



Talentcloud.ai Employer Guide 2021

# A new way to approach employee performance reviews

An HR guide to creating performance reviews that work

**talentcloud.ai** / INNOVATION MATTERS



# Introduction

Performance reviews have traditionally been held annually, and although the intended purpose of them is valid, the classic once-a-year evaluation has become antiquated and tarnished over time.

Employees have started to fear the performance review, and many companies no longer see them as ways to aid in the development of their people. Instead, numerous companies have started to use performance reviews as a way to legitimize reasons for termination if hit with wrongful termination lawsuits.

And, maybe most importantly, annual review cycles simply can't hold pace to today's rapidly changing economy. Things like "agile development" — increasing customer satisfaction by working closely with and incorporating feedback from customers throughout the development process — is a feedback concept we should apply to managing our people, too.

Here's your guide to understanding why you should boot your system of annual evaluations, and rethink the way you approach performance management.



## Evolving performance management to performance alignment

Numerous large companies are ditching traditional performance reviews — Deloitte, Adobe, Accenture, and GE are just a few. Today, it's estimated that 70% of all international companies are actively moving away from traditional performance reviews. 58% of executives say performance management processes don't engage workers or drive productivity.

While giant companies seem to be getting rid of annual reviews, very few organizations are eliminating performance management entirely. Why? The concept of performance management shouldn't die — but the traditional methods of it need fixing.

**Performance management** — the processes that help managers monitor and evaluate employees' work and their impact on business — is undoubtedly important for the success of a business. But instead of thinking of performance management in the traditional sense, we encourage you to think about performance alignment.

**Performance alignment** is an employee performance framework that embodies an “agile,” open, transparent approach to employee development that aligns directly to the larger goals of the company. In a performance alignment model, you ditch the annual performance evaluation in favour of more frequent and less formal conversations. This provides better checks and balances of individual work against broader objectives, and also sets teams up to flex and change expectations in response to the business' needs.





**In a performance alignment model, you ditch the annual performance evaluation in favour of more frequent and less formal conversations.**



Employees also want regular and consistent feedback. According to Talentcloud.ai research, 66% of employees would like to receive performance and job feedback weekly. In addition, 85% of employees agree or strongly agree that regular employee “check-ins” and ongoing

feedback are effective ways to drive employee engagement and productivity.

After ditching annual reviews and switching to holding regular, informal “touchpoints” to set or update priorities, companies saw a fivefold productivity increase in 12 months.

### Performance Management

- Focuses on annual reviews and stack ranking to drive progress
- Rigid, formal, and hierarchical

### Performance Alignment

- Focuses on frequent touch-ins between managers and uses goal-setting and goal-adjusting to drive progress
- Informal, often verbal, and handled with an “adult-to-adult” mindset





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In the rest of this guide, we’ll go over the 5 pillars of a successful performance alignment strategy to set you up for a positive performance culture.





# Performance Alignment Pillars

A success performance alignment strategy includes the following 5 pillars:

- 1 Aligns to your overarching business goals and values**
- 2 Is measurable and adaptable**
- 3 Drives the intended actions**
- 4 Occurs frequently and consistently**
- 5 Treats your people as adults**

A young girl with dark hair is looking up at a large aquarium tank. The tank is filled with many colorful fish, including white, yellow, pink, and blue ones. The water is a deep blue. The girl is wearing a dark jacket with a white pattern. Her hands are pressed against the glass of the tank.

PILLAR 1:

**ALIGNS TO YOUR  
OVERARCHING**





## PILLAR 1: ALIGNS TO YOUR OVERARCHING BUSINESS GOALS AND VALUES

The first thing you need to do in your performance alignment approach is align each person's work to the larger vision by using cascading goals. How do you structure cascading goals? Those at the highest or executive level set strategic goals, which then cascade down throughout the rest of the company to frame team and individual goals.

There are many models of cascading goals that could work for your business, and no one-size-fits-all approach. The purpose is not to prescribe to you a certain way of managing your goals, but more to get your mind thinking about ways to construct goal setting.

One cascading goal framework you could use is V2MOM, or or Vision, Values, Methods, Obstacles and Measurement. It's a model that Marc Benioff, Chair, Chief Executive Officer and Founder of Salesforce, developed.

### This acronym works to frame these business areas:



**Vision:** Defines what you want to do or achieve in your organization.



**Values:** Your company's principles and beliefs that help you pursue your vision.



**Methods:** The action items and tactical steps needed to take to get the job done.



**Obstacles:** Anticipated challenges you'll need to overcome to achieve the vision.



**Measures:** The ways in which you can measure your achievement.



## Here's an example of a completed V2MOM: Salesforce.com's First V2MOM

### Vision

Rapidly create a world-class Internet company/site for sales Force Automation

### Values

1. World-class organization
2. Time to market
3. Functional
4. Usability (Amazon quality)
5. Value-added partnerships

### Methods

1. Hire the team
2. Finalize product specification and technical architecture
3. Rapidly develop the product specification to beta and production stages
4. Build partnerships with big e-commerce, content, and hosting companies
5. Build a launch plan
6. Develop exit strategy: IPO/acquisition

### Obstacles

1. Developers
2. Product manager/business development person

### Measures

1. Prototype is state-of-the-art
2. High-quality functional system
3. Partnerships are online and integrated
4. Salesforce is regarded as leader and visionary
5. We are all rich



When setting your cascading goals, make sure they are SMART (Specific, Measurable, Achievable, Relevant, and Time-Bound). Good goals specify what's intended to get done, by when. They demonstrate the relevance or alignment to larger initiatives, and put a time cap on when it's expected to be completed.



