



To Rate or Not to Rate? That Isn't the (Right) Question

By Jennifer Steinmann

Jun 25, 2015

Executives responding to The Conference Board's annual CEO survey the last two years cited human capital as their top challenge. Their view isn't surprising—faced with loyalty and retention issues, increased transparency from new technologies, and more diverse organizations, CEOs want to take the right approach to talent development, engagement and acquisition.

Workplace pressures are driving changes to the way things are done, making traditional systems like performance ratings a hot topic. Microsoft and Yahoo reinvigorated the ratings debate last year; now 89 percent of business leaders say they have changed, are evaluating or plan to revamp their performance management systems in 2015.

Any company refreshing its performance management system is bound to ask the question: To rate or not to rate? But that may not in fact be the right question. More useful questions may be: Do we provide an engaging and personalized work experience that supports our people's best work daily? Do we really understand what performance looks like in our organization? Are we matching what our people do best with the right roles?

Deloitte believes we've found an approach that is nimble, amplifies strengths, and collects actionable, real-time performance data at the individual, team and organization levels. We expect it to significantly reduce the time our people spend discussing ratings. Every year, we devote nearly 2 million hours to completing forms, holding meetings and creating ratings.

Research shows that while existing systems have their benefits, the ratings produced are not always consistent. A major study published in the *Journal of Applied Psychology* found that up to 62 percent of the variance in ratings of individuals reflects the differing perceptions of the managers doing the rating.

As the performance management landscape changes, we believe the most effective systems will include four qualities:

- Future focus. The mountain of time leaders spend talking with each other about ratings and past performance should shift to open discussions with employees focused on work priorities and their growth and career.
- Individual experience. Intuitive, easy-to-use technologies can continuously engage employees on their strengths and the best ways for them to contribute to the organization.
- Consistent data. An ongoing stream of consistent data and analysis will yield new insights into performance.
- Simplicity. Easy-to-understand design elements should be executable in a few minutes, whether it's a survey, snapshot or check-in.

We are taking these concepts and molding them into a new, individualized system. We want to create a three-step system that we believe will help restore the "performance" to performance management.

First, to fuel performance, team leaders and members will have frequent conversations. We're asking our people to have weekly check-ins that focus on immediate priorities, what quality work looks like and how to use their strengths. We've found regular one-on-one dialogue helps us insert our people into the right roles. Consider the experience of a team leader who wanted to "round out" a team member by

putting him in a project management role. Weekly meetings revealed the person wasn't a good fit, prompting the team leader to move him to a new role better suited to his strengths. Another team member passionate about project management was brought in. The change increased team productivity, engagement and client satisfaction.

Second, our managers will evaluate team members at least quarterly to better see performance. We don't plan to ask managers to judge their people against predetermined skill sets. Instead, we plan to have a "performance snapshot" that invites managers to tell us what decisions they would make about each person. Would they increase compensation? Promote the employee? Nudge the employee toward the exit? Generating consistent data isn't a question of who you ask, but what you ask and how you ask it.

Finally, our new system will recognize performance, as most systems do today. Does a robust performance management system require ratings? We're testing our redesigned process, and ratings may continue to play a role. But if they do, the success of our system won't rest on their use, but on bringing out the best of our people and engaging them through long, successful careers with us.

Jennifer Steinmann is chief strategy, innovation and transformation officer at Deloitte. She is currently overseeing the company's performance management system revamp.

OTHER EMPLOYEE RELATIONS TOPICS | PERFORMANCE MANAGEMENT

Contact Us (www.shrm.org/about-shrm/Pages/Contact-Us.aspx) | 800.283.SHRM (7476)

© 2017 SHRM. All Rights Reserved

SHRM provides content as a service to its readers and members. It does not offer legal advice, and cannot guarantee the accuracy or suitability of its content for a particular purpose.

Disclaimer (www.shrm.org/about-shrm/Pages/Terms-of-Use.aspx#Disclaimer)