A classic issue in every organization is performance management, particularly in the West. We very much want to assess individuals, determine how well they've performed, and reward them according to their performance. It's fair, it's just, and potentially motivating. No question about it.

To do that, to execute that, you have to have a system that manages performance, not just for reward purposes but for establishing what somebody should do, for establishing what skills they need in order to do it, and then ultimately to reward them or punish them if their performance is either above average or well below average. Again, it's a great concept, sounds simple. But virtually every organization I'm aware of has trouble doing it well and effectively.

Most plans seem to last about three or four years. There's the design year, when you hope you're going to come up with the final solution. The first year of trial when you're observing that people aren't doing it very well, but you're hoping they'll learn. And the next year then they should be doing it well, but almost never do. Dissatisfaction grows, and you start the design process for the new plan. I've seen that play out time after time after time.

Just one example was a large company that we worked with a few years ago that is famous for their performance management system, and yet they came to us and said "We're so frustrated with this system that we'd like to know whether you think that we should even continue to do performance management. There are so many dysfunctions; it takes up so much time; it's so difficult to do. We're seriously thinking of just forgetting the whole thing. It's just not been worthwhile." And we said "Great. We'd love to study that. Let's go out and look at places where you're doing it well, what are some of the things that lead to successful performance management, and what are some of the things that lead to unsuccessful performance management."

We're fortunate that the company has a number of divisions, and there were some differences among them. Of course, the first thing that most companies think about when they decide that they have a problem with performance management is the form itself. The automatic thing is "Well, maybe if we change the form. Maybe if we have five categories of performance instead of three. Or maybe if we rank people seriatim of one through 50, or one through 100. Or maybe if we have a forced distribution where we require them to have 20 percent successful and 70 percent in the middle and 10 percent at the bottom, that will solve our problem."

There's a lot of evidence that says, and we certainly found it in this company, that the success of a plan has virtually nothing to do with the type of form that is used. You can make some horrendous mistakes in forms by doing something that won't pass a court test, because it's not specific enough about behavior. Really most of the predictors and the determinants of a success of a plan are what I would call process issues; that is, issues around communication, around who makes decisions, about when decisions are made, about how people are informed about decisions, and certainly about planning when you start the whole process about what's going to be appraised and how it's going to be appraised. Those are much more predictive of the success of the system than are efforts to improve the anchors on a scale from fully meets expectations, exceeds expectations, to outstanding performer, poor performer, etc. And yet, that's where we see a lot of effort going in.

The particular company that I started my example with ultimately did decide to look seriously at and make a number of changes in their process of performance management. And in this case, it's actually worked rather well for them. They were aided considerably by the Internet and the growth of online performance management systems, because that
allows you to improve the process in a number of ways, particularly with respect to the speed of getting back to people, with respect to getting common objectives and common goals across an organization. And they did put in a system which caused or facilitated better planning around goals and objectives, made it clear to people what was expected of them, and then at the end of the period, when there was a performance assessment, allowed them to collect better data, better quantitative data on performance. And I think, generally, it has been a definite improvement for that organization.