REINVENTING PERFORMANCE MANAGEMENT

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Imagine a world where...
Imagine a world where...

- Performance data actually drives performance
- Managers have effective coaching skills
- Employees receive meaningful feedback frequently
- Processes take less time and add more value (relevant data)
- Compensation is informed by data
- Employees leverage their strengths every day
- Employees receive targeted development attention
- Leaders understand team dynamics and actively improve them
- Employees leverage their strengths every day

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Only 12% of companies believe their existing performance management process is “worth the time put into it.”

Deloitte Human Capital Trends 2015
Why change Performance Management @ Deloitte?

We spend **1,800,000 hours** each year on performance management – that equates to **2.4%** of total client service hours on an internal process that is viewed to be ineffective.

In other words – we spend the equivalent of Deloitte Corporate university every year on this process.

Our people **average a 3.6 GPA** from the best colleges; and we tell more than **60% of them they are average**.

We produce **over 150,000 PEs**. The vast majority are **threes**.

Ratings **do not correlate with business metrics**. Instead they best correlate with what your rating was last year and what level you are at this year.

We spend the majority of those 1,800,000 hours **proposing a rating, debating a rating, and communicating a rating**.

Our PPDs tell us in the FY14 Nominating Committee Report that “Performance Management systems and processes are very time consuming with mixed results”.

Further evidence: **35%+ of our people** tell us that no one at Deloitte has made a personal investment in them...

...and we consistently score in the **bottom quartile** of the Fortune 100 Trust Index (a blind study of 2,000 of our people).
Rethinking Performance Management

To transform the way in which we identify, improve and reward performance we are reliant on a mind-set shift in the core principles of managing performance.

Investments in development planning reduce voluntary and high performer turnover while increasing the average revenue by employee.\(^1\)

The defining characteristic of high performing teams is that each member feels that their role repeatedly calls upon their strengths.\(^2\)

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\(^1\) Bersin: High Impact Performance Management (2011) (n=200+)

\(^2\) Gallup Organisation Research (1998 – present)
We are Here
The Industrial Corporation
Hierarchical Leadership
Collaborative Management
Networks of Teams

Operational Efficiency
Profit, Growth, Financial Engineering
Customer Service, Employees as Leaders
Mission, Purpose, Sustainability

Industrial Age
People as Workers
Management by Objective
Servant Leadership
Work Together
Empower the Team

Andrew Carnegie
Henry Ford
Jack Welch
Peter Drucker
Howard Schulz
Steve Jobs
Netflix, Google, Facebook, Amazon

The Corporation is King
The Executives are King
The People are King(s)
The Teams and Team Leaders are Kings

<1950s
1960s-80s
1990s
Today
2020

Purpose, Meaning, and Empowerment?

The Evolution of Management Thinking & Philosophy

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Organizations that have employees revise or review their goals quarterly or more frequently were **3.5 X more likely** to score in the top quartile of business performance.

Note: Based on our employee recognition survey, we created a business performance index (BPI) that averages scores on employee engagement and three business-related outcomes (customer satisfaction, cost structure compared to competitors, and market leadership position). It then ranks organizations on the scale. Organizations that scored in the top 25 percent of the BPI are considered to have "strong" business outcomes.

Applying Neuroscience to Drive Innovation

Our Brains at Work

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<table>
<thead>
<tr>
<th>SCARF</th>
<th>Talent Matters Application</th>
</tr>
</thead>
<tbody>
<tr>
<td>STATUS</td>
<td>Let people know where they stand</td>
</tr>
<tr>
<td>CERTAINTY</td>
<td>J Player, Non-J Player</td>
</tr>
<tr>
<td>AUTONOMY</td>
<td>Setting Own Goals, Conversation Day Starter, Personal Career Aspirations</td>
</tr>
<tr>
<td>RELATEDNESS</td>
<td>Peer Groups, J Player, Non-J Player, Relative Laddering</td>
</tr>
<tr>
<td>FAIRNESS</td>
<td>Global Consistency, Procedural Fairness</td>
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Reduce or Eliminate Ratings

What research tells us...

