Continuous Performance Management
Focusing on Employees and Managers in the Ever-Changing World of Work
Table of Contents

4   Executive Summary
6   Introducing the Baylor University Interview Project
13  Conclusion
14  References

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Effective employee performance management remains one of the biggest challenges for today’s organizations. On one hand, performance management is critical for the engagement, retention, and productivity of today’s workforce. On the other hand, it is becoming more and more clear that today’s performance management processes are almost never sufficient to support managers in driving the best possible performance from their employees.
Organizational researchers and subject matter experts have been suggesting for some time that traditional, annual performance evaluation processes need to be replaced. But what are the perspectives of the managers and employees who are on the frontlines of employee performance management every day? What do they want to get out of this process? Is there anything about traditional performance management processes worth keeping?

SAP and Baylor University researchers collaborated to better understand performance management from the manager’s and employee’s perspective. What does effective performance management look like in today’s world of work, and what kinds of tools will help support these behaviors? Findings from this multi-company, multi-industry research suggest that traditional performance management tools do add some value in supporting performance-related conversations in the workplace, but they do not fully support the interpersonal and process needs that employees and managers have when it comes to effective performance management. These findings suggest that the next generation of performance management should not be focused on completely replacing traditional HR tools, but on enhancing them to better support the needs and behaviors of effective managers and employees.

In the past several decades we’ve experienced massive changes in how we work. Technology has transformed how we select and apply for jobs, how we perform work functions, and even who we work with. But one aspect of work that has remained behind the curve is employee performance management. Effective performance management is critical to organizational performance and success (Aguinis, 2014; Baldwin, Bommer, & Rubin 2012; Becker & Gerhart, 1996; Huselid, 1995), but many companies’ performance management methods have failed to keep pace with rapid changes in the nature of work and shifts in the demographic composition of their workforces. The message we are hearing from organizational research and practice is loud and clear: traditional performance management methods are no longer sufficient to engage, motivate, and drive the productivity of today’s employees (Bersin, 2013; De Waal, 2013; Gruman & Saks, 2011; Ramirez, 2013; Saks & Gruman, 2011).

Most research studies concerned with “fixing” the performance management problem focus on critiquing existing HR processes. Such studies have suggested doing away with performance ratings (Ramirez, 2013; Rock, Davis, & Jones, 2013) or creating new processes that encourage managers to discuss performance with their employees more frequently (for instance, quarterly
rather than annually; Arringdale, 2014). By focusing solely on HR processes, none of these studies have captured performance management where it really lives: in the day-to-day interactions and decisions driven by managers and their employees. In today’s world of work, managers are called upon to continually make decisions around employee job assignments, resource allocation, and how best to reward stellar employees while also motivating and engaging other members of their teams. The gap between formal HR processes and true, manager-driven performance management means that managers have been left to tackle most of these day-to-day challenges on their own.

Rather than focusing on studying formal performance management processes, the topic we really need to understand is how effective managers meet the challenge of ongoing employee performance management in their day-to-day jobs. This understanding is critical in the development of tools and processes that support managers. In an effort to address this question, SAP and Baylor researchers collaborated to identify what performance management looks like from the manager’s perspective—how managers really address the behavioral and attitudinal factors that influence how employees perform on the job. Our conclusions suggest that the next generation of performance management tools will focus not on replacing traditional HR processes, but rather on building upon and enhancing these tools to support natural employee and manager behavior that drives organizational performance and productivity in a changing world of work.

WHAT IS PERFORMANCE MANAGEMENT?

In the past, employee performance management was restricted to the events and conversations taking place around the formal annual performance review. But it is increasingly becoming recognized that performance management is an integral part of the ongoing manager and employee relationship. The definition of performance management has been expanded to cover all development, feedback, coaching, and reward activities intended to drive employee performance that take place throughout the year (Aguinis, 2014). Some of these activities are more informal (for instance, coaching) while some are formal and require HR involvement (for instance, formal performance ratings that have traditionally been used to determine employee raises and promotions). This emphasis on performance management as an ongoing, multi-faceted process means that an effective manager must consider the impact of all communications and discussions on the performance of his or her employees.
Introducing the Baylor University Interview Project

This project began with one over-arching question: How do managers actually manage employee performance? There is a seemingly endless supply of research available from the perspective of academics and subject matter experts on how best to manage employee performance (e.g., Aguinis, 2014; Armstrong & Baron, 2000; De Waal, 2013; Gruman & Saks, 2011), but rarely does this research derive from speaking with managers in the field. The goal of this project was to identify broad workforce trends in how employees, middle managers, and senior leaders truly view, conduct, and communicate performance management in today’s world of work.

