CUSTOMER EXPERIENCE, EMPLOYEE EXPERIENCE, AND THE ABANDONMENT OF THE PERFORMANCE REVIEW

white paper

northhighland®

WORLDWIDE CONSULTING

There is a great deal of attention being paid to the concept of customer experience, or CX, as it is commonly called. Interestingly, research shows strong correlations between customer experience and employee experience (EX), where "74 percent of employees at companies with above average CX in their industry feel highly or moderately engaged, as opposed to only 31 percent at other companies."[1] The better experience employees can provide for their customers, the more engaged and rewarded they may feel in their own jobs. Similarly, the better the employee experience, the higher the potential for that employee to provide the optimal customer experience.

RESEARCH INDICATES A STRONG CORRELATION BETWEEN POSITIVE EMPLOYEE EXPERIENCE AND EXCELLENT CUSTOMER SERVICE.

EMPLOYEE EXPERIENCE AND PERFORMANCE REVIEWS

One routine task, carried out across geographies and industries, is consistently identified as driving disengagement: the performance review.[2] Performance reviews have a reputation for creating at best, a mediocre employee experience and a lot of work for all involved, and at worst, a terrible experience for the employee and wasted time and money for managers and employees alike. Organizations like Adobe, Gap, and PGE have all banished this dated corporate ritual, opting instead for more agile approaches focused on constant conversation, coaching, and feedback loops. Here are three reasons why:

• **The Millennials are here!** The Millennial workforce makes up half the demographic of all employees in 2016,[3] and they are not motivated by outdated and ritualistic measurement. They demand more of their managers than annual feedback and instead are engaged with strong professional development

support and frequent coaching. They are not willing to wait a year to improve their performance and grow their careers.

• **Traditional performance measurement and reviews do not actually drive employee performance.**[4] Most of the top performing companies have little to no metrics conversations with their employees (they let data analytics speak to that). Instead, they provide continuous feedback loops and talent conversations.

• **The cost, time, and manager energy involved in delivering annual reviews is a resource black hole with negative ROI.**[5] It is important to evaluate the return on investment of every routine process within a company. The standard annual review should be eliminated, given the resource cost and research that suggests the ROI for completing the process is limited.

So how can a company create a great employee experience with something as ineffective as an annual performance review? By understanding the nature of the employee experience.

Employee experience means creating a human capital architecture that acknowledges "the essence of what breeds loyalty: a positive and exciting opportunity to do great things, encourage personal interaction and growth, and develop a culture of collaboration."[6] Performance conversations are the perfect opportunity to foster professional and personal growth and, done innovatively, can be experienced as a collaborative cultural experience.

Below are three key ways in which organizations can shift their approach on performance reviews to yield the best experience and results possible:
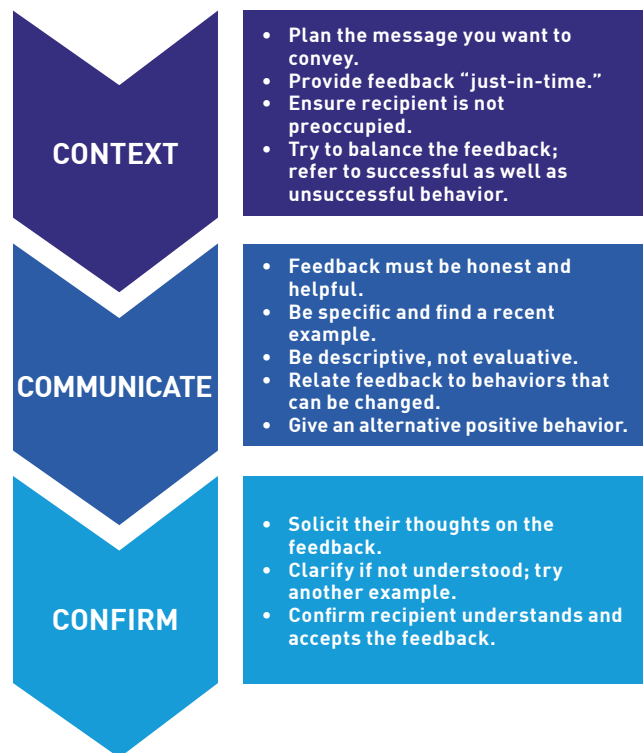
PERFORMANCE REVIEW (CURRENT)	PERFORMANCE EXPERIENCE (FUTURE)
TYPICAL PERFORMANCE REVIEWS ONLY LOOK AT EMPLOYEE OUTCOMES, GENERALLY ONCE A YEAR.	**MOVE TOWARDS MULTI-DIMENSIONAL AND CONTINUOUS PROGRESSION** Employees will grow and develop much faster with multiple data points and feedback opportunities throughout the year.
PERFORMANCE REVIEWS LET EMPLOYEES KNOW ONLY WHAT THEIR MANAGER(S) THINK OF THEM.	**COMMUNITY-BASED, REAL TIME SUPPORT** A community of peers, managers, clients, and subordinates can continuously contribute to employee learning and development, providing real time feedback from multiple perspectives.
PERFORMANCE REVIEWS TIED TO SALARY AS A MOTIVATOR FOR CHANGING BEHAVIORS.	**LEVERAGE EFFECTIVE MOTIVATIONAL FACTORS** Research[7] shows that salary does not drive motivation. Instead, factors like mastery (the desire for continuous improvement), autonomy (the desire to be self-directed), and purpose (the need to have work mean something outside of ourselves) are key drivers.

