Managing Performance in the New Reality:
Goals Matter More Than Ever

joshbersin

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Performance management has been a topic of debate and discussion for decades. We've transformed management systems, thrown out ratings, focused on dialogue, implemented feedback and recognition platforms, created complex OKR systems, and reworked pay for performance calculations. Yet, a 2018 Deloitte study of over 1,000 organizations across the globe showed that performance management is still the most despised people process, with a net promoter score of minus 60.

Pandemic Performance Management

In March 2020, as most countries experienced huge economic disruptions from the global COVID-19 pandemic, performance management was yet again on the mind of many HR and leadership teams.

Leaders grappled with how to fairly evaluate employee performance in the middle of a pandemic. Should we continue with our existing process? Scrap it altogether? Simplify it for this year only? Or quickly redesign it for the future?

We've seen all four of these approaches implemented. Most companies continued with their existing processes. Some companies – especially those with lots of money like Facebook and Google – gave everybody the same outstanding rating. Intuit, the global technology platform and maker of TurboTax, QuickBooks and Mint, went from four ratings to two for its May 2020 reviews. Deutsche Telekom and AB InBev fast-tracked their performance management transformations to build for the future.

At the same time, companies had to deal with the question of how to distribute rewards. Those companies hardest hit in the pandemic downturn – such as hospitality, transportation, and consumer products – had to think about how to split up an ever-decreasing pie. Should everybody get the same share? What about the star performers? Should those who didn't meet their goals get penalized because conditions out of their control -- such as children at home, parents to care for, or their own health issues – impacted their work?

Again, we saw approaches vary. Those that didn't change their performance management approach often used the same pay process as well, but just cut budgets (or enlarged them, in the case of business upticks). Big tech giants linked significant bonus and rewards increases to outstanding performance evaluations; those companies that fast-tracked performance management simplification also carried related changes to pay practices.

Goals More Important Than Ever

Beyond the immediate necessity of dealing with year-end evaluation and rewards cycles, one area of performance management was cast into the spotlight: the importance of clear, agile, team-oriented goals to drive the right actions and align every individual to the mission and purpose of the organization. The old way of cascading rigid goals, locking them down in the first quarter, and not looking at them until year end no longer worked.

Goal management systems were clunky, complicated, and became an end in themselves. HR people often measured the success of their performance management program by process measures like the number of employees completing goal setting on time.

The most effective goals are those that reflect the work to be done, align teams around the work, and create transparency and line of sight. The OKR (objectives and key results) method is a good framework to accomplish this. Effective goal setting is based on common factors that are more now more important than ever.

Start with the Mission and Purpose

Having a well-defined company mission and purpose is critical to effective goal setting. Our business resilience study, which explored pandemic-related responses of approximately 1,400 companies, identified that a clear, shared mission and purpose is one of the ten practices that matter most to business and people outcomes. In fact, organizations that focus pandemic responses on purpose and mission are three times more likely to excel in financial performance.

Area	Impact of the Pandemic	Examples of Effective Practices
Goal setting and alignment	• Many competing priorities to be consolidated • People are overwhelmed • Priorities changing rapidly • Long-term plans became obsolete • Teams need to come together and disband quickly as needed	• Focus on mission and purpose • Prioritize and focus • Support agile goals and frequent updates • Communicate company priorities for alignment • Enable team-based goals and cross-functional collaboration
Development planning and career	• Learning accelerated in unplanned directions • People pulled on high- priority projects quickly • Cross-functional projects become more important	• Stronger focus on experiential learning • Managers rewarded for freeing up their teams • Project experience prioritized over full job moves
Feedback and coaching	• New teams work together and need rapid feedback • Employees crave input more than ever • Managers need tools and support for remote coaching	• Use technology for team feedback anytime • Nudge managers and team mates to coach others • Provide tools and resources to coach in a remote environment
Performance evaluation and review	• Lack of time, no opportunity for in person calibrations • Changed performance standards for 2020 • How to account for challenging work environment	• Simplified or fast-tracked approaches • Fewer or no ratings for 2020 • Empathy training for managers, helping them understand workers better
Rewards and recognition	• Pay for performance in the pandemic • Rewarding for response contributions • Recognition for hazardous work	• More uniform pay practices/ less differentiation • Spot bonuses for outstanding contributions • Hazard pay, increased pay for special work situations