RESEARCH DESIGN

Baylor researchers conducted structured interviews with 81 individuals, including 32 high-performing employees (as identified by their managers), 35 middle managers, and 14 senior leaders.

These interviews were conducted across 26 different companies representing 16 industries and a variety of company sizes and cultures. This broad sampling was intended to capture performance management trends across organizations, rather than focusing on particular industries or company types. Interview questions focused on interviewees’ present-day experiences with day-to-day performance management and formal HR tools.

Interview data was coded using a qualitative analysis method by which trends were identified and frequencies of trends were analyzed. In some instances, the researchers also utilized word clouds to quickly visualize which words and sentiments occurred most frequently in reference to different aspects of performance management.


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RESEARCH RESULTS: PERFORMANCE MANAGEMENT THEMES

Theme I. Effective Interpersonal Management
Across the participating organizations, interviewed employees, managers, and senior leaders identified effective interpersonal management as being critical in day-to-day performance management. Employees and managers discussed who they felt should be involved in the performance management process, the frequency with which they felt performance-related conversations should occur, and the method managers use (versus what they should use) when conducting these potentially sensitive conversations.

Overall, findings around this theme confirmed previous research findings that an employee’s direct manager is instrumental in the development of employee job satisfaction and performance (e.g., Maertz, Griffeth, Campbell, & Allen, 2007; Podsakoff, MacKenzie, & Bommer, 1996; Stringer, 2006). But what does effective interpersonal management actually look like?

THE MILLENNIAL MISUNDERSTANDING
Researchers and practitioners have long been trying to crack the code of what Millennials want from work. By the year 2020, Millennials, or individuals born between the early 1980s and the early 2000s, will make up 50% of the global workforce (A Global Generation Study, Price Waterhouse Cooper, 2013). The anecdotal consensus has been that this group is going to be difficult for organizations to attract, retain, and engage.
More recent research reveals that the “Millennial problem” is not as severe as it may have been perceived. Desiring work-life balance, meaningful work, ongoing performance feedback, and competitive compensation are not characteristics that are specific to Millennials—all employees report these job factors as critical determinants of job satisfaction (Workforce 2020, Oxford Economics, 2015). Indeed, when it comes to what they want from work, Millennials seem to have much in common with their older counterparts. This means that effective, ongoing performance management is going to be important for all employees regardless of their age.

**Constant Communication**
Across the interviewed sample, employees reported desiring constant, or ongoing, communication around their performance. Approximately 87% of those interviewed indicated that regular performance-based communication is an important factor for them; however, only 54% indicated that they themselves received performance feedback on a regular basis. Managers were asked whether they had performance-focused conversations with their employees regularly, occasionally, or rarely, while employees were asked whether their managers initiated performance-focused conversations regularly, occasionally, or rarely. Analyzing the gaps revealed that managers tended to report these conversations as occurring more frequently than employees felt they were occurring. Put another way, managers may think they are doing a better job of initiating performance-related communication—at least in a way that employees can recognize—than they actually are.

If an employee is performing poorly, how can a manager know which of these factors is the culprit? If job knowledge is an issue, the employee can participate in training, but that course of action is unlikely to be helpful for an employee whose confidence or motivation is suffering. Managers run the risk of wasting time and money addressing poor performance if they are not able to correctly identify the true driver of the employee’s behavior.

**MOTIVATION AND PERFORMANCE**
Organizational researchers have long understood that performance depends on two things: knowledge and ability needed to do one’s job, and the motivation to get it done (Aguinis, 2014). It is fairly obvious that if a person does not know how to perform their job they will not perform well. But motivational research has shown that employee performance also depends on whether individuals believe they can succeed at their job and whether they see a link between their efforts at work and the rewards they receive (Bandura, 1986; Lunenburg, 2011; Porter & Lawler, 1968; Vroom, 1964). In sum, poor job performance can be result of three distinct things: lack of job knowledge, lack of confidence, and absence of a perceived link between job efforts and valued rewards.
Managing Poor Performers
Initially, the interviews were largely focused around methods used to effectively manage high-performing employees. However, middle managers and senior leaders quickly redirected the conversation by indicating that the real challenge lies in managing the performance of poor performing employees, more so than that of high or even mid-level performers. Managers expressed difficulty with engaging and motivating these workers, while maintaining high team performance and ensuring organizational goals are met. While managing stellar employees was described as “easy”, managers did not feel they were properly equipped with the tools they need to effectively manage employees who are falling significantly behind.