This might all sound wonderful, but of course the next logical question is how does an organization achieve these shifts? Here are three recommendations for implementation of a new performance management process: constant feedback loop, external inputs, and frequent assessment of progress.

COMPONENT #1 – CONSTANT FEEDBACK LOOP

The first recommendation for an improved employee experience is to create an agile performance management approach with frequent (e.g., daily, weekly, monthly) feedback sessions between the employee and manager. McLean & Company describes this approach as the "3 C's": Context, Communicate, and Confirm.[8] These C's can help inspire performance in employees.

The benefits of more frequent interactions include real-time feedback on how employees are progressing towards their goals and the ability to help make quicker behavior changes when necessary. It also provides the ability to more easily adjust goals during the course of the year based on changing business demands. Two methods to accomplish this constant feedback loop include the

CONTEXT
- Plan the message you want to convey.
- Provide feedback "just-in-time."
- Ensure recipient is not preoccupied.
- Try to balance the feedback; refer to successful as well as unsuccessful behavior.

COMMUNICATE
- Feedback must be honest and helpful.
- Be specific and find a recent example.
- Be descriptive, not evaluative.
- Relate feedback to behaviors that can be changed.
- Give an alternative positive behavior.

CONFIRM
- Solicit their thoughts on the feedback.
- Clarify if not understood; try another example.
- Confirm recipient understands and accepts the feedback.

utilization of technology-based feedback and coaching applications, and also the use of physical office space to facilitate feedback sharing.

Technology-Based Feedback

The use of technology can enable frequent check-ins and real-time employee feedback. For example, General Electric (GE) Company has developed an app called "PD@GE" (performance development at GE)[9] that allows each employee to have a series of near-term goals, or "priorities." Managers are expected to have frequent discussions, called "touchpoints," on progress toward those goals and note what was discussed, committed to, and resolved. The app can provide summaries on command, through typed notes, photographs of a notepad, or even voice recordings. The focus isn't on grading how well people are performing, but rather on constant improvement. Further, there is an emphasis on coaching throughout, and the tone is positive. The app forces users to categorize feedback in one of two forms: continue doing something or consider changing something.

Another example of technology to enable this new employee experience is a Trello board.[10] This virtual board, utilizing cloud technology and accessible via

culture that is just-in-time, allowing managers and employees to connect and collaborate on what they should continue to focus on and areas where changes should be considered.

Physical Office Space for Feedback Sharing

For organizations seeking a high-touch, low-tech way to recognize and provide feedback, a bulletin board or cork board in a central location can be utilized. For example, an envelope for each teammate and manager can be posted on the board with the expectation that feedback can be written and left for the individual. This approach is particularly beneficial for teams that are not using collaborative technology on a frequent basis such as auto mechanics, field technicians, or shop clerks.

In all cases, either utilizing technology or the physical surroundings, the theme is the same: to provide employees with more frequent feedback that can be used to continue progressing on specific goals or to quickly adjust behaviors due to frequent business demands and drivers. Utilizing methods such as those discussed here can better engage employees, providing a more agile performance management approach.

THE USE OF CLOUD TECHNOLOGY PROVIDES MANAGERS AND EMPLOYEES A METHOD TO ENGAGE IN MEANINGFUL PERFORMANCE DISCUSSIONS IN A WAY THAT IS ACCESSIBLE BY ANYONE THAT IS GRANTED ACCESS.

---

mobile devices, enables a team to share real-time -- feedback, performance, and goal progress. The use of cloud technology provides managers and employees a method to engage in meaningful performance discussions in a way that is accessible by anyone that is granted access.

The increase in mobile apps and cloud technology enables organizations to truly create a performance

COMPONENT #2 – EXTERNAL INPUTS

A second recommendation for improved employee experience is through external inputs. Where manager feedback is generally focused on past behavior, mentoring/coaching feedback is focused on future behavior. Peers, clients, and other colleagues inside and outside of the company can also provide feedback that helps employees move ahead by

realizing potential in a way that works best for the individual AND the organization.

