People Biz, Inc.

"Death of a Dinosaur" | The End of the Annual Performance Review. The Rise of Organizational Coaching

By Deborah Huyer

The annual performance review has become a dinosaur because it has failed to change and evolve much in the last 50 years, while everything around it in business has.

50 years ago we had secretarial pools, carbon paper and mimeograph machines for making copies. Everything was sent "snail mail" and the Fax machine hadn't been invented.

Yes, that's right, the annual performance review as we know it today was developed over 50 years ago at a time when management was very much "command and control" and the manager had direct oversight and first-hand knowledge of an employee's work. It has not changed much over that time except to make it more complicated and then automate it due to its complexity, while business has changed dramatically.

The shifting business landscape
In the last 15-20 years we saw a shift to more team-based work and problem solving with work being accomplished as a "team" rather than the direction of a manager. We saw the role of the manager shift to being responsible for building a cohesive and productive team, and we saw the rise of "team building" and 360 feedback as the manager had less direct/first-hand knowledge of their employees' work, so reviews started to rely more on feedback from the team and manager.

Within the last 5-10 years we've seen another shift to cross functional and very fluid work teams, where there is no concept of "a" single team. People work on different projects or sprints, working with different people on different teams over the course of the year. At this point the manager may have very little first-hand knowledge of an employees work, nor does any one single "team"

The other change is that 50 years ago, markets and business changed slowly over the course of a year, so annual goals and an annual review made more sense then. Now most companies have semi-annual goals, and in many cases quarterly goals because of the speed of change.

The annual review today (or semi-annual review which I'll use interchangeably) provides too little relevant information, too late to make any real difference over the course of the year. You've lost the ability to assess, iterate and make course corrections over those 12 months. It's too late to make the very changes needed to achieve results. For those in the tech world it's using a waterfall process, in an agile environment.

Through all of this change, we are still using the same annual review that was developed over 50 years ago. We're using old thinking to try to solve a new problem. We're using old processes in environments where they no longer work.

Why? We are a lot like Frogs. If a frog falls into hot water, it will immediately jump out, but if it lands in cool water that slowly heats up, it will die before it knows what is happening. Same is true for change. Our work environment needs have slowly changed, but our performance processes haven't and they are dying slowly, without being aware of what's happening. Although, based on feedback from managers and employees, we've had a sense that something is not right for a while now.

Yet another shift
There is currently another shift underway - to a more "democratized" form of performance management where the employee owns and drives their development, rather than waiting for HR or their manager to initiate.

We are seeing this happening now as more employees are operating as independent or "free agents" and in the rise of independent contractors. Employment agreements are "at will." The concept of loyalty is ending as baby boomers retire. Employers are not loyal to their employees. They make decisions based on business needs as their stakeholders require. If employees don't evolve and produce along with the pace of change, they are replaced.

Conversely, employees are no longer loyal to a company for their career. If they aren't challenged and don't grow and develop, just like "free agents" they will leave for another position that gives them that opportunity. In many corporations, the expectation seems to have become "sink or swim" – be great, or be replaced. There is very little real coaching and development going on. Employees who find themselves on their own will leave to gain new experience and advancement if not provided by their current employer - at least the good ones will.

As a result, the successful employee "agent" is taking a more active role in their growth and development and not waiting on the manager or company to make that happen. The manager's role shifts to that of a coach, responsible for recruiting great "talent" and then coaching them to optimal performance, just like a coach in sports. The Gen Y and Millennium generation was brought up on constant feedback and coaching from parents and coaches. The biggest draw for recruiting and retaining them is meaningful feedback and coaching.

New technology is already supporting this shift. There are some great online tools on the market today, such as Checkster, where with just an email address, employees can solicit feedback on their performance from peers, past colleagues and even clients. With just the click of a button, they get back an anonymous report with feedback on their performance. The assessment and review process is now in the employee's hands. And employees are utilizing these tools and coming to job interviews prepared with not only references, but actual feedback on their performance.

This is a big shift that is occurring, and also the biggest opportunity for companies over the next decade. Those that recognize and get out ahead of this will be more successful. Those that hold on to antiquated processes will go the way of the Platypus.