Figure 1: How Performance Management Changed in the Pandemic

Employees need to know why their work matters and how it helps create a better world, especially in times of uncertainty. Organizations such as Unilever that have always focused on a unifying and compelling mission were naturally prepared to align response actions with the company's purpose. Healthcare organizations, always driven to save lives and improve health, also had a leg up. Deutsche Telekom's mission, "I will not stop until everyone is connected," took on a new meaning in a world where technical connectivity can now mean the difference between education and illiteracy, work and unemployment. Or think about Sainsbury's, which aligned employees around "feeding the nation" and helping people get food in times where logistical challenges, financial insecurities or other problems could cause families to go hungry.

A company's mission and purpose might seem obvious to leaders, but it bears repeating and reiterating for employees to align with. While we've heard a lot of talk about millennials looking for purpose and meaning in their work, this need is not unique to any generation. We all crave to spend our time on something that creates value for others.

When leaders focus on the mission and purpose, they don't just create better alignment and higher engagement among employees; they are also bettering customer experience. In our business resilience study, we saw that when organizations double down on purpose, they are 5.5 times more likely to have highly satisfied customers.

So state what's important to the organization first and make it clear and easy for everyone to understand.

Define Company Objectives with Input from Key Stakeholders and Employees

The mission and purpose will guide company objectives. What will the organization accomplish over the next one to three years? Company objectives should be very broad and essentially spell out how the company will accomplish its mission and purpose in the medium term.

It's very important that these goals are with input from different stakeholders, including employees. In small organizations that might happen naturally, but in large, hierarchical organizations, getting input from diverse audiences is more challenging. It's very important to have employees who are on the frontline weigh in along with customers. There is just no substitute for direct feedback.

Focus Goals on Outcomes

Goals at any level – company, team or individual – need to follow the same logic: they need to be outcome-based (what's the objective?), measurable (what's the result?) and action-oriented (what initiatives or activities need to be done to accomplish the results?).

An OKR approach inherently supports these criteria. Objectives are what you are trying to accomplish, and key results measure the outcomes. Next, detail the initiatives and activities that need to get done to accomplish these results.

Technology can help keep track of goal progress. A Deloitte study showed that high-performing organizations are 1.9 times more likely to use technology to monitor goal accomplishments.

Today, more than ever, focusing goals on outcomes is critical. With competing priorities of the pandemic, companies must focus on the important activities helps the business stay on track and support employees to maintain balance and mental health.

Goal Transparency Is Key

Goals should be transparent so others know what you're working on. This promotes teamwork, alignment, and sensitivity to others—and inspires trust. Eventually, goal transparency also motivates higher pay equity and a feeling that performance management is fair and equitable.

Deloitte's performance management study showed that high-performing organizations are 4.7 times more likely to make goals transparent. The best organizations go a step further and also show employees who viewed their goals to facilitate peer connections and encourage collaboration.

Intuit uses Betterworks to enable goal transparency. Every employee in the organization can see the goals of any other employee and see who has viewed their goals. This transparency has often supported collaboration among multiple groups and started dialogues between individuals to better support each other.

Goal transparency is not just a technology exercise. It requires a level of trust to allow anybody to see even the most senior leaders' goals. Trust and transparency are especially critical in this pandemic. Employees are longing to trust their companies to do the right thing, for leaders to be empathetic and supportive, and for their colleagues to work together to accomplish results. Seeing what everybody else is working on is an important part of that trust.

Autonomy in Goal Setting Drives Engagement

Deloitte's study showed that goal autonomy is one of the biggest differentiators of engagement and performance. High-performing organizations are 5.3 times more likely to give people autonomy over their goals. Many studies show that having a say over our own work relates to much higher engagement and a better work experience.