Mentoring Programs with Guidance of Other Leaders

A thriving mentoring program rests on a solid relationship between mentors and mentees. A critical step in the mentoring process is matching mentors to mentees. Consider giving mentees a say in the matching process by allowing them to select a particular mentor or list their top three choices. Mentoring management software can improve and speed up the matching process. Through intelligent profile-matching functionality, suitable mentors are recommended based on learning needs and compatibility.[11] Support early relationship building further (and improve the consistency of mentoring) by offering lightweight support structures for mentors and mentees to use as they get started. Discussion guides, or easily available books such as John Maxwell's Mentoring 101, do a good job of seeding ideas and questions in a low key, non-threatening way and creating a common language for talking about the mentoring relationship.

Peer Support to Fuel Development

Peer coaching is not a new concept. Author and leadership coach, Marshall Goldsmith has been talking about it for years, and teachers have been using it even longer to help get new colleagues up to speed in a supportive way. But just because this idea has been around for a while doesn't mean you should discard it. Having shifted the focus away from the old school, competitive, zero-sum-game school of performance ratings, peer support takes on new relevance. After all, who has a better view of employee performance than the people who work with them day in and day out? One approach might be to adapt some of the great feedback protocols from education to give your employees a structured way to approach peer supportive feedback.

Third Party Coaching

Companies are frequently securing and utilizing third party coaching for executives and other leaders. Third party coaching brings an unbiased, objective lens to guide and support the individual. As a result, external coaches may build trust faster and more effectively and may be able to successfully encourage experimentation with new behaviors in a safe setting. Indeed, research has shown that while external coaching requires the greatest investment, it also may yield the best results. Properly selected, external coaches bring focus, independence, training, and experience to the table.[12]

COMPONENT #3 – FREQUENT ASSESSMENT OF PROGRESS

The final recommendation for an improved employee experience is to incorporate routine assessment of goal progress into performance management to provide opportunities to adjust strategies and goals as appropriate. Setting and evaluating goals should be a routine and frequent event. It can be a part of formal performance management, but should not be constrained to the annual review. Additionally, multiple people – managers, peers, subordinates, and even clients – should provide inputs to the creation and evaluation of an employee's progress. Goals should be clearly articulated and meaningful for both the individual and the organization. Here are some key characteristics to consider when developing a goal system. Goals should:

- Align with the organizational goals; employees are more driven and engaged in their work when they can see the impact of their work on organizational success.

- Leverage employees' strengths and/or provide growth in their opportunity areas.

- Be specific, measurable, actionable, realistic, and timely (SMART).

- Reflect the desired career progression of the individual employee; tie to learning and growth opportunities where relevant.

- Be tracked in a manner that is visible to the organization so that individuals who are achieving their goals can be recognized and rewarded.

Goals with these characteristics that are routinely visited by employees, managers, and relevant others will likely lead to an improved employee experience.

GOALS SHOULD BE CLEARLY ARTICULATED AND MEANINGFUL FOR BOTH THE INDIVIDUAL AND THE ORGANIZATION.

Legal Implications for Performance Reviews
While the focus of this report has been on the employee experience, we would be remiss not to share the potential legal implications of alternate performance management methods. The following are some practical legal considerations in developing and implementing an employee performance process[13],[14] Seek the advice of your organization's legal counsel before making any changes to your performance management process.

- **Develop Job-Relevant Performance Reviews -** Performance reviews should reflect performance expectations of the job - including the importance of each expectation - as identified through a job analysis or job description. Managers should be trained how to effectively complete the review form and consistently and accurately describe and rate behaviors of their employees. A rating scale with behavioral descriptions for each performance area should facilitate this review.

- **Maintain High Quality Documentation –** Performance records should include specific behavioral descriptions of employee performance - or lack thereof. Specific behavioral descriptions ensure understanding of the employee's strengths and opportunities. They also enable a rich development discussion by providing examples that the manager can use to describe what the employee should have done in the situation. Too often, performance records rely on numerical ratings which alone do not provide clarity on performance and expectations.

- **Provide the Employees a Voice -** The employee should be given an opportunity to self-assess and comment on where he or she agrees with the evaluator's assessment of performance. Particularly with annual reviews (as compared to more frequent reviews), managers may fail to remember performance several months ago, or may focus on only major performance incidents, thus artificially inflating or deflating performance ratings. Including the employees' voice allows them to remind the manager of key accomplishments throughout the review period. To ensure both the manager and employee have reviewed the ratings, they should be required to sign and date receipt of the evaluation.

