

Performance Management

n-gen Generational Index Report

September 2009

Overview

This report defines performance management (PM) and outlines the elements of an effective PM process, while highlighting the systemic pitfalls and challenges organizations face.

The results of n-gen's Generational Index Report are also shared. The research for the Generational Index report was conducted for n-gen by Leger Marketing in March 2009, with a representative sample of 806 employed Canadians aged 18 and over. This method simulates a probability sample which would yield a maximum margin of error of +/-3.5%, 19 times out of 20. Our research posed questions such as: Do you feel you have input into the learning and development you receive? Do you believe your employer encourages and supports learning that is aligned to your interests? Do you think your job performance is being accurately measured?

The report concludes with breakdown of generational considerations, and their impact on performance management and people strategies. It is important to note that the employee workforce is segmented into four distinct generational cohorts. The cohorts are as follows:

Traditionalists:	1922-1945
Baby Boomers:	1946-1964
Gen Xers:	1965-1980
Gen Ys:	1981-2000

Given the need to understand and respond to generational differences, we provide some areas for consideration as it relates to building and enhancing organizational people practices.

Performance Management

Performance management is a complex process of ensuring that business goals are achieved through high levels of employee performance. Performance management is defined as:

“A set of regular, ongoing human resource activities typically carried out by managers and supervisors relative to their (employees), and aimed at enhancing and maintaining employee performance objectives”.

Fundamentally, a PM process achieves three goals:

1. Establishes measurable goals and objectives for employees
2. Assesses achievement and attainment of the objectives
3. Uses this information to improve performance through coaching, compensation and development

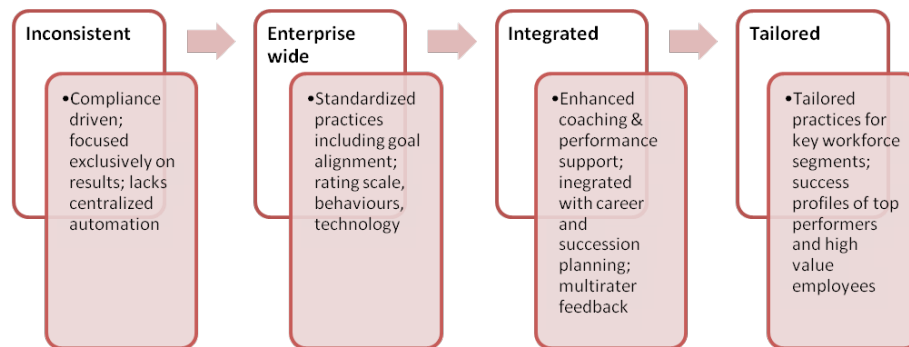
Senior leaders recognize the value that a robust PM process can have on key business objectives. Generally, organizations adopt PM practices to improve compliance, equity and improve business performance, however in 70% of organizations performance management is not a well-established, consistent process.

Performance management strategies were originally based on the widely adopted 'scorecard' approach which focuses on gaps and weaknesses of an employee, rather than the strengths or value an employee can provide to the organization. Little focus

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is placed on the behaviours of how an employee is, or is not, achieving expected results. Instead, the focus is on what was achieved. Many organizations struggle with how to improve their current process, as 41% of organizations don't believe that their PM practices play enough of a role in achieving the business goals and in executing the business strategies. In addition, managers often struggle with how to cultivate a performance management culture, with 61% of line managers feeling that their PM process doesn't drive greater performance.

One reason for the disconnect between PM and achieving objectives is that PM systems can not be seen as static constructs. As HR practices evolve and become more mature and complex, an organization's performance management moves along a continuum. According to Bersin & Associated, 2008 that continuum includes:



Most organizations are at the inconsistent or enterprise wide stage, with less than 10% of organizations in one study identifying with the integrated stage and less than 3% identifying that they have reached the tailored phase of maturity.

Performance management is an on-going process or cycle that takes place throughout the year and typically has four stages:

1. Planning – setting of goals and objectives
2. Managing – managers monitor progress and provide regular feedback and coaching
3. Assessing – formal review process, including taking into account how the employee met his/her objectives, not just that s/he met them
4. Rewarding - pay for performance; merit increases

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Specifically, an effective management process is comprised of 12 elements:

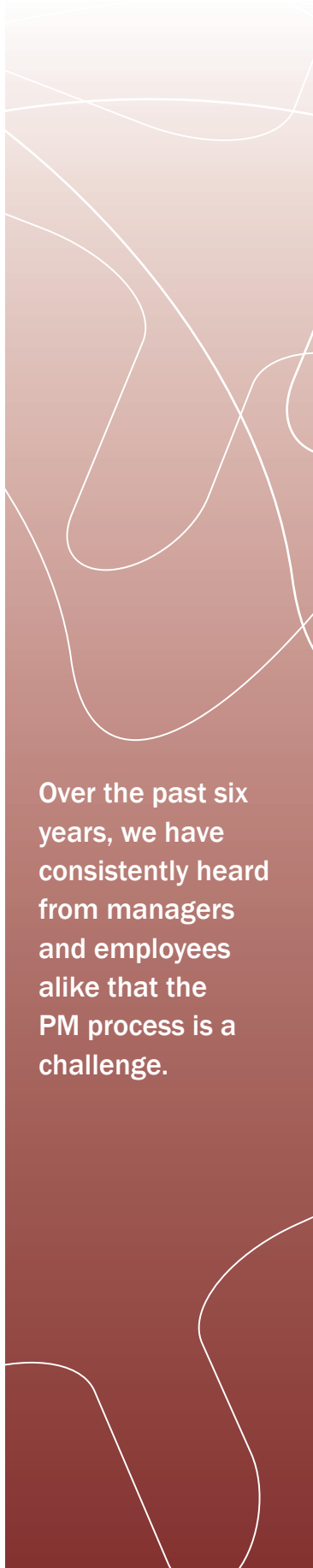
1. Employee goals & objective setting
2. Manager goals and objective setting
3. Core competencies– employee & manager level
4. Rating scale
5. Employee self-assessment
6. Goals & objectives measurement
7. Peer / multirater assessment
8. Mid-year / quarterly performance review
9. Overall performance rating
10. Feedback and coaching
11. Integration with HR processes
12. Manager training

n-gen Research

Over the past six years, we have consistently heard from managers and employees alike that the PM process is a challenge. Managers feel they aren't often well prepared to conduct performance management discussions. Employees feel the PM process isn't robust enough or doesn't provide enough objective/measurable feedback. Given that PM is a hotly debated practice in many organizations, we wanted to evaluate whether or not employees believe their performance is being accurately measured. Also, we questioned the role of learning and development within PM, in relation to an employee's ability to influence his/her learning.

We were pleased find that the results from our national survey revealed 69% of employees feel they have input in the learning and development they receive. In addition, 66% of employees stated that their employer encourages and supports learning that is aligned to their interests, not just the company's. In both cases, Gen X employees were the most positive about their ability to influence their learning and development opportunities. This may be due to the fact that Gen Xers are strongly focused on gaining marketable skills. They are, therefore, most likely to advocate on their own behalf to gain new knowledge and skills that will benefit their future career goals. This data demonstrates that organizations are taking a partnering approach to skill development, which increases employee engagement levels, thus increasing performance.

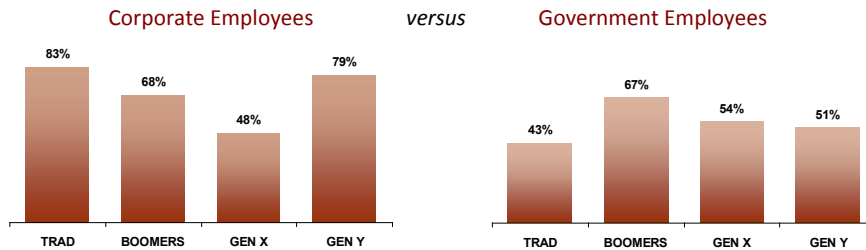
When asked about whether or not employees felt that their job performance is being accurately measured, we were surprised to find that 71% of employees said yes to this question. This is a surprising number, given the hundreds of comments we have heard from employees to the contrary. There were distinctions in the data between knowledge, skilled and labour employees. Knowledge and skilled worker agreed 10% more than labourers that their performance was being accurately measured. This is likely due to the unionized nature or contract work for labourers.



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To explore the performance measurement accuracy data further, we sliced the results by type of organization (corporate versus government). This revealed that the greatest difference was between corporate and government Traditionalist employees (40%), followed by Gen Ys (28%).

"I believe that my job performance is being accurately measured."



- 📌 40% difference between corporate & government Traditionalists employees
- 📌 28% difference between corporate & government Gen Y employees

While we might have expected the most tenured employees in the public sector (government) be clear about their performance, perhaps senior leaders and managers have overlooked the need to clearly communicate performance expectations to this generation. From our sessions with public sector employees, Traditionalists often feel neglected, as if the organization and managers are just tolerating them until they retire. However, with the repeal of mandatory retirement, performance discussions with this cohort become as critical to organizational success as with any other cohort. Since it is likely that Traditionalists have been with the public sector for a majority of their career, there is an expectation from this cohort that they continue to have opportunities to contribute by coaching mentoring and transferring knowledge as part of their legacy building.