Interviewed managers identified two main paths they had taken in the past to address this issue. The first, and most difficult, was to continually coach poor performers into better performance by providing them with the support, knowledge, tools, and resources to more effectively and efficiently perform their job duties. Not surprisingly, this was described as a drain on manager resources and time. The second path was to move the low performing employee into a different position or team that might be a better fit for the individual’s interpersonal skills, knowledge, strengths, interests and goals. Again, this was often reported as being time-consuming and difficult to achieve.

Focusing on the Positive
Across the interviewed sample, managers and employees reported a trend of performance-focused conversations being prompted exclusively by negative events (i.e., only when a performance issue needed to be addressed). This was the case for both managers initiating the conversation (i.e., when an employee had made a mistake), and for employees initiating the conversation (i.e., only reaching out when he or she needs help). This tendency to focus on the negative led to fewer performance-based conversations overall, as managers and employees reported preferring to avoid these potentially awkward interactions.

Managers frequently referred to themselves as “available as needed”, believing they had instituted an open door policy for their employees to approach them on matters related to performance. However, this was usually insufficient to drive a greater quantity of performance-related interactions, and tended to perpetuate the problem of only starting these discussions when there was an issue or problem.

What happens when good performance gets ignored? Managers that initiate performance-related conversations focused exclusively on negative events might be successful in getting employees to stop doing bad things, but they’re unlikely to elicit the positive behaviors they need from their employees. Performance management is not just about solving specific issues, but guiding employees toward their best possible performance throughout the year. This means addressing both negative and positive performance appropriately on an ongoing basis.
Managing Employees as Individuals
Consistent across the interviews was the notion that “no one size fits all” when it comes to performance management. The most effective managers knew individual employees’ strengths, weaknesses, interests, and goals, and tailored their management style accordingly. Employees reported a preference for working for managers that were understanding, good listeners, and supportive of their personal work styles. Interviewed managers identified those same traits as drivers of getting the best performance possible out of their employees.

Over the years, a lot of research has been done on employee perceptions of fair practices in the workplace. These findings suggest that transparency and consistency are critical as managers hire, motivate, and manage employees, with serious negative consequences for the performance and attitudes of employees that don’t perceive these practices as fair (Blader & Tyler, 2003; Colquitt, Conlon, Wesson, Porter, & Ng, 2001; Colquitt, Greenberg, & Zapata-Phelan, 2005). How can managers ensure they are being fair, while also managing employees in a way that fits their preferences due to culture, demographic characteristics, and personality? Striking a balance between effective, individualized employee management and fair, consistent treatment of subordinates is an ongoing challenge for today’s managers.

THEME II. EXISTING HR TOOLS
Employees, managers and senior leaders were asked to discuss the existing HR tools in their organizations, and the extent to which these tools helped or hindered the ongoing performance management process. One of the most surprising outcomes of this research, given all of the recent press about the failure of today’s performance management tools (e.g., Culbert, 2015; Ramirez, 2013; Rock et al., 2014), was that these tools were most commonly described as “helpful”. Formal HR performance management tools do help drive the performance-related conversation and bring employee performance to the forefront of a manager’s ever-increasing list of things to address in the workplace. As such, even in today’s rapidly changing world of work these tools may add far more value than analysts and researchers have given them credit for (e.g., Bersin, 2013; Ramirez, 2013).

POSITIVE REINFORCEMENT AND PERFORMANCE
Recent research has suggested that positive feedback for a job well done is just as important, if not more, as negative feedback reprimanding a work mistake (Aguinis, 2014). Positive feedback (and positive supervisor-employee interactions in general) is critical for maintaining employee morale and job satisfaction. Additionally, employees will have little insight into what they should do more of if they don’t receive positive reinforcement when positive work behaviors occur.
However, the word “helpful” was frequently followed by a caveat—these interviews revealed that HR tools still have a long way to go in various aspects before they can support the needs of employees and managers on an ongoing basis. The following are some of the major areas where current HR tools are falling short.