- **Establish a Consistent Timeline Across the Organization -** A schedule for performance evaluations should be established. It is often advisable to provide for more frequent evaluations of new employees or employees who are on probation or performance improvement plans. There should be strict adherence to the evaluation schedule in order to facilitate any necessary employee actions (e.g., conversion from temporary to full-time status, termination).

- **Do Not Use Appraisal Results as the Sole Basis for Promotion or Termination Decisions -** A broad range of information should be considered in which the employee's appraisal results are significant but not necessarily conclusive. Other sources of information to be considered include critical incident logs, development plans and results, and feedback from other sources than the manager.

Any organization that makes updates and enhancements with the employee experience in mind is likely to create a system that better drives towards ideal results: motivated, high-performing employees who in turn provide high quality customer care, ensuring overall organizational success.

[1] Temkin, Bruce. (May 2015). To Improve Customer Service Engage Your Employees. Retrieved from: http://www.destinationcrm.com/Articles/Columns-Departments/Customer-Experience/To-Improve-Customer-Experience-Engage-Your-Employees-103608.aspx

[2] Cunningham, Lillian. (July 21st, 2015) "In big move, Accenture will get rid of annual performance reviews and rankings" Retrieved from: https://www.washingtonpost.com/news/on-leadership/wp/2015/07/21/in-big-move-accenture-will-get-rid-of-annual-performance-reviews-and-rankings/

[3] From the Bureau of Labor and Statistics, as reported in The 2015 Millennial Majority Workforce. (2015) Retrieved from: http://www.elance-odesk.com/millennial-majority-workforce

[4] From Cornerstone OnDemand's 5 Reasons Why we Should Stop Giving Performance Reviews and Start Managing People. (2013) Retrieved from: https://www.cornerstoneondemand.com/sites/default/files/datasheet/csod-ts-ge-5-Ways-Start-Managing-People-122013.pdf

[5] Rogel, Charles. (no date). "How Much Do Performance Reviews Actually Cost and Are They Really Worth It?" Retrieved from: https://www.decision-wise.com/how-much-do-performance-reviews-actually-cost-and-are-they-really-worth-it/

[6] Apirian, Gregg. (Nov. 17th, 2015). Architecting the Employee Experience Part 1 of 6. Retrieved from: http://vignetteagency.com/blog-post/architecting-the-employee-experience-part-1-of-6/

[7] Pink, D. H. (2009). Drive: The surprising truth about what motivates us. New York, NY: Riverhead Books.

[8] McLean and Co. (January 2014) "Abolish the Annual Performance Appraisal and Move to an Agile System" Retrieved from: http://hr.mcleanco.com/research/ss/abolish-the-annual-performance-appraisal-and-move-to-an-agile-system/abolish-the-annual-performance-appraisal-and-move-to-an-agile-system-executive-briefing

[9] Nisen, Max. (August 13th, 2015). "Why GE had to kill its annual performance reviews after more than three decades" Retrieved from: http://qz.com/428813/ge-performance-review-strategy-shift/

[10] www.trello.com

[11] Manson, Michelle. (June 18th 2015) "Top 10 Mentoring Program Best Practices." Retrieved from: http://chronus.com/top-10-mentoring-program-best-practices

[12] PricewaterhouseCoopers LLP International Survey Unit (ISU) (2013) "2013 ICF Organizational Coaching Study". Retrieved from: http://coachfederation.org/about/landing.cfm?ItemNumber=827

[13] Baskin, Maurice, LLP. (May 2002) "Legal Guidelines for Associations for Conducting Employee Evaluations and Performance Appraisals" Retrieved from: http://www.asaecenter.org/Resources/whitepaperdetail.cfm?ItemNumber=12208

[14] Bacall, Robert. (Nov. 30th, 2015). "The Busy Learner's Kit For Making Performance Management and Appraisal VALUABLE: Walking The Path Together." Retrieved from: http://performance-appraisals.org/appraisal-library/Legal_Issues_and_Labor_Law/

ABOUT NORTH HIGHLAND

North Highland is a global management consulting firm that delivers unique value, relevant big ideas and strategic business capabilities to clients around the world. The firm solves complex business problems for clients in multiple industries through an integrated approach and offers specialty services via its Data and Analytics, Managed Services, and Sparks Grove divisions. North Highland is an employee-owned firm that has been named as a "Best Firm to Work For" every year since 2007 by Consulting Magazine. The firm is a member of Cordence Worldwide (www.cordenceworldwide.com), a global management consulting alliance. For more information, visit northhighland.com and connect with us on LinkedIn, Twitter and Facebook.

For more information, please contact:

Joni Roylance
Joni.roylance@northhighland.com

Maria Spilker
Maria.spilker@northhighland.com

Paul Purves
Paul.purves@northhighland.com

northhighland
WORLDWIDE CONSULTING