



# Six Stories of Successful Performance Management

Written by

**David Creelman**

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All we usually hear about performance management is complaints that it is not working well and general prescriptions for how to make it work better. For this white paper I wanted to take a different tack. I sought out stories where performance management really had worked well; cases where it had made a meaningful difference to the people involved and the organizations they served. There are many lessons to be learned from these stories, so let's waste no time and peek into those places where people cheered for their performance management process.

### The Wrong Leader

One of the reasons we do performance reviews is to weed out bad performers. This case is about a performance management system stepping in to identify and remove a bad leader. Before we get to the story, we have to face up to how we often get it wrong. Usually companies decide someone is a poor performer and then tell the manager to create a paper trail to justify firing them. Here performance management is not used to help identify bad performers; it is used to build a case against someone. Anyone who has lived through this knows it is an ugly process. The way to avoid it is to have honest appraisals that face up to problems early, and a problem with honest appraisals is where this story starts.

This case took place at a very polite and collegial educational institution in South Asia<sup>1</sup>. There was a performance management system in place and, very politely, almost everyone was rated good if not excellent. While criticisms of employees may have been whispered in the hallways, when it came to a formal rating bosses were extremely reluctant to offend an employee by giving them a bad score.

Change came when they decided to incorporate anonymous multi-rater feedback into the performance appraisal. We often hear that multi-rater feedback should only be used for developmental purposes, but this case tells a different story. Freed by anonymity and the comfort of knowing their own rating was only one of several, the feedback in the appraisal was, for the first time, brutally honest.

One department head got truly terrible scores. This probably was not a surprise to anyone, but now the system had put it on the record. The person was given a chance to improve but a year later his performance appraisal was equally bad and the organization acted. In fact the organization had created a system that had forced itself to act when in the past it had seemed easier to let the poor performance slide.

I once asked Helen Handfield-Jones, one of the authors of the famous McKinsey War for Talent book, why she had recommended using the harsh forced-ranking system to review managers. She said it was because facing up to low performance amongst leaders can be very hard to do. Unless you create a system that forces you to confront problems, it just won't happen.

This case shows that performance management can identify and remove bad performers. It doesn't do so automatically; you need to enable-- even force--tough and honest appraisals. If you do that then the value of the process is readily apparent.

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<sup>1</sup> Some details have been disguised to protect the privacy of the individuals involved.

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- Web conferencing systems and video training are most prevalent technologies currently owned by organizations.
- 66% of organizations own an LMS, or an LCMS, or an authoring tool, or a combination of those. 34% of organizations own none of these systems.
- 23% of organizations own all three systems: LMS, LCMS and authoring tool.
- Organizations in the Aerospace/Defense (54.3% of respondents) and Media (50.0%) industries are most likely to own an LCMS.

### The Rescue

Performance management meetings are often tedious and disappointing. However, here is a case from a large Canadian retailer where performance management rescued a good employee who was en route to failure.

The story began when a woman was transferred from another function into an important HR role. It was not long before complaints were coming in, which set the stage for an unpleasant mid-year performance review.

“What is your future plan?” asked her boss, trying to build some perspective on the situation rather than jumping into a series of criticisms. The employee had no answers. “Tell me what you would like to achieve in this job?” her boss persisted. After avoiding a direct answer she eventually blurted out, “Why are you asking me this? I love this job.” Then she burst into tears.

Her boss knew there was a problem but could not put his finger on why she was doing so poorly. Neither did he have the time to devote to a lot of coaching. He knew she was motivated and had a good track record in her previous job. Despite the complaints from her internal clients he wanted to give her a chance. His solution was to sidestep the issue by getting her to report to another manager with a great reputation for mentoring. The new manager took her under his wing.

The new manager soon got to the root of the problem. The woman was smart and dedicated, but had no relevant experience and no idea how to do the job. It was a serious but fixable problem. With a little time and a little guidance she figured things out and got on track. Actually, she did more than get on track. She proved to be the best person the company ever had in the role. She went well beyond what was expected. She was a star.

Here we have a case of performance management leading to a rescue of lasting value to both the organization and the individual involved. There are some notable points worth highlighting. One is that because their reviews were frequent, not just once a year, there was a chance to detect and respond to the problem early on. Secondly, the process merely set the stage for the rescue. The rescue itself occurred because her original manager cared enough to get her into a good mentoring situation, and her new manager was dedicated enough to help her solve the problem.

Performance management can make a big difference, but only in capable caring hands.

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### Alleviating Administrative Misery

Our third case takes us to an admired American not-for-profit that had a problem with performance appraisals: no one was doing them. HR was mired in chasing managers to complete forms; managers found the process frustrating and time-consuming. Employees soon learned that everyone got pretty much the same raise because the appraisal process was so badly broken. HR, management and employees all agreed on one thing: they hated the system.

The breakthrough came simply by getting the process under control through automation. There are many vendors offering good performance management technology, and this organization found one that fit their budget and understood their needs. The results were dramatic. Managers found the process less time-consuming. Automatic reminders saved HR the pain of chasing forms. The burden of paper disappeared, and with surprising ease they shifted from an organization where few appraisals were submitted on time to one where the vast majority was done promptly.

With the administrative logjam cleared, the performance management system began to deliver what it was meant to. Pay could now be tied more clearly to performance. Goal setting was taken seriously and the ability to see one another's goals led to better alignment. Managers found they had better access to the data they needed to make salary decisions.

Getting the administration under control isn't as exciting as clearing out low performers, spotting high potentials, or saving people on the edge. Yet ask anyone in the organization and they will point to this as a real success story. The lesson is that if we do not have adequate automation, we may be making a difficult job impossibly hard. There is a lot more to performance management than appropriate technology, yet if lack of technology is the problem, then that is an issue easily solved.

