Spring 2015

Along the Spectrum of Transparency, What is the Optimal Level in Sharing Performance Management Assessments with Employees?

Kasey Kovack
Cornell University

Along the Spectrum of Transparency, What is the Optimal Level in Sharing Performance Management Assessments with Employees?

Abstract

The world of performance management (PM) is undoubtedly undergoing significant reform. Deloitte's recent survey shows that approximately 50% of organizations are unsatisfied with their PM system's ability to drive business value, encourage development, and improve engagement and performance, while 70% are taking action to update their PM system. The annual goal setting and PM review, bell--curve rating system, and rank---and--yank practices are simply not setting organizations up for success. Similarly, replacement planning has evolved to a comprehensive system of Succession Management, where high potential talent from all levels is identified and developed for future roles.

In addition to evolving the PM system itself, organizations have been continually assessing the optimal level of transparency. As Gen Y employees enter the workforce, there has been a call--to--action for employers to increase transparency in all regards. As one Harvard Business Review article detailed, "Authenticity paves the way for transparency. When employees know what it takes to perform, develop, grow, and succeed, they trust that their company is a meritocracy." Yet, organizations may not yet be delivering on this front, with a recent Towers Watson survey revealing that 72% of organizations do not inform employees that they have been labeled as high potential and a Talent Management Network study revealing that 73% choose not to communicate advancement potential. Companies fear employee potential transparency will negatively impact engagement, motivation, and turnover. The Talent Strategy Group confronted organizations by asking, "How long do you feel it's appropriate to lie to your employees about their future?" To encourage transparency, the organization highlighted benefits of transparency, including a culture of trust, employee ownership of their careers, and increased engagement through offering a differentiated experience for high potentials. The following case studies highlight key learnings and reasons for pursuing a transparent PM strategy.

Keywords

human resource, transparency, performance management, assessments

Comments

Suggested Citation

Kovack, K., & Kim, H. K. (2015). *Along the spectrum of transparency, what is the optimal level in sharing performance management assessments with employees?*Retrieved [insert date] from Cornell University, ILR School site: http://digitalcommons.ilr.cornell.edu/student/71

EXECUTIVE SUMMARY

Research Question

Along the spectrum of transparency, what is the optimal level in sharing performance management assessments with employees, specifically the potential rating in a nine-box evaluation? What are best practices and lessons learned from organizations that have gone through the process of moving to a more transparent system?

Current Status of Performance Management

The world of performance management (PM) is undoubtedly undergoing significant reform. Deloitte's recent survey shows that approximately 50% of organizations are unsatisfied with their PM system's ability to drive business value, encourage development, and improve engagement and performance, while 70% are taking action to update their PM system. The annual goal setting and PM review, bell-curve rating system, and rank-and-yank practices are simply not setting organizations up for success[1]. Similarly, replacement planning has evolved to a comprehensive system of Succession Management, where high potential talent from all levels is identified and developed for future roles[2].

In addition to evolving the PM system itself, organizations have been continually assessing the optimal level of transparency. As Gen Y employees enter the workforce, there has been a call-to-action for employers to increase transparency in all regards[3,4]. As one Harvard Business Review article detailed, "Authenticity paves the way for transparency. When employees know what it takes to perform, develop, grow, and succeed, they trust that their company is a meritocracy."[5] Yet, organizations may not yet be delivering on this front, with a recent Towers Watson survey revealing that 72% of organizations do not inform employees that they have been labeled as high potential[6] and a Talent Management Network study revealing that 73% choose not to communicate advancement potential[7]. Companies fear employee potential transparency will negatively impact engagement, motivation, and turnover. The Talent Strategy Group confronted organizations by asking, "How long do you feel it's appropriate to lie to your employees about their future?" To encourage transparency, the organization highlighted benefits of transparency, including a culture of trust, employee ownership of their careers, and increased engagement through offering a differentiated experience for high potentials.[7] The following case studies highlight key learnings and reasons for pursuing a transparent PM strategy.

Benchmarking and Case Studies

Steelcase[8]

Steelcase sought a variety of perspectives in deciding their transparency strategy. CEO Jim Hackett believes, "There is no right or wrong place along this continuum because an organization's stance depends upon its industry, culture, corporate values, and business model. The point is for the organization to be authentic and align the level of disclosure with what the organization can support." In its benchmarking analysis, ASTD and Steelcase found:

- Full transparency was most appropriate only for an amenable culture that fundamentally values candidness. Employees were motivated by clearly knowing how to reach top tier status.
- Limited-disclosure approaches spend extra effort developing high potentials but do not communicate status. While this strategy tries to avoid promotion and salary expectations and 'on the list vs. not' mentality, a major concern is the energy wasted by employees trying to determine where they stand.
- Organizations lacking a transparency strategy are setting themselves up for failure. If inconsistent messaging strategies are used across the organization, employees are often given misinformation or left to speculate, which leads to frustration, disengagement, loss of collaboration, and lower performance.

Steelcase decided full transparency in the process, but not outcomes, was ideal for their culture. All employees were informed of the business rationale behind the succession planning process and were given access to the HR portal describing the system, which ensured employees knew development was valued and a scientifically-based, legally-sound process existed. While employees were not specifically told they had been selected as a successor, their manager reached out to (1) indicate their high performance and value; (2) discuss their interest in leading; and (3) create a plan to help them reach their career goals. Additionally, the company informed employees that the critical positions are dynamic, shared key competencies needed in the future, and instituted a development process for all.