4,492 Ratees
25,000 Raters
500,000 Ratings

- Ratee General Performance: 17%
- Measurement Error: 13%
- Ratee Dimensional Performance: 8%
- Idiosyncratic Rater Effects: 54%
- Rater Perspective: 8%
1. High Performers are Disappointed
2. Mid-level Performers can Sit Back
3. Low Performers can Hide
4. Manager ratings are unreliable
5. Bell curve pushes against management philosophy
Enable Coaching and Development

- Competitive Assessment
  - Coaching
  - Development
  - Performance Appraisal
  - Alignment (Goals)

- Coaching & Development
  - Performance Evaluation
  - Development
  - Coaching
  - Alignment (Goals)
Redesign, redesign, ... Use Check-in - Adobe Model is Common

Performance Check-in
- Clear and up to date expectations revisited throughout the year
- Ongoing feedback focused on performance
- Timing and methods flexible
- No ranking or forced distributions to determine rewards
- No written formal review*  
  * Required in China due to employment laws/counsel

Rewards Check-in
- Annual compensation planning
- Managers are responsible to differentiate pay based on performance and market conditions
- No fixed guidelines

Current performance
Market demand
Peer relationships
Leadership or technical potential
Collaborative values
Followership
Customer relationships
Special skills

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@YvesVanDurme
Our reinvented Performance Management Framework

When Deloitte began the endeavour to “reinvent” PM, we strove to create a unique experience for our people that maximises their opportunities to perform to their best and develop outstanding careers that could have only happened at Deloitte.

Deloitte tested many concepts, ultimately choosing the framework below to represent the experience:

**Performance at Deloitte**

- **Ongoing, supportive real time conversations**
- **Agile**
- **Local**

**Strengths Based**

**Fueling Performance**
- Aligning people with what they are naturally great at
  - Goal setting in real time based on real needs
  - Regular project reviews happen to align goals
  - Regular feedback from coach and team on any changes
  - Goals are revisited as needed
  - Individual strengths are known, appreciated and used to match opportunities
  - People are at the centre of the PM experience

**Seeing Performance**
- Knowing what teams and individuals need to be great
  - Open, honest and constructive feedback given in real time – up, down or sideways by the people with the best line of sight
  - Ongoing supportive coaching happens
  - Regular conversations about career goals and potential happen at a team level and an organization level
  - Freedom and opportunity to explore future career path
  - Feedback about how the leader is doing is as critical as feedback about a team or individual

**Recognizing Performance**
- Celebrating people’s contributions
  - Ongoing and consistent recognition is given by all levels
  - Financial rewards are given in real time
  - Non-financial rewards are given in real time
  - Future opportunities are seen as rewards/recognition

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How does our new PM model work?

We designed a future state with three objectives, three rhythms – performance will be *fueled*, *seen* and *recognized* through a defined series of *ongoing*, *quarterly* and annual *activities*.

**FUEL**
- Performance
  - ~ Ongoing ~
  - Aligning people with what they are naturally great at
  - Design Elements
    - Regular Check-In’s
    - Pulse Surveys
    - Coaches

**SEE**
- Performance
  - ~ Quarterly ~
  - Knowing what teams and individuals need to be great
  - Design Elements
    - Performance Snapshots
    - Talent Review

**RECOGNIZE**
- Performance
  - ~ Annual ~
  - Celebrating people’s contributions
  - Design Elements
    - Compensation
    - Promotions
Moving our focus away from ratings towards frequent, meaningful development conversations.

Shifting the time investment from centralized calibration to individual discussions where the performance happens.

Providing rich data to differentiate our people for promotion, and compensation, and to better manage our human capital.

Taking advantage of the strengths of our people in a way that maximizes their impact for our clients.

Empowering project leaders with tools to reward and recognize performance on teams.

Assumptions to insights

defered to real-time

evaluation to development

center to field
The RPM Paradigm Shift

From...

- Goal-Setting
- Coaching
- Rewarding
- Development Planning

...to

- Enable & Fuel Performance
- Help us See Performance with reliable data
- Recognize Performance where it has occurred

Yves Van Durme (Deloitte)
Lessons learned

This will take a large team with a large network, because this touches everything.

It’s a process of continuous insight driven innovation— not reaching a design, then implementing it then walking away.

Start at the top – on-board the leadership team and explain the vision & key concepts – pilot as key change management approach.

Technology is a key variable – however keep the dependence on technology minimal.

Dedicate effort to developing key process actors – eg. Coaching training for dedicated coaches.
What is the **case for change** for your organization?

**Key considerations**
- Are leaders spending time on the right activities? How many hours are spent on performance management annually?
- What is the cost of executing performance management processes annually?
- Can leadership differentiate performance with ratings?
- Does Performance approach actually drive (desired) output?

**Shifting to a strengths-based culture**
- Real-time feedback and alignment on expectations, improving performance and engagement
- Reliably measure, differentiate, and see performance
- Measure conditions that drive performance and provide a tool for team conversations
- Help Team Members grow and develop their strengths and work towards their career goals

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