The fact that the youngest cohort in the public sector also doesn't believe their performance is being accurately measured is a red flag for government leaders who have a strong desire to get and keep high potential employees in the public sector. Without clear performance metrics and measurements the risk of turnover and disengagement of young employees is much higher. Gen Ys want to be able to make a positive contribution to their team/department / organization very early in their careers. If they don't believe their performance (strengths and weaknesses) are being accurately measured and acknowledged, they are more likely to seek employment where they can make an immediate impact.

In order to ensure performance is being accurately measured, all four generations will expect clear, objective criteria that are evaluated on a on-going basis and that are tied to learning and development and rewards.

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Generational Considerations

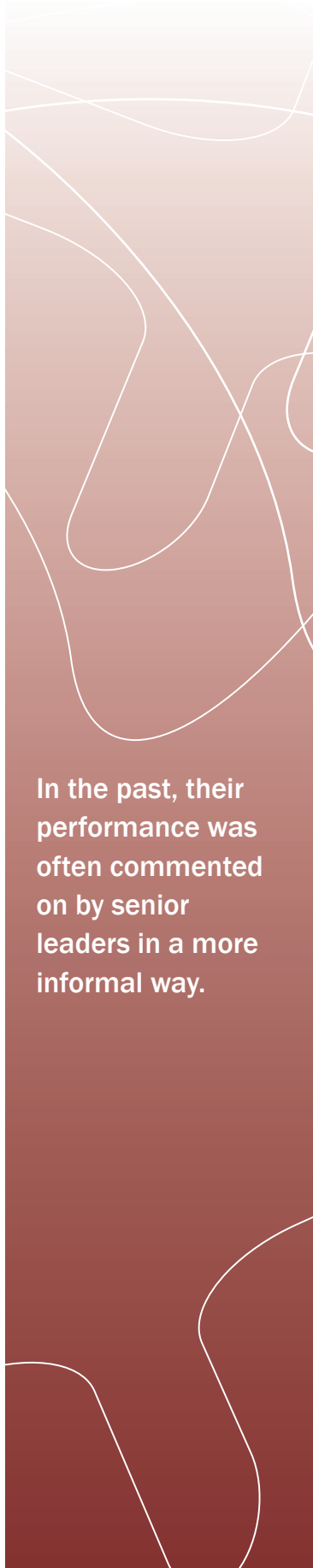
Based on each generational cohort's desire and comfort level with receiving feedback, members of each generation respond to the performance management process differently. For most Traditionalists, they experienced a work environment where the only performance feedback given was either: really good news 'you're getting promoted!' or really bad news, 'you're getting fired!' This generation has only recently been exposed to organizational cultures where on-going employee feedback and setting objectives for performance is the norm. It can sometimes be difficult for Traditionalists to adapt to this new approach, since they have been working for many years, sometimes at senior levels, without any formal performance management. An annual performance review process matches the comfort level for this cohort. If they want more feedback, they'll ask for it.

Since the widespread use of performance management metrics hasn't existed for very long, for many Baby Boomers, it is a relatively new experience to participate in formal performance reviews. In the past, their performance was often commented on by senior leaders in a more informal way. Rewards were often largely based on the subjective perceptions of contribution by leaders (who you knew), versus the objective measurement of contribution to business outcomes (what you did). This approach sometimes left strong performers who didn't play the political game with little acknowledgement or recognition for their contributions. On the flip side, poor performers who were well connected within the organization were allowed to remain or were even promoted. The performance management process was secretive. It didn't necessarily provide employees with a clear understanding of why their performance was above or below standard.

Baby Boomers often enjoy talking about their successes, but are reluctant to express areas of weakness for fear that this will jeopardize their position within the organization. This cohort tends to be careful to down-play their weaknesses while eagerly highlighting their strengths. Traditionally, performance discussions with Baby Boomer employees focused on what they have accomplished and achieved (their wins), followed by feedback on areas of development / improvement, followed by a positive summary on how they are contributing to organizational and departmental goals. This sandwich model of feedback – positive, negative, positive – ensured performance discussions were positive in tone and didn't become conflict conversations. A formal performance management process that is annually or bi-annually matches the comfort level of this cohort.

In contrast, Gen X employees want to receive feedback on their performance on a quarterly or monthly basis. Also, they don't want to spend a lot of time focusing on what they do well – they already know that – they want to understand how they can improve. Managers should provide Gen Xers with specific examples of what they would like them to improve on and by when; how success will be measured; and what resources and support will be provided to them.


Since Gen Xers want to remain marketable, they know they need to continuously improve, learn and grow. Performance discussions should focus on desired results (achievement of goals) from the managers' and employees' perspectives, as well as be linked to career goals and individual development plans.



