Fueling Performance: Trends in Measuring and Evaluating Performance

Revolutionizing Performance Management: Workplace Trends and Deloitte’s Journey

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Agenda

- Introduction
- Trends
- Our new approach to accelerating and enhancing performance
- Where we are today
- Starting points for your journey
- Q&A
Trends
New business drivers demand a radical transformation

A variety of business drivers have undermined the effectiveness of today’s approach to Performance Management, encouraging organizations to pursue transformation:

<table>
<thead>
<tr>
<th>Business Driver</th>
<th>Impact</th>
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<tbody>
<tr>
<td>GREATER SPEED AND PACE OF BUSINESS</td>
<td>Rapidity of change requires PM systems more focused on improving performance and fostering engagement</td>
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<tr>
<td>INCREASED GLOBALIZATION &amp; INTERDEPENDENCE OF ORGANIZATIONS</td>
<td>New structure demands agile, flexible, and innovative PM processes</td>
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<td>INCREASED PERFORMANCE PRESSURES FROM ECONOMIC DOWNTURN</td>
<td>Pressures are leading to higher dissatisfaction in PM &amp; lower confidence in future ability</td>
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<td>SIGNIFICANT TECHNOLOGICAL IMPROVEMENTS</td>
<td>Mobile, social, &amp; cloud computing improvements are changing the way we do work and the skills we need</td>
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<td>DEMOGRAPHIC SHIFTS ARE CREATING A DIVERSE, MULTI-GENERATIONAL WORKFORCE</td>
<td>Growth in millennial employees who have high expectations for coaching and development</td>
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In Fact…Millennials…

- 80% Want to give performance appraisals to the boss
- 60% think 7 months of work means they’re “loyal”
- 2/3 Want to be “creative” at work in their job
- Expect feedback weekly and progression annually
- Their “team mates” are the most important people at work
Transformation relies on a shift in PM principles

To effectively address those challenges PM processes require new principles, including more frequent and informal conversations, greater focus on development and more robust data.

![Diagram showing transformation in PM principles](image)

**Future Outlook**

- **Burdensome, Fixed** → **Annual, One-Time**
- **Assumption Based** → **Ongoing, Continuous**
- **Centralized, Deferred** → **Flexible, Agile, Simple**
- **Appraisal Focused** → **Data Driven**
- **Remediation** → **Local, Real-Time**
- **Strengths** → **Development Focused**

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*Investments in development planning reduce voluntary and high performer turnover while increasing the average revenue by employee*¹

*The defining characteristic of high performing teams is that each member feels that their role repeatedly calls upon their strengths*²
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<td><strong>1</strong></td>
<td>Simplifying the process (reducing administrative burden of the process)</td>
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<td><strong>2</strong></td>
<td>Changing goal/objective setting process (less cascading/ more frequent)</td>
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<td><strong>3</strong></td>
<td>Instituting some form of “check-in” process (topics and frequency vary)</td>
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<td><strong>4</strong></td>
<td>Testing/piloting vs. a “big-bang” re-design approach</td>
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Performance Management is still not driving results

The 2015 Global Human Capital Trends report from Bersin by Deloitte outlined consistent and negative trends in Performance Management

89% of organizations have changed performance management processes or plan to change it in the next 18 months.
Change: How Much and How Fast?

Our experience indicates that many organizations across industries are dissatisfied with the status quo and are making changes – but the extent of change ranges across a broad spectrum.

**PM Change Continuum**

**Incremental Change**
- Mature, entrenched process
- Little leadership or workforce dissatisfaction
- Evidence that process lags market and/or can be more effective
- Seeking incremental improvements (e.g., change rating scale, add quarterly reviews, address technology, etc.)

**Substantial Change**
- May have looked broadly/strategically at PM
- Leadership and workforce desires/expects change
- Building the case for change
- No plan to completely ‘blow up’ the old process, but intention to make significant changes

**Complete Re-Invention**
- Pervasive leadership/workforce dissatisfaction with previous process
- Focus on strategic business and talent impact of PM
- Deep, data-driven exploration of leading practices and options
- Committed to leading edge innovations
Deloitte’s new approach to accelerating and enhancing performance
Case for change

We realized we had an opportunity to reinvent Performance Management at Deloitte

- Internal feedback demonstrates that our people like the predictability of the current process and the fact that because each person is assigned a counselor, he or she has a representative at the consensus meetings.

- The vast majority of our people believe the current process is fair

- We realize, however, that it’s no longer the most effective design for Deloitte’s emerging needs

- Once-a-year goals are too “batched” for a real-time world, and conversations about year-end ratings are generally less valuable than conversations conducted in the moment about actual performance
What is Performance Management for?

Our goal is to bring out the best of every person and the best of every team

1. FUEL Performance
   - What characterizes our top teams?
   - What do the leaders of those teams do?

2. SEE Performance
   - Who are our most highly valued individuals?

3. RECOGNIZE Performance
   - How do we translate performance snapshots into talent decisions?

Leading Practices
- Weekly Check-Ins
- Performance Snapshots
- Pulse Surveys

Talent Need
- Data-Driven Compensation Decisions
- Other Talent Decisions
The Check-In

Check-Ins help drive performance and engagement, as they happen in real-time, are future-focused and place greater emphasis on development.

