The new face of performance management

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By popular demand, we're changing the face of performance reviews. While employees benefit from feedback and guidance to help them grow within their roles, until now they've typically received a myopic focus on past performance, centered around structured, annual reviews. We're taking feedback from reactive to proactive.

That's why we developed a system that keeps reviews lightweight, flexible, and customizable to any company's culture, goals, and workforce. Putting employees first means letting them choose their unique pathways to success while ultimately driving productivity and engagement.

The importance of performance management

A company's success is contingent upon harnessing, developing, and retaining top talent. The faster a company grows, the more important it is to have a pulse on the engagement and satisfaction of each worker. In a 2012 meta-analysis of over 200 studies, Gallup found that employee engagement increased customer ratings, productivity and profitability.

However, 70% of companies rate their performance management processes as average or below average. Employers complain about them, employees feel victimized and resentful after them—traditionally structured annual performance reviews can do more harm than good. In fact, a meta-analysis of 607 studies on annual performance appraisals found that 30% of these reviews actually resulted in lower employee performance. So why are these tools and processes, which are critical to employee success, failing?

The failings of the traditional performance review process

Why it doesn't work

There are a few critical aspects of traditional performance processes that are necessary to understand. Here are the main reasons these reviews have been largely unsuccessful:

Traditional reviews are rooted in the past

Planning out employees' goals a year in advance is no longer lucrative. It's more beneficial to create a system that will follow the natural cycle of your company's work with ongoing feedback and a forward direction than to rehash performance from 6 or 12 months ago.

We don't like negative feedback

A 2017 study performed at Harvard School of Business revealed that negative feedback is largely ineffective because we often reject personal criticism that may, in fact, be true. As many traditional performance reviews focus on negative feedback, these will leave the employee feeling defensive and will most likely not result in change.

Ratings are biased

Though aimed at being objective, the rating systems used in traditional review processes can be biased. This is due to the fundamental attribution error, which is to assume the lowest performers will always be the worst performers. This thought process tends to overlook the effects of good or poor management or other professional or personal conditions.

The reviews are infrequent

A lot happens in six months or a year— too much to summarize in one sitting. Therefore, infrequent performance reviews tend to only touch upon the most recent few months and overweight one or two memorable—and usually negative—events. In other words, they're not comprehensive.

How did we get to where we are now?

To understand why traditional review processes miss the mark, we must look at why they were first put in place.

In the 1980s, the CEO of General Electric, Jack Welch, developed a numeric rating scale for his employees; it was a system that aimed at being as objective as possible. This way, companies could rank individual workers with the intention of rewarding top performers, retaining those in the average range, and cutting those at the bottom. This system became known as "Rank and Yank," and grew wildly popular in the following decades for its promise of objectivity.

While this system may be helpful for an initial clean-up of an organization, it doesn't make sense as a long-term process. These ranking systems tend to breed unhealthy competition and resentment, making it difficult to foster collaboration. Innovation is nearly impossible when jealousy creates a winner-takes-all culture of rejecting others' ideas.

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A new emphasis on development

Development leads to employee engagement

Employee development and personal growth are among the largest HR trends of the past year, and for good reason. A **2016 study** shows that employee engagement has dropped significantly since 2012. When engagement levels drop, a company can expect to see:

| Higher employee turnover | Increased absenteeism | Lower customer satisfaction | Decreased profitability and revenue growth |

In fact, this same study shows that just a five-point increase in employee engagement can lead to a three-point increase in revenue growth.

One great way to ensure employee engagement is fostering individual development and the potential for new skill sets. With this in mind, we're turning performance management into more holistic conversations about goals, strengths, and growth.

From reactive to proactive

In shifting annual performance reviews to user-friendly, frequent check-ins, managers can align employees' individual goals with those of the company. This way, employees are more engaged, motivated, and cultivating a culture of collaboration. Here are a few steps towards converting performance reviews to productivity enhancing coaching sessions:

Make the process more continuous

Instead of trying to assess the entire year at once, ongoing feedback is a simple way to touch base with each project. Try checking in at the midpoint of assignments instead of retroactively. We suggest shorter quarterly, if not monthly, review discussions that allow for course correction and development.

Frame the feedback around learning

Align the company goals with individual goals of the employee. Together, the employer and employee can work in a way that excites the latter and inspires both to grow. Also, try team coaching periodically; feedback that pertains to managers, peers, subordinates, and self reviews can keep individuals from feeling victimized. It can also promote learning without direct attacks on performance.

