Tips For Transforming Your Performance Management Model



Over the past couple of years the conversation about changing the traditional ways employee performance is measured and rewarded has been a hot topic. Many organizations are doing away with their models of annual performance reviews tied to promotion and financial rewards. Regular performance feedback including 360 feedback and gamification, combined with fewer financial rewards are on trend across many industries.

Changing The Way Employees Think About Being Rewarded

Recently PWC (PricewaterhouseCoopers) released a whitepaper outlining recommended adjustments to the performance management process for Financial Services organizations. According to the paper one of the top challenges facing financial management organizations today is retaining and engaging top performers. However, as the financial pie shrinks it will be necessary to change not only the ways employees are rewarded but also they way they seek to be rewarded.

According to PWC's 2015 Annual Global CEO Survey, 70% of financial services CEO's are concerned about the limited availability of employees with key skills. For this reason financial services organizations are seeking to find new ways to attract and retain skilled employees.

Since the global financial meltdown in 2008 financial services organizations have had to make significant changes including increasing transparency of the link between performance and financial rewards for their employees. Unlike past years today financial organizations are unable to deliver the same level of financial compensation as a reward for performance and, moreover, must be more diligent in how they measure performance. As a result of these changes PWC suggests that these organizations need to adjust their performance management models.

To attract and retain financial services talent organizations will need to change. In addition to changes in expectations and the reality of the financial realities many organizations are experiencing organizations are also seeing an increase in the diversity of talent, with variations in generation, culture, identity and more. PwC has suggested that financial services organizations do not have the luxury of the wholesale change some non-financial services organizations are seeking and suggested making steady adjustments until change can happen.

Key Performance Management Factors

When looking at attracting and retaining employees PWC reported that their research found that 60% of millennial females in financial services ranked career progression in financial services as their most valued organizational attribute. However, a 2014 PWC survey called 'Global Banking Risk Culture' indicated that the majority of financial services employees are motivated primarily by financial reward (over 75%). Understanding the values and interests of all employees and helping them see a reward differently is where the modern, agile organization needs to go.

Some of the key Performance Management factors PWC identified as important areas to address included

- Career paths that are agile and offer a variety of opportunities
- Differentiated rewards and recognition that align with the financial organizations risk culture
- A culture of higher performance and real-time feedback

PwC's Recommendations for Change

1. ***Leadership change and Involvement:*** "Coalesce Leaders around the Importance of Performance Management". HR needs to work with leaders to co-create the case for improving performance management. The value of performance management needs to be clearly linked to business strategy and executives need to act as champions for updating performance management
2. **Useful Goal Setting:** 'Get Goals Right' – Individual employee goals must be aligned with the goals of all stakeholders (the organization, clients, regulators, shareholders), dynamic enough to adjust to changes, and include senior level management feedback to ensure alignment.
3. **Make Everyone Aware:** "Brand and Promote Performance Management'. An internal campaign to promote the corporate brand that speaks to a diversity of employees with a consistent message of shared values and goals. Clearly connect performance measures with performance rewards including career path and reward decisions and focus on the win/win for everyone
4. **Enable Adjustment:** "Invest in real-time feedback". A combination of technology and face-to-face real time feedback enables timely change and communicates to employees they are valued and considered. Feedback can focus on development, change and growth and not only year-end performance rewards.
5. **Fix Performance Reviews:** Improve Execution of Performance Review Cycle" – ensure subjectivity is as objective as possible. Incorporate objective measures such as "completed tasks' , 'Met goals'. Make the process easier by using technology to save time, but do not only rely on technology. Identify technology that can connect performance and rewards and provide data to support connections. And Train managers on identifying and mitigating their biases and on effective performance reviews and ongoing feedback.
6. **Compare Apples to Apples not to Carrots:** Implement a Global Framework That Flexes to Regional/local ways". Organizational success in performance management does need consistency in the measurement of expectations and the application of assessment. However, allowing departments and regions to make adjustments for individual and local factors enables adjustment for differences. Assess differences between teams and locations and customize goal setting.

PWC's performance management strategy is not only relevant to the financial services industry. All organizations can consider how these performance management changes can be implemented within their own organizations.

PwC offered a few tips on how to get started on making Performance Management Model

adjustments in your organization

1. Assess how well your performance management system aligns with their model or other models you may want to adapt
2. Gain insights into your organizations biggest challenges and ‘pain points’ from all stakeholders
3. Determine your time and resources budget for changing your performance management process
4. Prioritize based on your review the changes you can implement and roll them out with the buy in and help of senior leadership

For more detailed information on the PWC recommendations read the white paper “Performance Adjustment: Improving Performance Management”