Check-In guiding principles
- Based on strengths
- Focus on near term future
- Supported by self-assessments
- Lead to...
- Improved performance and engagement
- Quick
- Established Periods

It’s about the work!!!

Check-In process

INPUTS FROM TEAM LEADERS
- Set expectations for upcoming work
- Review priorities
- Comment on recent work
- Provide course correction, coaching, or important new information

BENEFITS FOR TEAM MEMBERS
- Clarify what is expected of each team member and why
- Understand what great work looks like
- Define how each can do his or her best work in the upcoming days and leverage their strengths

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Rater bias directly impacts performance ratings

Deloitte’s external research revealed that 54% of performance ratings were driven by Idiosyncratic Rater Effects

- 4,492 Ratees
- 25,000 Raters
- 500,000 Ratings

## Performance Snapshot

Our evaluations ask team leaders to assess skills of each team member to defining their own future actions with respect to that person.

### Questions

1. Based on what I know of this person’s performance and if it were my money, I would award this person the highest possible compensation increase and bonus.

2. Based on what I know of this person’s performance, I would always want him/her on my team.

3. Team member is at risk for low performance.

4. Team member is ready for promotion today.

### Assessment

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<tr>
<th>STRONGLY AGREE</th>
<th>AGREE</th>
<th>NEUTRAL</th>
<th>DISAGREE</th>
<th>STRONGLY DISAGREE</th>
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<tr>
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<td><img src="image2.png" alt="Rating" /></td>
<td><img src="image3.png" alt="Rating" /></td>
<td><img src="image4.png" alt="Rating" /></td>
<td><img src="image5.png" alt="Rating" /></td>
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“In this aggregation of simple but powerful data points, we see the possibility of shifting our annual investment from talking about the ratings to talking about our people”
Pulse Survey

We conducted an empirical study on some of our top-performing teams to identify those features that differentiate them from others. Based on the results, we built a Pulse Survey to measure those features.

Measuring Memphis + Gallup Research = Questions that Predict High Performance at Deloitte

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**Pulse Survey items**

1. I am really enthusiastic about the mission of the firm
2. At work, I clearly know what is expected of me
3. In my team, I am surrounded by people who share my values
4. At work, I have the chance to use my strengths every day
5. My teammates have my back
6. I know I will be recognized for excellent work
7. I have great confidence in the firm’s future
8. In my work, I am always challenged to grow

*Source: Deloitte pilots FYs14-15.*

*Pulse survey questions © TMBC.*
Data-Driven Compensation

TYING COMPENSATION TO PERFORMANCE

- Aggregated data from the Scatterplots inform an intelligent discussion to have during compensation reviews.
- Performance Snapshot scores are one input into the compensation decision.
- Functional metrics and leader judgment are also inputs into the final compensation allocation.

Each dot on the scatterplot represents an individual and their aggregated weighted snapshot scores for questions 1 and 2.
Where we are today
After analyzing our results, we know with confidence that:

**5 things we discovered**

1. We have established a **stable baseline level of engagement** in the organization.
2. Engagement is **higher than this baseline** for the test population.
3. Engagement increases over time for the pilot populations who participated in both Phases of testing/pilots.
4. Within the pilot population, increased Check-in frequency maps to **increased engagement**.
5. Significantly, **higher engagement** maps to higher Performance Snapshot scores.

**Professionals who do not prefer** the reinvented approach to performance management were **1.4 times more likely** to be at risk for **low performance**.

**Professionals believe** Check-In’s lead to their BEST WORK. It is the ability to discuss and identify these strengths through Check-In’s that drive perceived high performance.

**A Team Member’s strengths are more likely shared** when Check-In’s occur. Check-In’s occur by a **factor of three** compared to Team Members who have not shared their strengths.

**Source:** Deloitte pilots FYs14-15 and subsequent analyses.
Some of the lessons we learned along the way

1. This takes a large team with a large network, because this touches everything.

2. It’s a process of continuous innovation—not reaching a design, then implementing it then walking away.

3. Design for the positive edge cases, not the negative ones.

4. Test our way to decision—all choices informed by data.

5. Find the Easy Yes’s.

Culture and Change
The organization’s culture needs to align with and support the future vision of performance.

Manager Development
Performance management should be promoted as a “co-ownership” model of managers and employees—this continuous, collaborative process has a far more motivating outcome.
Starting points for your journey
Key considerations for assessing current state

Assess the general perception of your Performance Management system

It’s important to understand how your Performance Management system is perceived within your organization. Some techniques for completing this assessment include: conducting surveys, facilitating focus groups and utilizing analytics.

Consider how your current performance management process impacts employee engagement

Engagement tends to drop for employees during certain times in the PM process so it’s important to understand the relationship between PM and engagement before making changes to your system. One way to measure this is by conducting a measurement study of the level of engagement of employees during key points in your current PM process.
Success factors for PM transformation

Here are some practical starting points for your organization to begin its performance management journey:

**Assessment**
- Collect feedback from stakeholders
- Complete research on trends in PM and in your industry
- Identify PM components/elements that could work in your organization

**Change Management**
- Utilize results from the assessment to build a clear case for change
- Identify preliminary barriers to change and change impacts and build mitigation strategies

**Leadership Alignment**
- Identify key organizational leadership and influencers
- Socialize material with leadership and receive input
- Engage them throughout the process
Q&A