Keep the focus on the solution

Instead of pointing out past problems, think of these reviews as opportunities to teach. Brainstorming and working through current problems together is not only productive, but will leave the employee feeling invigorated rather than resentful. Creating a joint action plan will shift the conversation from backward-looking criticism to forward-looking development.

Tools for the solution

These are big changes, and many managers aren't equipped to jump into the business of coaching just yet. This transition can be daunting, and that's why Zenefits developed a new performance management tool to help with the process. Here's how Zenefits' new feature is helping employers implement performance management processes that truly drive value:

Check out Zenefits Performance Management
zenefits.com/hr/performance

Easy to manage and administer

It lets your team spend time developing your employees, not managing processes. Zenefits makes it easy to launch and track review cycles, and to quickly access performance data for groups of employees and individual workers.

User-friendly

This tool is designed to meet your employees where and how they work. A mobile-first design lets employees and managers complete the review process whenever and wherever they are, increasing completion rates, reducing time-to-completion and making it easy to conduct the shorter, more frequent review cycles that drive improved employee performance.

Comprehensive and flexible

It addresses the unique objectives of your organization and the specific job responsibilities of your workforce. Get started by leveraging a library of templates for peer, 360 degree, self review, and quick feedback reviews, and then customize the questions to reflect the unique goals of your company.

Seamlessly integrated

Using Zenefits for Performance Management and HR administration puts all of your employee data in one place to simplify the process. With access to all this information, this tool is also able to deliver data-driven insights, utilizing information on performance, benefits, payroll, employee turnover, and more.
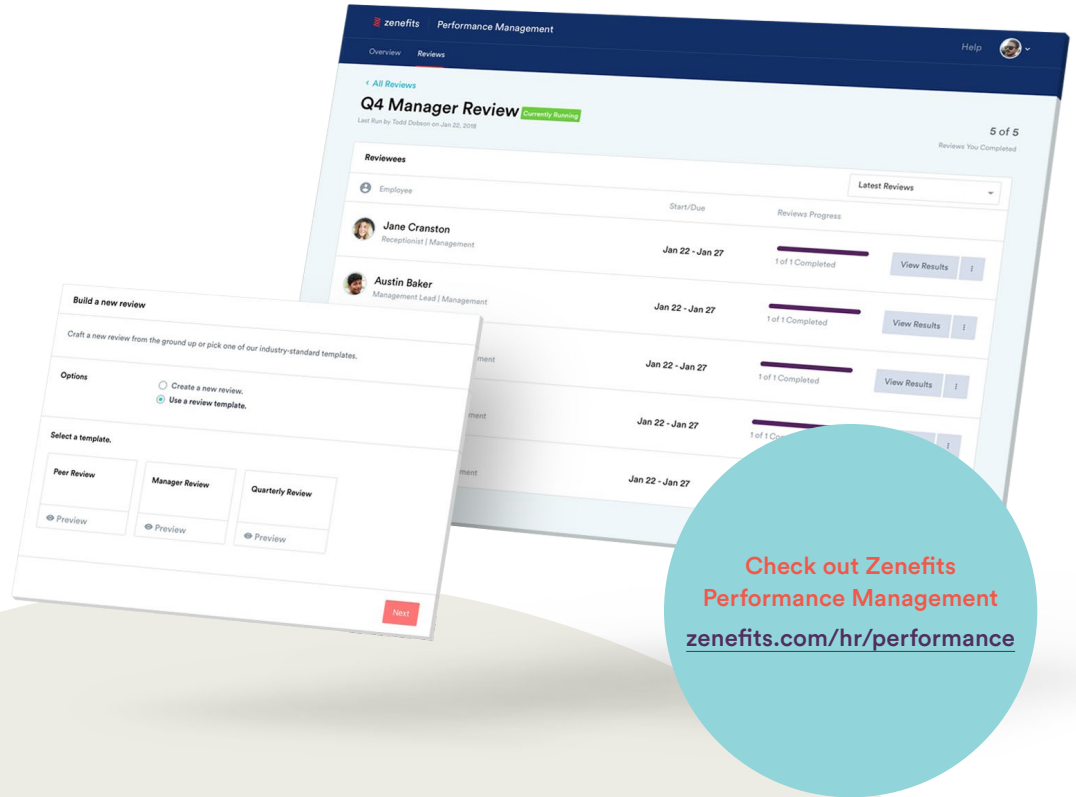
Keep in touch

Of course, there is no definitive template or schedule for offering feedback—hence why we're throwing out the traditional performance review. The bottom line for best result is knowing what your employees want. Fitting a new system to their preferred style of performance management will increase engagement, morale, and productivity.

Most importantly, this system puts people first. Foster a culture that promotes employee growth and your company will grow with them.

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