So let employees decide on their goals, especially on how they get accomplished. This is not the goal cascade of yesteryear, where each employee just received a copy-and-paste of their manager's goals. When employees can transparently see their manager's goals and understand how their work links to strategic and company goals, they can then decide how to accomplish these goals.

Team-based Goals for Collaboration

Most work today happens in teams, so good goals are team-based and address how to get work done together and how different roles contribute to overarching company goals.

Team-based goals are even more relevant now. As entire business models changed literally overnight and new teams formed across traditional functional boundaries, these teams had to quickly align on what they needed to accomplish and figure out who played what role. PepsiCo reinvented its onboarding program with cross-functional collaboration in a matter of weeks by working together with many different groups. Reliance Industries built a COVID app for use by its workforce by collaborating with representatives from its medical, IT, legal, and HR teams. Sutter Health implemented cross-functional teams to rapidly move from in-person visits to televisits in order to keep patients and healthcare providers safer. None of these objectives could have been accomplished by one person alone; they are all examples of broad, team-based goals.

Calibrate Goals, Not Just Performance Ratings, for Equity

One of the reasons why performance management is so disliked is the difficulty in achieving equity and fairness. As humans, we are all biased, and our biases influence everything we do – from the way we set goals to how we give feedback and award development opportunities; from performance evaluations to ratings and rewards. Often, pay equity is addressed as a problem on its own, but it's actually a symptom of a biased performance management process. Rather than just fixing the symptom, organizations need to address the problem up front, calibrating and reviewing not just performance ratings and rewards distribution but also performance goals. Do people in similar roles have similar goal-level difficulty? Are they provided with similar stretch goals? Is it clear what goal attainment results in what performance rating? Without addressing these issues up front, pay equity reviews will always be lagging.

Intuit is starting to focus on goal calibration, providing managers with tools and resources to review goals for their team members for equity.   It is also facilitating goal calibration sessions for managers across different groups so that a software engineer in one department doesn't get the most challenges goals while an engineer in another group doesn't receive stretch opportunities. This rigor helps prevent inequities in performance evaluations and pay decisions.

Balance Operational and Aspirational Goals

Goals need to encompass both the operational aspects of the work as well as the aspirational elements. Employees should have goals that govern their "day jobs" along with goals that help them develop and grow.

Intuit's process encompasses both work goals and development goals. Each employee knows what to work on, how results are being evaluated, what goals others on their team are working on, and how their work contributes to overall company goals. Development-oriented goals help employees focus on areas that will strengthen their skills and help them grow within the organization.

Update Goals and Progress Frequently

In today's rapidly changing environment, goals can't be set statically and then forgotten until year end. The OKR approach asks for quarterly goal reviews, and the Deloitte study showed that high-performing organizations are 3.1 times more likely to update goals at least quarterly.

Really, goals should follow the work. If you work on a software development team with quarterly releases, then you'll have quarterly goals to accomplish. If your work is structured on a different timeline, then the deliverables of that project or team will dictate your goal cycles.

Use Technology in the Flow of Work

Technology can be a massive enabler of all of these capabilities, and in fact it's hard to imagine how to do many of these steps without technology. How can we make it easy to set outcome goals, update results and calibrate goals? How can you make goals transparent to anybody in the organization without supporting technology? How can the system drive down company goals into the organization?

A decade ago, performance management tools were clunky and cumbersome and got in the way of getting work done because they just automated paper forms. In essence, they were built to help HR track the process.Instead of supporting managers, teams and individuals in their work, the tools put additional burdens on them. Today's tools have built-in templates and features that make it easy to set meaningful goals, calibrate them, and update progress automatically. Transparency lets employees see everyone else's goals, as well as those who have viewed their goals.

