

Performance management is generally understood to be a process that starts with goal setting at the beginning of a business year. Each employee has performance goals that are the basis for feedback and coaching which is often done formally in a mid-year review. Development coaching is often formally included in the process, as well. At the end of the business year, performance is reviewed and assessed against achievement of goals. The employee receives a final rating, which feeds into compensation decisions.

Of all talent management processes, performance management is arguably the most important to get right. And, arguably, it's also the most difficult to do well. The potential upside for getting it right is very significant. The potential downside of doing it poorly is even greater. When done poorly, performance management not only hurts business performance, it can destroy morale and create a toxic environment.

Unfortunately, few organizations do it well. There are many surveys and research studies that indicate that performance management is almost universally despised by employees and managers alike. There are many reasons, and just about all of them can be traced back to violations of threat and reward networks.

Maxims for the Neuroscience of Performance Management

- Simply put, performance management is a lame attempt to get managers to be responsible and do their job.
- Effective performance management all comes down to helpful and meaningful conversations. When bosses have helpful, meaningful conversations with their employees, threats are removed.
- Performance management is all too often driven by compliance and places HR in the role of performance management police. Compliance does not promote meaningful conversations – it reduces them to a task to be checked off a list. Compliance may activate the brain's threat network.
- Setting goals is problematic. Goals are typically specific and inflexible, but business conditions are fluid and require a certain amount of agility. Assessment on outdated goals violates the employee's sense of fairness, again, activating threat networks.
- Many employees have transactional jobs – their jobs are described by their job description. Asking these employees to create goals is likely to be viewed as artificial and unjust.
- Performance appraisals are normally linked directly to compensation, and this leads to dysfunctional management behavior. Managers often begin with a target compensation in mind and “back into” the performance rating. Linking to compensation makes it virtually impossible to remove threat from appraisals.
- Performance ratings are rarely accurate (as evidenced by many research studies) and can't possibly capture the value of an employee's contribution in a single rating. All these issues create tremendous opportunities for avoidance behavior and make it nearly impossible for employees to focus on and be open to meaningful feedback.

- The intent of performance management is almost always to primarily benefit the organization, not to benefit employees. Often, there is a misguided attempt to protect the company and provide justification in case of disciplinary action or termination. Of course, this intention leads to perceptions of threat.
- Performance management should align the efforts of the workforce and generate a sense of urgency to generate results for the business. But most managers lack the skills required to coach employees so they gain understanding and insight into the intent of the goals. They are unable to generate a sense of urgency without introducing threat.
- Managers lack a performance vocabulary. You can't have a meaningful conversation about performance without a comprehensive vocabulary to describe performance. It's ineffectual to speak in general terms, e.g., "Good job." Without a precise, behaviorally-anchored vocabulary, managers will have an aversion to performance conversations and the uncertainty creates a threat for employees.
- Managers have big egos – like everyone else, they are concerned about their status. Meaningful conversations place the manager's ego at risk. Egos lead managers to prioritize their own agenda over having meaningful conversations. When conversations do occur, the manager's ego gets the focus rather than the employee and the issues at hand. Egos lead managers to protect their desired image, to sacrifice courage and honesty for popularity. Egos promote subjectivity over objectivity, exacerbate biases, and make it difficult to differentiate.
- There are fundamental differences between performance coaching conversations and development coaching conversations. Managers typically find it easier to have development conversations which are forward-looking and not so likely to introduce threat. Managers find it much more difficult (threatening) to do performance coaching, to have conversations that look backward and discuss what was delivered, how it was delivered, and the impact deliverables had for the team.
- The effectiveness of performance management processes is almost always assessed with quantitative metrics which tend to support the notion of compliance and checking boxes rather than to drive meaningful, helpful conversations.

Recommendations

- Establish guiding principles for performance management in your organization that leverage the brain's perception of rewards and threats. Engage a cross-section of leaders to develop the guiding principles. Here are some examples:
 - ✓ Responsible managers own the process and exercise discretion to promote autonomy.
 - ✓ We only adopt performance management practices that promote meaningful, helpful conversations – those that maximize rewards and minimize threats.
 - ✓ Feedback and assessment are done for the employee's benefit, to help them be successful rather than to punish and introduce threats.
 - ✓ We hold goals loosely but intention tightly in order to remove uncertainty and promote fairness.

- Educate managers on the basics of brain-based rewards and threats. Give them practice in facilitating non-threatening performance coaching conversations.
- Create a sense of urgency by focusing on opportunities and framing them within the team and organization. Reinforce team identity by creating shared opportunities and rewards.
- It's better to focus on winning than avoiding loss, but you can address legitimate threats best by framing them as coming from outside the organization and being shared by the entire team. Optimal performance is likely to be achieved when employees have a sense of playing on a team that's in the hunt for a championship.
- Collaborate with employees in goal-setting to the extent allowed by the context and employee's capability. Present information and use questions to lead employees to insight that enables them to create goals that are aligned and appropriately aggressive. Promote autonomy and fairness by engaging employees in goal setting and providing flexibility to deal with changing business conditions.

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