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Gen Ys are even more eager to receive formal feedback. They want to know how they are performing on a monthly, weekly and daily basis. Though this generation has a large appetite for feedback, they are often ill prepared to receive negative feedback. Growing up in a school system and home life with high expectations, this generation fears failure. Also, this cohort has always received positive, self-esteeming building praise by parents, teachers and coaches on an on-going basis. They haven't been accustomed to receiving negative feedback, nor are they well prepared for how to respond. So perhaps because of this, scoring less than 100% on a performance rating may cause an emotional response in some Gen Ys. Managers should be trained to conduct performance discussions with Gen Ys that highlight developmental opportunities, without plummeting motivation and engagement levels. Managers must be well trained to be able to navigate conflict conversations should a Gen Y believe they ought to be rated much higher than what the manager has rated them.

Like Gen Xers, Gen Ys also demand that their performance ratings be objectively quantified to ensure fairness and equality. Given how freely this generation shares information, managers are often taken aback when two Gen Ys want to discuss their performance reviews together. If both employees worked on the same project and both were told that they did a good job, they will want to know why one of them received a higher performance rating (and possibly greater merit increase) than the other. While this situation alone might make some managers cringe, the interesting new twist is that the employee with the higher performance rating is the one that is upset that his/her colleague didn't get an equally high rating. This employee will argue that it's not fair that his/her colleague didn't receive the same treatment as s/he did. To handle this type of performance discussion, a manager has to be able to justify their performance ratings with objective, clear, data that links to competencies, observable behaviours and business outcomes. Also, managers should be prepared and open to having these types of discussions with Gen Y employees. Refusing to engage in a conversation about performance leads to employee disengagement and mistrust.



Implementing an effective performance management process is critical to your ability to keep and grow multigenerational employees.

Impact on People Practices

Implementing an effective performance management process is critical to your ability to keep and grow multigenerational employees. Your PM process serves as a basis for identification of high performers as well as identification of overall organizational strengths and areas of development. Your ability to engage employees is tied to the successful execution of your PM process by senior leaders and front line managers.

When building an effective performance management process, it is important to consider:

- ❖ How does your PM process align with other HR practice areas?
- ❖ How can you take a holistic approach to ensure successful implementation and execution of your program?
- ❖ How objective is your measurement criteria? Will both managers and employees agree on the defined terms / level of performance?

Managers play a pivotal role in communicating and translating organizational strategy into role clarity for employees. They must provide clear, consistent communication about performance expectations and organizational goals. Managers should conduct frequent, informal performance discussions to ensure that the final year-end performance rating isn't a surprise.

In order to set employees and managers up for success, consider:

- ❖ What training do managers require in order to execute the PM process effectively and consistently?
- ❖ What tools (learning & development, coaching, experiences) do employees need to improve performance?
- ❖ How will employee engagement levels be impacted by your PM process?
- ❖ How does your performance management process demonstrate organizational engagement? How is it transparent? Responsive? Partnering?

For information on how n-gen People Performance Inc. can help you to design, develop and deploy a comprehensive performance management process, please contact 1-877-362-7564 Ext.1 or info@ngenperformance.com.

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- i. Strategic Upstream and Downstream Considerations for Effective Global Performance Management, International Journal of Cross Cultural Management, Charles Vance (CCM; April 2006; 6, 1: 37-56)
 - ii. The Business Case for Performance Management Systems: A Handbook for Human Resource Executives and Managers, Josh Bersin (Bersin & Associates Research Report, January 2008)
 - iii. The Essential Guide to Performance Management, Leighanne Levensaler (Bersin and Associates Research Report, October 2008)
 - iv. Bersin, January 2008
 - v. Levensaler, October 2008

What tools
(learning &
development,
coaching,
experiences)
do employees
need to improve
performance?

n-gen People Performance Inc.

As pioneers since 2003 in providing solutions for managing generational differences in the workplace, n-gen is the partner of choice for industry leaders. By addressing issues related to generational differences in the workplace, our clients have become more targeted in responding to the values, expectations and motivations of all four generations, thereby increasing employee engagement.

n-gen has worked with 10 of the 14 Canadian Fortune 500 companies, as selected by Forbes magazine in 2008. n-gen's diverse client group spans small, medium & large enterprises, including 5 of the top 6 Canadian banks, 20 leading post-secondary institutions in North America, 12 of Canada's largest energy companies, and government agencies at the federal, provincial, and municipal level. More than 25,000 people have benefited from n-gen's expertise in the last 6 years, by attending a workshop or a presentation.

n-gen's training programs, e-learning, and consulting services provide people managers at all levels, from front line to CEO, the strategies and techniques needed to manage, engage and lead a multigenerational workforce.

Based in Toronto, Canada, n-gen's expertise is sought after by leading-edge organizations across North America who believe maximizing the skill sets of all four generations is an integral part of building a sustainable business strategy.



For more information about n-gen's products and services, visit www.ngenperformance.com or call 1-877-362-7564.