**Broken Feedback Loops and Lack of Transparency**

The annual performance evaluation process, which was the most frequently mentioned formal performance management tool, left a lot to be desired for managers and employees. However, the issue was not just that these tools were used annually (although clearly that was not frequent enough to meet the needs of employees). Rather, a lack of visibility into the overall process was a primary concern. Managers reported sending employee performance ratings into the “organizational vacuum” with little understanding of what impact these ratings would ultimately have.

Employees reported evaluating their own performance only to have their managers regurgitate what the employee had written in their self-evaluation, rather than providing the manager’s own feedback about the employee’s accomplishments and their suggestions for how the employee should develop or improve. When developmental feedback did occur it often happened weeks or months into the process, leaving employees to “wait around and hope [they] hear back”. Very few interviewees in this study reported a fully functioning performance management cycle in which ratings, feedback, and performance evaluation impact on things such as pay or staffing decisions occurred in a closed loop that was timely and well understood by everyone involved.

**Inconsistent Implementation**

In nearly all of the interviews, employees and managers reported vast differences in how performance management was conducted within their organizations. The personality or style of managers and senior leaders often impacted how frequently performance feedback was administered, and sometimes whether performance appraisals happened at all. In some cases employees reported moving to a different department within the same company and experiencing a completely different performance management culture.

Employees, managers and senior leaders were asked to discuss the existing HR tools in their organizations, and the extent to which these tools helped or hindered the ongoing performance management process.
This inconsistency negatively impacted all stakeholders in the performance management chain: HR lost credibility in the eyes of managers when the tools they were given were deemed as not being useful; managers were unable to motivate employees to meet their potential; employees lost development opportunities; and senior leaders had limited visibility into the true performance of their teams.

They’re Better Than Nothing, But…
As previously mentioned, existing HR tools and processes were described as being helpful. Although recognized as not ideal, in some cases these tools were the only driver of performance-based interactions between managers and their direct reports. Employees reported appreciating the opportunity to discuss their performance, but the processes themselves were described as frustrating. Existing HR tools were described as being too rigid, time-consuming, and not specific enough to truly influence employee performance and development.

Managers also felt that existing HR tools and processes were time-consuming. A critical issue for this group was an over-reliance on memory and employee self-reporting to derive a performance rating. Managers did not feel that existing HR tools appropriately supported them in remembering employee performance throughout the year, and when it came time to conduct formal evaluations they were left sorting through their own imperfect notes and recollections. Managers mentioned “quick reference data” as something a performance management system desperately needs—a summary or dashboard to assist the manager in making and communicating year-end decisions around employee performance.

MANAGING A DIVERSE WORKFORCE
Today’s workforce is more demographically diverse than it has ever been. Managers are routinely leading teams comprised of different genders, ages, and nationalities. Further, technology has enabled the rise of virtual teams, which means that managers can lead individuals that are located in entirely different countries with entirely different customs. When you add variations in personality, values, and learning style, it becomes a considerable challenge for managers to account for all possible individual differences when managing the performance of their employees.
Conclusion

How do effective managers manage employee performance? They do it through day-to-day interpersonal processes that include ongoing conversations, effective management of poor performers, taking individual characteristics and needs of employees into consideration, and by focusing on both the negative and positive aspects of performance. How well do formal performance management processes support these manager behaviors? Unfortunately, not very, although they are usually viewed as better than nothing at all.

Tools and processes that provide structure to the annual performance appraisal are not sufficient to drive the desired feedback-rich conversations that should ideally happen throughout the year. Further, they are not designed to give managers visibility into employees’ performance throughout the rating period, leaving managers largely on their own in making and communicating critical performance-related decisions. But, as employees noted, they do ensure managers do not avoid performance conversations entirely. Although employees and managers welcome the opportunity to discuss performance and they desire more regular performance-focused communication, it is little wonder they avoid processes and tools that are so flawed in supporting these conversations.

HR researchers and practitioners have a challenge ahead of them. While work looks completely different than it did 30 years ago, formal performance management does not, and managers and employees are noticing. If the next generation of performance management tools and processes are going to be successful, they have to improve upon the traditional methods we’ve used in the past and focus on meeting the needs of employees, managers and senior leaders on an ongoing basis. The performance management tools of the future must fill the gap between what employees and managers need and what they have available to them, supporting them in driving performance and productivity in a rapidly changing world of work.
References