Today's next-generation performance management tools are embedded in the flow of work. They are integrated with the tools people use to do their work and don't force them to leave their daily work flows. Slack, Microsoft Teams, Jira, Outlook, Workplace by Facebook and many others are now being integrated with these tools so that employees can set and update goals, give each other feedback and recognition, and automatically pull goal status right from these everyday work tools. This integration eliminates duplication of work and reduces errors and bias. Managers don't need to trust their gut feeling or their perceptions of employees' results but they get them right from the source systems.

While the adoption of technology itself did not differentiate results in the Deloitte study, the research did show that companies that integrate performance tools into the real workflow are much more likely to see positive results from the process. Technology in itself won't solve all performance management issues, but finding the right technology for your approach is key to executing the performance management strategy that's right for your company.

Conclusion

One of the many lessons we've learned from the pandemic is what good performance management looks like. Important factors include: setting clear goals aligned with a clear purpose and mission; supporting teams to work together; empowering autonomy of employees to do the right things; frequent and effective feedback and coaching; simple and work-embedded evaluation approaches that are fair and empathetic; and equitable pay practices. Technology that makes work easier – not harder – and supports clarity, alignment and collaboration is key. Many organizations are now rethinking their performance management approaches in light of the ongoing business change we will see for the foreseeable future. Let's hope this reevaluation, coupled with the technology innovation now available, can be a turnaround for performance management – moving it from its ranking as the most despised people process to one that is viewed as essential for business and employee success

Intuit Creates Strategic Alignment and Strong Relationships with a Goal Framework

Intuit, Inc. is a global technology platform that develops and sells financial, accounting, and tax preparation software and related services for small businesses, accountants, the self-employed and individuals. The company is headquartered in Mountain View, California, and employs about 9,500 employees. Intuit's products include the tax preparation application TurboTax, the personal finance app Mint, and the small business accounting program QuickBooks.

At Intuit, performance management is a core business process that supports the company's mission and vision. "At the core of Intuit's performance management philosophy is our mission to deliver great products and services to our customers. We know that will fuel success for the organization," said Humera Shahid, vice president of talent development, Intuit.

The foundation for Intuit's performance management process is a strategic goal setting framework driven by top leadership. A few years ago, the leadership team decided to position the company as a platform company – with different brands under a single unifying platform. Goal setting from the very top became the vehicle to create alignment.

"When we talk about goal setting, it's really a business-driven process," Humera said.

The goal-setting framework is published and transparent for all employees to align around. It starts with the company mission: to power prosperity around the world, accomplished by being an AI-driven platform. Supporting, there are what the company calls "big bets" such as strategic company goals and long-term initiatives for customer products and services.

"Our big bets include things like how we help our customers have more financial predictability, how we help them run their business, and how we put money in the pockets of our consumers," explained Humera.

Intuit has developed what it calls "input goals," similar in principle to OKRs, to ensure the success of each big bet. These goals answer questions such as these: What will you do? How will you be successful? How will we measure success? Intuit's senior leadership team decides on company input goals annually; the team then discusses goal progress at monthly meetings to check in and collaborate further.

Intuit's employees also set individual input goals around similar questions: How do I support given my role? What does success look like? How can I measure success? Additionally, employees are also expected to set development goals to ensure they can grow their skills and careers at Intuit. Individuals also review goal progress with their managers on a monthly basis, at which time goals can be finetuned or changed if needed.

The pandemic hit small businesses particularly hard, and Intuit had to adapt in order to support its customers. For instance, the change in the 2019 tax deadline had many repercussions for Intuit. The company's agile goal-setting approach was well suited to enable the flexibility required to quickly recalibrate.

The monthly check ins for goals also helped Intuit managers understand what employees could realistically accomplish with the changed work conditions brought about by the pandemic, as well as with increased changes in childcare responsibilities.

Goal achievement levels are set at challenging levels, and the expectation is that most will be accomplished at 75%. "If we are achieving 100% on all goals, it means we are not challenging ourselves enough," said Humera.

Goals are transparent across the organization; an employee can see the goals of any other employee. This kind of transparency is part of the organization's culture and helps drives collaboration and effective discussions to get the best outcomes for customers. "One of the reasons we chose Betterworks is because of the goal transparency. It's a key component of our goal framework," said Humera.

