

Why Doesn't My Performance Management System Work?

Performance management is the scourge of most managers in this country. In my 30 plus years in human resources working in corporations and consulting, one of the most frequent complaints is that the current performance management system just doesn't work. Why? The two more frequent reasons we hear are:

- "The merit increase budget is too small so why bother to rate someone very good or not so good when the dollars I can award won't make much difference."
- "We have a five point rating scale, and I don't care what you call it, that translates to an A, B, C, D and F system and none of my employees are "C" students."

What is particularly intriguing to me is that these exact same arguments have been made since the late 1970's. Even with a merit increase budget in the 10% range and increase opportunities that ranged from 5 to 15%, managers were unwilling to make real distinctions in performance and the actual increase amounts.

I always thought of myself as a pretty good student, but I got some "C's" along the way and I suspect so did a lot of these managers and employees. If I got one of those "C's" it made me think about what I need to improve to get myself back to the "B" or "A" that I knew I could achieve.

Managers make tough decisions all the time about what to pursue, how much to spend, what projects to drop. What is it about performance management or performance appraisal that makes managers unwilling to provide honest feedback to their employees?

Over the years I can point to several factors:

1. Most of the managers I see have not been trained to be a manager of people. They were selected and promoted based on their technical competence and then given people management responsibility. Few companies have a robust management training program and with the current economic environment this is not likely to improve.
2. Few managers are paid based on how well they manage people. It is not unusual to read manager's job descriptions and not see accountability for people management. Furthermore, I have rarely seen a manager's bonus/incentive linked to people management.
3. There are no real consequences for the employee. Employees that are rated highly tend not to get significantly larger increases than those rated "meets expectations." And even with minor differences in the increase percentages, employees will argue over a tenth of a percent. Managers tend to fall back on rating most employees the same and granting similar increases to all employees.

In the next article, we will provide some ideas for how your company can move your performance system to one that actually works.

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