Performance Management Systems: A Love-Hate Relationship

Performance management systems vary widely from organization to organization, but there is one aspect that is common across organizations: most line managers hate them. Consider the following three questions:

- Do you know many managers who love writing performance plans for their employees?
- How many managers enjoy giving difficult feedback to their employees?
- When is the last time you heard managers say that they were looking forward to writing performance reviews?

Given that managers detest working on the key elements of performance management systems, it is no wonder that these systems—even if well-designed—are often poorly implemented—and that's a problem.

If performance management systems are poorly implemented, then they can't possibly accomplish what they are supposed to do, namely help organizations improve their overall effectiveness.

What's worse is that the way they are implemented actually often hurts an organization's overall performance.

What Does an Inward Mindset Have to Do with It?

An inward mindset hurts performance management systems on a whole host of levels. When we're inward, we focus only on our objectives, concerns, and results. The three questions posed above, for example, all have negative answers precisely because managers are only concerned with how they're affected by their organization's performance management system. In thinking about how they're being effected, they don't always consider the implications for their direct reports or for the organization as a whole.

Even more troubling is that the very nature of many performance management systems actually invites this self-focused way of thinking from the managers and direct reports, hurting overall organizational effectiveness.

Why Is That the Case?

While it is generally accepted that the output of effective teams is greater than the sum of individual efforts, organizations continue to measure performance on the scale of the individual, not the team. Measuring only for individual performance can motivate employees to focus on their own results sometimes to the detriment of the team's or even organization's results. In measuring individual results, performance management largely ignores the impact that employees have on colleagues while trying to achieve those results.

Imagine a basketball team in which a star player scores the most points but refuses to pass to the ball to his teammates.

- Is that star's selfishness likely to sink the team?
- Will this selfishness be obvious to all and roundly criticized?

The answers are obvious. So why is the selfishness of a star employee who figuratively "refuses to pass the ball to his teammates" often overlooked? Why is it that employees often are rated highly in performance reviews, due to their "great individual results," without regard for the fact that they are getting in the way of their fellow employees and hurting the organization?

One reason is that managers often think it's too difficult to assess both the interactions within organizations and the impact of the individual employees on the organization. Our experience, however, has been just the opposite, and we believe that there is a straightforward way to assess an employee's impact on others.

So How Does One Design and Implement a Performance Management System that Accounts for an Employee's Impact on Others and Promotes Accountability?

To do so properly requires an understanding of the organization and its objectives, but here are a few general suggestions:

1. Measure what an employee's customers, colleagues, direct reports, and managers have been able to accomplish as a result of the efforts of the individual.
2. Tie evaluations, compensation, and career advancement to an employee's impact on others, rather than basing them solely on individual KPIs (Key Performance Indicators).
3. Establish a culture in which employees hold themselves accountable for their impact on others by regularly reporting to their colleagues and direct reports regarding their efforts.