is to ensure that there is appropriate technology in place to improve performance and deliver on the principles.

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What our clients say

'I'm sure you've been overwhelmed with positive feedback but just in case you haven't — this approach is great. The questions are appropriate, the rating is very clear, the time taken is small and the opportunity to discuss real business impact and performance is great. Well done to the team who put this together.'

Damien Marantelli, General Manager, Mining Operations. First Quantum Minerals Ltd

'Thank you for the expert work you and your colleagues at 3C have done to help set our objectives and implement our strategy. I did not fully appreciate the benefits until I saw how it has worked out this year. There has been visible change in focus. Much of the success was due to the clear and engaging way you presented the issues to senior staff.'

Professor Steven Cowley, CEO, United Kingdom Atomic Energy Authority

'Well done! Great sessions which have made a real difference. The experiential nature of seeing and hearing the performance conversation taking place with the actors was a particular highlight for me...'

Guy Dickson, Head of Organisational Development, Plymouth City Council

'We couldn't have designed our new approach to Performance Management without 3C. They know their stuff, and work from a strong evidence base. Engaging a large, global organisation is never easy — 3C have shown they understand our challenges and have most importantly helped us re-purpose our performance management to deliver our strategy as well as massively simplify the process for our workforce.'

**Bernadette Bruton**, Global Talent and OD Director, Aviva plc

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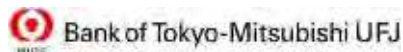
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