### The Developmental Breakthrough

What does developmental advice read like in your organization? Is it generally an insipid comment like "Needs to improve communications skills"? It may be that most developmental advice is a waste of time, yet on occasion it can have a dramatic effect.

This case took place in the developing world where a young HR manager was going happily along in his career. Yet when it came time to do the developmental part of the performance review, his manager had some frank comments: "You don't know the law. Without that you will never move to a senior HR role."

The young manager, already well educated with an MBA, saw this not as a personal criticism or a slight on his knowledge. For him this insight was a gift. He took the advice to heart and enrolled part-time in an undergraduate law program. Eventually he earned his degree, and made his way to the most senior HR post in the organization.

That one piece of critical career advice justified all the boring hours the manager spent in performance management throughout his career. It was a keen insight that enabled the organization to grow a future leader. It is proof that performance management meetings can pay off.



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It is worth noting that the impact did not come from dozens of small insights gathered over the years. What mattered was one big insight at a key time. We cannot know for sure, but it is likely that most employees got little value out of their development review that year. Yet that single intervention had a very big impact for the individual and the company.

### The Bad Apple

The probationary review is an important aspect of performance management. No matter how good your hiring processes are, mistakes do happen. The probationary period is when you can catch mistakes—but only if you take it seriously.

For our fifth case we hear from a leader in a women's clothing chain. He had done all the due diligence in hiring an HR manager. The new hire had been given the thumbs up from all four interviewers, had a strong resume, and got a good reference from his previous employer. However, as per policy the job was contingent upon the new hire passing a probationary review at three months.

The leader, knowing that they would be held accountable for doing a proper review, started gathering feedback on the new employee's performance. The initial indications were worrying. The new hire seemed to have problems working with women—and this was a business where the majority of employees were women. The leader was concerned, and you can guess where the story ended. It turned out the new hire was a mistake. He failed the probationary review and was sent on his way. Interestingly the leader later heard through the grapevine that the previous employer was sure the fellow would not work out in the new job. Somehow this conviction did not dissuade them from giving him a glowing reference. Annoying as this sounds, it confirms that letting the person go was the right decision.

This is a straightforward story, but it should raise a round of applause for performance management. Had it not been for the process the leader probably would have felt they were too busy to closely watch this new employee and not make the effort to dig for more data when warning signs appeared.

When performance management works it gets people to pay attention and act in a timely way. Far too often probationary reviews are a mere formality and in the years ahead people wonder how some incompetent got past probation and struggle with whether it is worth all the hassle to try to get rid of them now. By detecting the bad apple early, the system saved the company a lot of grief.

### Overseen with Loving Grace

Most performance management systems emphasize the one-to-one conversation between boss and employee. In this last case, from a global professional services firm, we see how a group talent review made for an effective system where employees were overseen with loving care.

The firm in this story really believed in talent, "It's all we've got" they would say. The traditional boss-subordinate conversations were an important part of the process, but the real work took place in a culminating discussion where managers got together to seriously discuss their people. These culminating discussions religiously took place twice a year, followed a codified process,

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and were facilitated by skilled HR staff. It is not simply that they had an extra step in the performance management process; it is that they had an extra step they deeply believed in.

At these meetings they would debate who the top performers really were. Once consensus was reached they thought long and hard about what it would take to retain them. Low performers were also identified, and once it was agreed that this really was the case, they would make plans not to 'fire the losers' but to 'counsel them out.' When you care about people you care about them even when the system has made it clear that they have to leave the team. The most interesting and impactful discussions were about people who were on the edge. These were the consultants who seemed to be falling short of their potential. The discussion would struggle around just what was missing, who they should be working with, and what kinds of assignments would be most helpful in getting them on track.

The process had three very important outcomes. It helped accurately identify and then retain high performers. It pushed the organization to accurately identify and counsel out low performers. And it was able to intelligently intervene to help people teetering on the edge.

This was not a matter of filling in a form or just walking through a process. This was hard work and required committed effort from the senior people in the organization. But it did work and worked very well. They cared about their people and this culminating phase of the performance management process was where that care most visibly manifested itself.

### Pulling Together the Lessons

Is the point of performance management to improve everyone's performance a little or, in just a few situations, improve performance a lot? No doubt there are many cases where performance management helps a bit, but it really proves its value when it helps remove poor performers who otherwise would have stayed, retain high performers who might have been overlooked, and provide development advice at critical times in a person's career.

It is important that we don't put too much credit on the system itself. It was not the performance appraisal form that recognized how important legal training would be in our Development Breakthrough story. The insight came from a smart boss and it had impact only because the employee was smart enough to act on it. Most organizations have probationary reviews, yet it is only when a manager takes them seriously that it leads to eliminating poor performers. Still without the formal process there would not be a time and place that pushes managers to address performance issues.

The specifics of how the performance management process is designed matters less than an organization's culture and its caring managers. But we did see in Alleviating Administrative Misery that the absence of adequate automation was a barrier to good performance management. In The Wrong Leader story we saw a polite culture that desperately needed the anonymity of multi-rater feedback to get their process to work. In Overseen with Loving Grace we saw the importance of getting managers together in a culminating talent review. So yes, we can do things to make the performance management system more effective, but it will only work if the organization cares.

In this paper I have pulled out just six stories from different organizations around the world where performance management made a big difference. It is a good exercise to find the success



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stories from your own organization. Admittedly, it can be discouraging to ask people for success stories. In doing the research for this white paper I came across HR managers who said “I’ve been at this 30 years and I can’t think of one notable success.” Yet success stories do exist and they shed light on what we can expect of a good performance management system. Your own success stories will give managers the inspiration to use performance to make a real difference—not every day, maybe not even every year, but it doesn’t take many rescues or removals to justify the work involved.