Current Issues and Emerging Practices in Performance Management

Center for Effective Organizations (CEO)
University of Southern California
Some of George’s focuses

- Training and development
- Human capital management
- Employee involvement
- Performance

Dr. George Benson
CEO Affiliated Research Scientist

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Some of Ed’s focuses

- HR management
- Compensation
- Organization development
- Board effectiveness
- Talent
- Recent books include *Talent: Making People Your Competitive Advantage* (2008)

**Dr. Edward E. Lawler**
CEO Director and Distinguished Professor
Participants

- UPS
- Harris
- Goldman Sachs
- Regence
- General Mills
- PepsiCo
- RBC Bank
- Microsoft
- TriWest Healthcare Alliance
- Cedars-Sinai
- Manpower
The State of the Art?

- Web-based custom systems – fully integrated
  - Some with off the shelf systems
  - Spreadsheets – lots of them – still around

- Mix of business performance and behavioral goals
  - The “what” and the “how”
  - Performance goals set based on algorithms tied to organization
  - Behavioral goals set based on competency model

- Fully integrated with talent management, development and compensation systems
  - Lots of variation in degree of integration
The State of the Art?

- **Calibration within the evaluation**
  - Guidelines to balance behavioral and outcome goals
  - 3-5 point scales - still focused on “the number”

- **Calibration across managers and departments**
  - Guidelines for distributions
  - Final calibration done by managers (or with HR...or by HR)

- **Tied to performance**
  - Performance ratings correlated with employee surveys
  - Performance ratings correlated with unit outcomes
  - Performance ratings correlated with variable compensation
The More Things Change….

- Still an Annual Process
  - Goal setting
  - Evaluation
  - Calibration

- Still Top down
  - Mostly Manager / Supervisor Evaluation
  - Some 360 but more for development

- Still Unsatisfying
  - What do we get from all that effort?
“About 58% of human-resources executives graded their own performance-management systems a C or below, according to a May and June 2010 survey of 750 HR professionals conducted by New York-based consulting firm Sibson Consulting Inc. and WorldatWork, a professional association.”

WSJ November 2010
The Issues

- Capability vs. Complexity
- Setting Goals to Support Strategy
- Getting Managers to Take Responsibility
- Validity of the System
- How to Balance Evaluation and Development
The Issues – And Some Emerging Practices

➢ Capability vs. Complexity
  ▪ Regence / Harris Corporation

➢ Setting Goals to Support Strategy
  ▪ PepsiCo / Manpower / UPS

➢ Getting Managers to Take Responsibility
  ▪ Cedar Sinai / General Mills / Royal Bank of Canada

➢ Validity of the System
  ▪ Goldman Sachs

➢ How to Balance Evaluation and Development?
Capability vs. Complexity

- Just because we have the capability to measure everything and everyone does not mean we should.

- Simplifying the process
  - Example – Harris – Moving from ten buckets to three

- Matching the process to the role
  - Example – Regence – No more annual review for call center
  - Example – Financial Services Firm – No ratings for the top 100
Setting Goals to Support Strategy

- Performance management across business units is hard
  - Example – Pepsi – Aligning goals across business units

- Performance management across the globe is harder
  - Example – UPS – “Variations on a theme”

- Goals slow to change with business conditions
  - Example – Manpower – Moving back to growth metrics
Getting Managers to Take Responsibility

“Personnel administrators are aware that appraisal programs tend to run into resistance from the managers who are expected to administer them. Even managers who admit the necessity of such programs frequently balk at the process — especially the interview part.”

Harvard Business Review
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1957
Getting Managers to Take Responsibility

- Promoting on-going coaching
  - Example – General Mills - “Great Manager” Initiative

- Driving behavior change through feedback
  - Example – Cedar Sinai - Using peer doctors to provide feedback

- Reducing HR’s role in the process
  - Example – RBC - Involving managers in re-design
Validity of the System

➢ Preventing bias
  ▪ Example – Goldman Sachs - Using algorithms to correct 360’s
  ▪ Automated (or not) screening for inappropriate content

➢ On-going training for management

➢ Calibration
  ▪ Some done by HR but predominantly face to face, time consuming and expensive
How to Balance Evaluation and Development

➢ How to measure potential?
  ▪ Biggest question

➢ Should they be integrated? Done at the same time?

➢ What to do with the off-diagonals on the 9-box?
  ▪ High potential – low performance
  ▪ Low potential – high performance
Things we did not hear…. 

- GE style forced rankings and terminations
- Movement to do away with appraisals altogether
- We are satisfied with the way we do things
Next Steps

- Deeper looks at some new practices
  - Case studies – examples
  - Research on specific practices within companies

- CEO Working Group

Questions? Contact us

Ed Lawler
elawler@marshall.usc.edu
+1-213-740-9814

George Benson
benson@uta.edu
+1-817-272-3856