Avon[9]

Avon embarked on a journey of reforming its entire Talent Management (TM) process, as the current system was too opaque, complex, and meaningless. Modeled after Marshall Goldsmith's 'feed-forward' principles, Avon instituted a new 360-assessment tool, promoting it as an opportunity to help employees strive for a brighter future while eliminating the negative stigma associated with feedback. The company embedded transparency in other talent processes, creating "The Deal" which clearly outlined the required leadership behaviors and performance expectations. Avon modified the PM process to include a 5-point scale with clear definitions of each performance level and the distribution across the scale. To ensure high potentials were being leveraged to their full potential, Avon planned to match the level of investment to the expected level of return, placing 'big bets' on the top 5-10% of talent by dedicating 5-10x the resources towards their development than the average performer. Communicating this to the leadership team highlighted the importance of accurate assessments of talent. The company paired this work with a focus on fact-based decisions, adding additional qualitative and quantitative data sources to discussions. The company held leaders accountable through monetary incentives, direct report knowledge of the process, and CEO Talent Reviews. The overhaul of the TM system has proved valuable with faster talent movement, more rapid development of leaders, and improved ratings of managers and the TM processes.

Qualtrics[10]

Qualtrics pursues a strategy of 'Radical Transparency,' believing that sharing all information drives performance by reducing distractions, fears, and negativity. Detailed insight on every employee, including quarterly objectives and results, weekly goals, real-time performance reviews, ratings and bonus structures, lists of successes and failures coupled with key take-aways, and career history, is readily available to every single employee. Specifically, Qualtrics requires employees to set Objectives and Key Results quarterly, which ensures goal clarity. Employees are more engaged, as the transparency leads employees to believe they are being treated fairly and that they control their own future. Lastly, development occurs as employees benchmark themselves against others and mirror best practices. Employees are confident in the system and believe the most deserving people are being promoted and rewarded.

Société Générale[11]

For Société Générale, transparency was the key to their retention success in the downturn and workforce reduction in 2012. Their talent-cycle process was internationally standardized and included regular performance reviews, succession plans, and mobility management. The efficient process allowed for systematic assessments of key employees, while the transparency in the process and quick action taken by the organization reassured employees that the company recognized the importance of its talent and would continue offering robust careers.

Capital One[12]

To expand its impact, Capital One recognized the importance of succession planning that was (1) dynamic, fluid and continually updated; (2) transparent, in which participants knew there role and employees were able to self-nominate; (3) comprehensive and integrated with other talent initiatives; and (4) aligned with the company's strategy. Capital One ensures employees are aware of critical skill sets and the culture encourages 'learning through doing' with many lateral moves and stretch assignments for employees.

Conclusion

As these case studies highlight, transparency has proven to be a valuable policy for many organizations. Yet, the optimal level of transparency is heavily influenced by the organization's culture, as transparency can certainly be detrimental if it is misaligned with organizational values and expectations. Ensuring a fair and respectable process exists is certainly a prerequisite for transparency. Lastly, transparency should be reinforced by other HR actions to ensure robust, impactful TM processes that succeed in engaging and motivating employees.

References

1. Nabaum, Alex, Barry, Lisa, Garr, Stacia, & Liakopoulos, Andy. (2014). Performance Management is Broken: Replace Rank and Yank with Coaching and Development. *Deloitte University Press*. http://dupress.com/articles/hc-trends-2014-performance-management/
2. Day, David V. (2007). Developing Leadership Talent. *Society for Human Resource Management (SHRM).*
3. Bias, Lauren Maillian. (2012). 5 Tips to Retaining Star Gen Y Talent. *Fast Company.* http://www.fastcompany.com/1823890/5-tips-retaining-star-gen-y-talent
4. Bersin, Josh. (2013). Millennials Will Soon Rule the World: But How Will They Lead? *Forbes.* http://www.forbes.com/sites/joshbersin/2013/09/12/millenials-will-soon-rule-the-world-but-how-will-they-lead/
5. Ready, Douglas A., Hill, Linda, & Thomas, Robert J. (2014). Building a Game-Changing Talent Strategy. *Harvard Business Review.* https://hbr.org/2014/01/building-a-game-changing-talent-strategy
6. Towers Watson. (2012). 2012 – 2013 Talent Management and Rewards Survey: U.S. Report. *Towers Watson and WorldatWork.*
7. The Talent Strategy Group. (2015). Calculating the Optimal Length of Time to Lie to Your Employees. *The Talent Strategy Group.* http://www.talentstrategygroup.com/application/third_party/ckfinder/userfiles/files/Optimal%20Length%20to%20Lie.pdf
8. Wolfe, George A., Talaga, Jean A. & Bernard, Laurent. (2009). A Matter of Transparency. *American Society for Training and Development.* 63 (6), 64 – 67.
9. Goldsmith, Marshall, & Cater, Louis. (2010). Best Practices in Talent Management. San Francisco, California: BPI/ Best Practice Institute.
10. Smith, Ryan & Tabibnia, Golnaz. (2012). Why Radical Transparency is Good Business. *Harvard Business Review.* https://hbr.org/2012/10/why-radical-transparency-is-good-business/
11. Strack, Rainer, Caye, Mean-Michel, von der Linden, Carsten, Haen, Pieter, & Abramo, Filippo. (2013). Seven Case Studies of HR Excellence. *The Boston Consulting Group.* https://www.bcgperspectives.com/content/articles/human_resources_organization_design_seven_case_studies_hr_excellence/?chapter=2#chapter2
12. Salopek, Jennifer J. (2007). The Growth of Succession Management. *American Society for Training and Development.* 61 (6), 22-24.