



I Hate Performance Reviews

Performance Reviews are the “key business process” held by the HR Department. Most of the time they are seen as counter productive, time wasting and painful (including by HR Managers when they do them for their own staff). Can’t we do better than that!

5 reasons Performance Reviews are designed to fail

Congratulations - you’re average

By definition there will be just as many people below “average” as there are above it, but most people are dissatisfied if they are not placed in the top 25% of evaluations. When we insist that performance reviews produce a normally distributed rating number we design the system to disappoint 3 out of 4 people (of course most senior executives don’t see this as a problem—they have always been ranked in the top 25%).

Mixed Messages

What is this process for? Evaluating performance, getting a number for the salary review, making sure people feel appreciated, emphasising the right behaviours and values, setting goals for next year, discussing careers... With this many conflicting objectives it is not surprising that the process fails all of them.

Most of us are not going to be promoted any time soon

Career discussion sections are designed as if we were all new graduates or “high potential” employees. What about the majority of staff who are unlikely to be promoted in the next 2-3 years but are the vital “high performers” we rely on? Why insist on a discussion that most people are going to find demotivating?

Discussion Fatigue

I am a Manager with 6 direct reports each of whom has 4 reports of their own. I have to schedule 6 one on one discussions and 24 “one-up reviews” into the next 4 weeks (Yes, I know I should have started earlier but I was on leave and before that I was travelling for 2 weeks). It feels like Parent/Teacher interview night at school!

3/5^{ths} of 5/8^{ths} of not much

So one of my people did really well this year and got a 4 out of 5 for their performance rating. The Salary Budget for this year is 3.5% on average but because they got a 4 they get 4.5%. The marginal tax rate is 30% and their Salary is \$80,000 per annum so after tax they get an extra \$10 per week - won’t they be excited!

Issue 9, March 2012



But don’t we need Performance Reviews so that....

1. People get at least one discussion per year with their manager about their performance and their future.
2. We have some way of cascading corporate goals down through the organisation in a consistent way.
3. Better performers receive better rewards than the poor performers do.
4. Measure our performance and develop corrective action plans where we are not meeting our goals.

Is there a better way of doing it?

Performance reviews cover potentially difficult issues so they cannot be made totally “painless”. Surely we can at least design them so they are more likely to have a positive impact than not.

My rules for getting this process more right than wrong are:

1. Goal setting for next year and evaluating performance against last year should be an extension of the Business Planning/Budget Process. That process should not focus on how hard someone tried, how they behaved or what their salary review will be. If KPIs or Business Goals are not met then all the possible reasons why should be examined and corrective actions put in place.
2. Salary Reviews (outside of promotions) should focus on the salary the person could now command in the market. This will be a combination of general market movements and the increased skill or experience of the person. It is not about this years goal performance.
3. Performance against KPIs or Business Goals may be reflected in a short term bonus scheme if one exists.
4. Promotional decisions must reflect individual leadership capacity and whether the person exhibits the required behaviours at work i.e. our leaders/senior staff have to meet their KPIs and live our values and promotion decisions are how we reinforce them.
5. Poor performance (and good performance) gets dealt with at the time it occurs.
6. On an employee’s anniversary date their manager sits down with them and has a discussion about “how things are going”. This is unscripted, free form and appropriate to the needs of the individual employee. If a career change or development discussion is needed this is when it happens.

So simple! If you are interested in discussing this further then give me a call.

Best Wishes,

David Gunzburg

