KORN FERRY

PERFORMANCE MANAGEMENT PROGRAMS IN A CHANGING WORLD

5 steps to optimization.

INTRODUCTION

One of the biggest and most persistent challenges leaders are facing right now is how to focus, motivate and enable their workforce to do the critical work needed to keep their businesses running and positioned for post-pandemic success.

Performance management (PM) is intended to do exactly that, and yet many organizations find their current PM programs and processes unsupportive, with managers and employees having to contend with the following issues:

Managers	Employees
• **Focus:** creating clarity around what's really important now and what the future holds. • **Work allocation:** how to manage shifting demand for products and services, reductions to workforce capacity, and limitations of socially distanced working. • **Balance:** achieving the right mix of execution and leadership (e.g., player-coach roles).	• **Job insecurity:** having too much or too little work, and capacity limitations due to remote working and family responsibilities. • **Anxiety:** around taking risks, trying new things, focusing on objectives that are no longer relevant, or stress outside of work. • **Lack of clarity:** uncertainty about the relationship between effort, performance and financial rewards.

It is no surprise, therefore, that our research identified PM programs as the second highest priority that organizations plan to focus on in the coming six months to two years.

On the following pages, we have identified five steps that are needed to optimize these PM processes in today's uncertain times. By focusing on these areas, organizations can resolve common performance management issues, and continue to motivate and inspire their workforces through challenging economic times.

MAPPING THE CHANGING WORLD OF REWARDS

Between March and May 2020, Korn Ferry conducted pulse surveys with 7,660 respondents from 99 countries to gauge the impact of COVID-19 on rewards and benefits. Our research identified five key areas, including **performance management programs**, in which organizations plan to implement significant changes over the next six months to two years.

Key focus areas:

1 Fit-for-purpose total rewards strategy.

2 **Performance management programs.**

3 Short-term incentive/ bonus pay design.

4 Job architecture, job evaluation and career development frameworks.

5 External pay benchmarking processes.

5 STEPS TO OPTIMIZATION

1 Redefine and clarify team and individual performance to focus on what matters most now.

Leaders at all levels are responsible for clarifying, unpacking and transparently communicating the organization's priorities while ensuring everyone is enabled and equipped to contribute. Dynamic goal-setting is a key management tool that organizations can leverage to reflect urgent priorities. In the past, organizations have been reluctant to make changes (despite PM systems allowing it), but many are now updating goals and metrics to reflect urgent priorities.

When changing team and employee goals, it pays to balance "rear view" critical business and financial outcomes with leading indicators like customer satisfaction, learning and operational effectiveness. Whether or not you change locked-in organizational goals, "moving the goal posts" should be carefully considered, managed and communicated based on your current business situation.

2 Build discipline around regular performance conversations.

In many organizations, managers are primarily accountable for delivering initiatives while employee growth and development take a back seat. Feedback is provided only sporadically; true performance coaching is rare. But with interpersonal connectivity now more critical than ever, frequent and substantive performance coaching is perhaps the most important work your managers can do.

Success requires new expectations and capabilities. For example, managers may need help becoming better listeners—a real challenge during an era of increased remote working. Not only is effective listening needed to create a growth mindset; it is also increasingly expected by employees and is key to helping them cope with stress.

Employee feedback loops such as pulse surveys and periodic connections with senior leaders may need building or reinforcing too, so that managers can be held accountable for their performance coaching.

For maximum effectiveness, managers should emphasize and role model forward-looking performance coaching and development, rather than focusing solely on past performance evaluation. Employees also need to take an active role, requesting manager, colleague and customer feedback and owning their performance development plans.

3 Establish a more dynamic performance cycle.

A foundational rule of performance management is that employees should know where they stand regarding performance and there should be no surprises at the end of the year. Shorter business cycles, concerns around job security, and younger employees' expectations for feedback make this rule more relevant than ever.

Clarity and transparency are key. Organizations need to define performance and its implications (e.g., incentives, promotions, assignment to projects), and acknowledge outside forces and unknowns (e.g., economic conditions, restructurings). Managers must also be held accountable for providing frequent high-quality feedback, coaching and evaluation. Reducing written documentation can help them use this time to maximum effect. It is also worth remembering that performance and compensation cycles, though linked, do not need to align exactly to be effective.

Performance ratings, which are intended to ensure rewards are allocated fairly, may actually have a negative impact on your employees' performance and engagement. For example, they can prevent honest, constructive dialogue if employees fear information they share will damage their rating. They may also mean that feedback is delivered less regularly and efficiently. Now is an ideal time for organizations to consider whether their performance rating processes should be maintained, refined or scrapped altogether.

4 Use multiple and differentiated rewards for recognizing employees.

Cash-strapped companies may feel like they have few options for recognizing their employees, because "rewards" are often considered synonymous with base salary increases and incentive payouts. But Korn Ferry research[1] indicates that this is not the case. While base salary, variable pay, and benefits programs are key to hiring talent into the organization, it is in fact the non-financial rewards (meaningful work, career development, training, recognition, working with great colleagues, culture, etc.) that ensure employees are retained and engaged.

It is critical therefore that you equip and support managers to have meaningful discussions with employees, in which rewards can be talked about in both financial and non-financial terms.

Another point to remember is that employees realize "we're all in this together" during challenging times. Procedural fairness in how rewards are determined, communicated, and allocated can therefore be more important than the amount of rewards provided when it comes to motivating your people and making them feel valued.

5 Make your refined performance management process a driver of organizational success.

Performance management is a catalyst for refocusing leaders and employees on the things that matter most. Current business conditions, along with increased tolerance of disruption, make this an ideal time to enact changes to your performance management programs that may have been needed for a while.

Put initial focus on the key principles, process and behavioral changes that are needed rather than on systems, administrative processes, or technology. Stay flexible when implementing changes. Set expectations that the performance management process will adapt to evolving business conditions, and consider adopting a phased rollout as opposed to a big-bang approach.

1. D. Scott, T. McMullen and M. Royal, "Retention of Key Talent and the Role of Rewards," WorldatWork Journal, Fourth Quarter 2012: 58-70; Tom McMullen and Maryam Morse, "Differentiating and Rewarding Performance, Current Practice," Journal of Compensation and Benefits, September/October 2014: 30-37.

SUMMARY

Apply each of these five steps and you will have a performance management process that remains effective well beyond the current crisis. Success depends on your ability to clarify, role model and communicate new expectations of managers and employees. You will also need to hold others accountable for the new behaviors and invest in developing managers to coach performance. None of this will be easy. But the payback, for those who are up for the challenge, is a massive return on investment from the organization's human capital.

FIND OUT MORE

At Korn Ferry, we work with organizations to create next generation performance systems and pay-for-performance programs that engage employees, drive productivity, and ensure a strong linkage between reward programs and results.

To find out how we can help you focus and motivate your workforce throughout the pandemic and beyond or for details on our new in-depth study into the future of performance management, please contact us **here**.

LEARN MORE ABOUT PERFORMANCE MANAGEMENT PROGRAM DESIGN:

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ABOUT KORN FERRY

Korn Ferry is a global organizational consulting firm. We work with organizations to design their organizational structures, roles, and responsibilities. We help them hire the right people and advise them on how to reward, develop, and motivate their workforce. And, we help professionals navigate and advance their careers.

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