Another key aspect of Intuit's goal management framework is goal calibration. Fair and equitable pay is an expectation of employees. But pay equity can't start at the pay cycle. It has to start with goals. Calibrating them so people in similar roles have similar goals with similar difficulty levels is key to creating equity and fairness, explained Humera.

This transparency is also the reason why Intuit continues with performance ratings. Leaders believe it is important to avoid “shadow ratings,” often a consequence of ratingless performance management when pay is based on performance.

In a normal year, Intuit has a four-level rating framework. As the pandemic strained people’s capacity for change and put unprecedented pressures on them, the company switched temporarily to a two-rating approach.   One level was for meeting a goal and the second was for exceeding expectations. While this was the right move for the company in 2020, company leaders plan to return to the four-level rating framework in the future.

Goal setting has gotten close to 100% adoption because it is driven by senior leadership. It is not viewed as an HR administrative task and it has proven to build alignment with company’s mission and vision.

Employees ask for the company goals to help set the stage for their goals every year. “They want to know that we're all working towards the same shared objectives for the company together. That’s the power of goal alignment and goal setting from the very top,” said Humera.

The monthly feedback and goal discussion process is also easier to do because of the embedded templates from Betterworks. These give individuals an agenda for their check ins and provide managers with key insights into what goals are progressing well and where employees might need help.

Most employees and managers find the performance management approach useful, but there is always room for improvement. As a next step, Humera and her team plan to connect their learning management system with Betterworks so people can get automatic learning suggestions based on their development goals. Additionally, the team wants to double down on longer-term career aspirations.

"What's most important to us is that our employees and managers have a really strong relationship. Any tools we put in place to enable transparency, accountability and development will help strengthen that relationship, because that's what's going to drive engagement, productivity and ultimately success for both the company and the employee," said Humera. "Partnering with Betterworks has allowed us to enable year-round performance conversations with our workforce. A technology enabled performance management process creates transparency and alignment across the organization. A dynamic platform where we can modify goals, track progress and get feedback on a regular basis allows us to have performance and development conversations at any time."

About Josh Bersin

Josh Bersin is an internationally recognized analyst, educator, and thought leader focusing on the global talent market and the challenges impacting business workforces around the world. He studies the world of work, HR and leadership practices, and the broad talent technology market.

He founded Bersin & Associates in 2001 to provide research and advisory services focused on corporate learning. Over the next ten years, he expanded the company's coverage to encompass HR, talent management, talent acquisition, and leadership. He sold the company to Deloitte in 2012, when it became known as Bersin™ by Deloitte. Bersin left Deloitte in 2018..

In 2019, Bersin founded the Josh Bersin Academy, the world's first global development academy for HR and talent professionals and a transformation agent for HR organizations. The Academy offers content-rich online programs, a carefully curated library of tools and resources, and a global community that helps HR and talent professionals stay current on the trends and practices needed to drive organizational success in the modern world of work.

Bersin is frequently featured in talent and business publications such as Forbes, Harvard Business Review, HR Executive, FastCompany, The Wall Street Journal, and CLO Magazine. He is a regular keynote speaker at industry events around the world and a popular blogger with more than 800,000 followers on LinkedIn.

His education includes a BS in engineering from Cornell University, an MS in engineering from Stanford University, and an MBA from the Haas School of Business at the University of California, Berkeley.

About Kathi Enderes

Kathi is the vice president of research at the Josh Bersin Academy; she leads research for all areas of HR, learning, talent and HR technology. Kathi has more than 20 years of experience in management consulting with IBM, PwC, and EY and as a talent leader at McKesson and Kaiser Permanente. Most recently, Kathi led talent and workforce research at Deloitte, where she led many research studies on various topics of HR and talent and frequently spoke at industry conferences. Originally from Austria, Kathi has worked in Vienna, London and Spain and now lives in San Francisco. Kathi holds a doctoral degree and a masters degree in mathematics from the University of Vienna.