What happens next?
Until performance reviews become an integrated business process (like project management, agile development or general accounting procedures), they will remain an extraneous, after-the-fact process that provides little to no value. Currently, it's a form that we are required to fill out once (or twice) a year from HR that has no immediate impact on day-to-day success. HR is not necessarily to blame. In researching performance management myself, there has not been a lot of thought leadership in this area up until now.

What needs to happen? In essence the annual performance review needs to be replaced by adopting a simple, agile and iterative process supported by a coaching culture where performance management becomes an integrated day to day process directly leading to business results and employee development throughout the year, not something that is done at the end of the year, and after the fact.

There are two elements: one is adopting a simple integrated process supported by coaching, and the other is creating a coaching culture.

Creating a coaching culture is based on the concept that everyone in the organization is being coached on a regular basis. Most managers have weekly 1:1's with their employees and this leverages that time, rather than creating additional meetings or work to be done. It creates a common language and common expectations. Because everyone, including the manager and hopefully the CEO, is being coached, it is transformational rather than remedial. It begins with the mindset, "I am here, I want/need to be there - and a plan to do it."

In its simplest form, it starts with the employee soliciting feedback on their performance on a regular basis throughout the year that makes sense for them. It could be after each sprint, a project, or quarterly and the needs are usually different in different areas of the company. What works for sales probably does not work for engineering. My role as an organizational coach is to ask the right questions and create new thinking in this area that makes sense for the organization.

Based on the feedback, the employee with coaching from their manager identifies 3-4 goals that are important to their success. They could be business or personal development goals, but usually both. The employee makes commitments as to what they are going to do for the next week, and then in the following week's meeting, they hold themselves accountable for their results and their commitments. If not, talk about what blocked them from doing so. This is all captured in a pre-meeting and post- meeting document that the employee, not the manager, completes. Sounds simple? It is. Why hasn't it worked?

The shifting role of the Manager
The manager's role as coach is to help employees create meaningful goals, affirm successes and help them when they get stuck through effective coaching skills. This requires not only coaching training for the manager, but having experienced a successful coaching relationship themselves.

This experience is the key to success and where most coaching training and managers fail. I have designed and delivered coaching training to managers and have sent managers to external coaching training with

limited results. The reason? "Until the manager has experienced a successful coaching relationship themselves they cannot possibly be an effective coach." You have to experience it first-hand to be able to recreate it.

A good coach can help you set bolder goals and accomplish them in less time than anyone can do on their own. We see this all the time in coaching. People come with goals that they think are going to take a lot of time to accomplish, but with professional level coaching, they execute more quickly than they first imagine. But first, for a manager to be a good coach, they have to have a good coach themselves.

Getting Started

Each organization is different, but it usually starts with a small group – a grass roots approach rather than a top down edict. The group is usually a manager and their department, or a Director and his/her managers. A professional coach comes in and coaches both the manager and the direct reports. This way both the manager and their direct reports experience a successful coaching relationship with a professional coach.

After the successful completion of a program or set of goals, the managers are then trained on how to be effective coaches themselves, and then take on the role going forward. The idea is for the managers to become self-sufficient in their role. Usually after about six months, the managers are ready for advanced training and the organizational coach is available as a resource. Some companies are adopting "peer coaches" rather than manager coaches. This is an interesting concept that could work in some environments.

What typically happens with this bottoms-up approach is that word gets around and other managers and departments want in. Especially when managers find out this is an alternative to doing an annual review! The goal is to create a coaching culture using a simple process. Assessments are done throughout the year when it makes sense and form the basis of goals – documentation is created by the employee as part of the weekly 1:1, course corrections happen in a timely manner, results improve, employees grow and develop, and a separate annual review? It becomes extinct.

Next edition – Join me as I answer common questions, such as: What about ratings for compensation decisions? What about documentation? Do I have to eliminate the annual review or can I do both? What if an employee is not owning their development? What if a manager does not want to be a coach? And others… Feel free to email me your questions: Deborah@peoplebizinc.com