PILLAR 2:

# OCCURS FREQUENTLY AND CONSISTENTLY



## PILLAR 2: OCCURS FREQUENTLY AND CONSISTENTLY

The next pillar of performance alignment is the regularity of communications between managers and employees. This is how and when managers and employees are expected to sync up and talk. It doesn't need to be a formal process with a specific agenda; much of performance alignment culture is the informal, approachable tone it sets.

With regular touchbases between managers and employees that reaffirm an open door environment, employees gradually become more comfortable sharing the honest (often tough to hear) opinions that make your business better. Here's a cadence we recommend:

- ✓ **Weekly one-on-one conversations.** Managers and direct reports discuss hot topics, obstacles, or frustrations that impact immediate projects to help get stuff done quicker. // Face-to-face
- ✓ **Monthly one-on-one conversations.** Managers and direct reports connect on more operational issues such as team cohesion, processes, or collaboration. // Face-to-face
- ✓ **Quarterly peer-reviews.** Peers evaluate each other on performance, attitudes, behavior, team dynamics, how an individual is performing, and the value they bring to the team. // HR technology or other digital form
- ✓ **Semi-annual performance alignment.** Bi-directional review between managers and direct reports. // HR technology or other digital form



**Developing a regular rhythm for performance check-ins slowly reinforces the performance culture you want to seed throughout your teams.**



**PILLAR 3:**  
**IS MEASURABLE AND**  
**ADAPTABLE**



## PILLAR 3: IS MEASURABLE AND ADAPTABLE

The third key pillar to a performance alignment is that it's measurable and adaptable. If your cascading goals were SMART from the outset, it's likely already measurable. But here is the other key to performance alignment: adaptability.

Traditional performance management processes tended to be rigid. Goals were set once and unchanged. A performance alignment approach bends and twists in sync with changing work needs. If business goals change, so should employees', and so should the relative expectations of goal achievement within that time frame.

It's important to learn to be more concerned with the overall health of your company rather than simply ticking goals just to achieve them. If there are significant changes to the business (such as changes to leadership, changes to the macro-economy, or restructuring of teams) or its goals, managers need to reassess the relevance of their goals, and make adjustments accordingly. Basically, there are two outcomes:

- 1. Employee-level goals will also need to change, or**
- 2. Employee-level goals won't need to change**







### If employee-level goals need to change:

Managers should connect with their direct reports during ongoing informal verbal conversations to let them know of the changing priorities. Together, they can talk through how this impacts each employees' individual goals or projects, and set new goals when required.

Document the new goals in writing, clearly explain the expectations, and boom — you're back in alignment. As easy as that.

### If employee-level goals don't need adjusting:

Individual goals remain and it's then valid to measure employees' performance against those goals.

- ✓ To what extent did the person / team meet their goals or not?
- ✓ Is this the first time the person / team has achieved or missed their goals?
- ✓ Has the person been given an opportunity to correct their work and have they adjusted or improved?

Document and track answers to the questions above in your HR system of record. Tracked performance provides a clear picture of employee and team productivity. Similar to traditional performance management processes, this can help inform raises, promotions, or terminations.





# A performance alignment approach bends and twists in sync with changing work needs.

The screenshot displays the talentcloud.ai dashboard for user HAFIZI. The interface is divided into several sections:

- Navigation:** HOME, PRAISE (1), FEEDBACK (0), GOALS (0), REVIEWS (0), and user profile HAFIZI.
- ALL PRAISES:** A grid of 12 praise cards. Each card includes a title, recipient name, a short description of the achievement, the author's name, and engagement metrics (likes and comments).
  - Employee of the Month Award:** Jonathan from Marketing. Outstanding performance, attendance and dedication. By Aron. 34 Likes, 2 Comments.
  - Brilliant:** Alessandra & Dan. Terrific work on the new sales material. By Andrea. 62 Likes, 14 Comments.
  - #1:** Jennifer from Sales. Jennifer is super talented and honest salesperson. By Tim. 52 Likes, 21 Comments.
  - Thanks!** Chris from IT. Chris is a super-smart developer. By Dan. 34 Likes, 7 Comments.
  - Excellent!** Henrietta from HR. I like that the company asks for feedback about the management team. By Acliah. 67 Likes, 12 Comments.
  - You're a star!** Bea & Asher. Amazing work on the website layout. By Zki. 69 Likes, 23 Comments.
  - You are so cool:** Sook Voon from Sales. Closing RM 1 Million Sales. By Dan. 34 Likes, 7 Comments.
  - I am your super fan:** Annie from Operation. Amazing work on Annual Dinner. By Susan. 67 Likes, 12 Comments.
  - You're fantastic:** Carmen from Sales. Amazing work on this month sales. By Lawrence. 69 Likes, 23 Comments.
- PRAISES YOU GAVE:** A line chart showing the number of praises given from June to November. The values are approximately: June (1), July (5), August (2), September (1), October (3), November (4).
- ACCOMPLISHMENT:** Summary statistics: 24 Praises Given, 119 Total Likes Given, 230 Praises Viewed.
- PRAISES THIS WEEK:** A horizontal bar chart showing the number of praises given by department:
  - INFORMATION TECHNOLOGY: 8
  - MARKETING: 4
  - HUMAN RESOURCE: 3
  - SALES: 2
  - CREATIVE DESIGN: 1
  - MARKETING: 1
  - FINANCE: 1
- TIMELINE:** A vertical list of recent activity:
  - Sara likes your praises Terrific work on the new sales material. 30 mins ago.
  - Chris commented on Sara praises Provides a positively charged work atmosphere. 2 hour ago.
  - AI and other 10 people like your praises Terrific work on the new sales material. 2 hour ago.
  - Jennifer and other 2 people commented on Dan praise Jennifer is super talented and honest salesperson. 2 hour ago.
  - Bea likes Sia praises Amazing work on the website layout. 2 hour ago.
  - AI and other 10 people like your praises Terrific work on the new sales material. 2 hour ago.



**PILLAR 4:**  
**DRIVES THE INTENDED  
ACTIONS**

## PILLAR 4: DRIVES THE INTENDED ACTIONS

The fourth pillar to a performance alignment is that it drives the intended actions. The key here is clarity; it's easy to unintentionally drive the wrong actions. Let's use a quick hypothetical example to illustrate this.

Say you're a manufacturing company. Your documented annual goals are to diversify your product lineup by 5% and decrease spend by 10%. To align to these core goals, your company needs to focus on creating new products with a good market fit, without adding operational costs.

Good performance alignment would reward efforts for product innovation that required little to no operational costs. We're talking about things like free market research, the development of new products given your existing infrastructures, and operational changes that reduced costs.

Poor performance alignment would reward any innovation that required a lot of operational costs. Things like new requirements for new machinery, or significantly more human capital.

To avoid mistakenly driving the wrong outcomes, go through a mental exercise and ask yourself how employees might interpret documented goals. Ensure they are clear and driving the intended actions. Clarity means every team and individual understands how their role and expectations fit into the larger company goals. Clear expectations, processes, rewards structures, and consequences help your employees make good decisions and keep your employees actions aligned.





**PILLAR 5:**  
**TREATS YOUR  
EMPLOYEES AS  
ADULTS**



## PILLAR 5: TREATS YOUR EMPLOYEES AS ADULTS

How you conduct your performance alignment process is almost as important as building the plan. You must treat your people as adults — that’s pillar number five. Treating employees as adults means you see them as humans and equals. You understand that we are all dealing with more than just work in our lives. You recognize, and respect, that we each come with a unique perspective. Appropriate tone and conduct will communicate this.

Consider this statistic: 92% of employees agree that “negative (redirecting) feedback, if delivered appropriately, is effective at improving performance.” That means even if you present a critical piece of feedback with the right demeanor, your employees will appreciate it and improve their performance.





## Here are some best practices to ensure you're treating your people as adults:

- ✓ **Be open, honest, and show genuine concern for success.** Every worker will have some area that could use even minor improvements. Although it may be uncomfortable, providing feedback is necessary for helping a worker establish success within your organization. Assure them that this process is there to help them hone their strengths and talents for future career success.
- ✓ **Connect in person (or Zoom call with video on).** Delivering any bad news or negative critique should always be done face-to-face either in-person or over live video. This allows for easier, more direct communication, where nonverbal communication (like facial expressions or body language) are invited.
- ✓ **Embody the value of the company in your presence.** Hard conversations are the most important time to demonstrate leadership and loyalty to your company values.
- ✓ **Provide clear direction and positivity.** Even if your employee has serious improvements to make, most people thrive on positive reinforcement and actionable steps on how they can improve.





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# Recap:

## Performance alignment: putting it all together





## Performance alignment: putting it all together

To recap, your performance alignment process should include cascading goals that are aligned to the broader business goals. Your goals need to be measurable and adaptable, and your managers and employees should have regular, informal check-ins that ensure the appropriateness of the work/projects that are being done, and you always treat each other as adults. This is your recipe for modern performance alignment.

Adopting a performance alignment strategy instead of classic performance management can reduce fear and stress around performance reviews, and open pathways for clear, open, respectful communication. Done well, you'll get independently productive teams that are confident in working together to drive business goals.

**Traditional Employee Development:** Using performance management processes with annual review cycles to track and monitor employee performance.

**Modern Employee Development:** Using performance alignment processes with cascading goals and regular verbal conversations between managers and employees to get the whole business “rowing in the same direction.”



**talentcloud.ai**

**At talentcloud.ai, we believe in and support the companies and employees in medium and large size businesses. Their tenacity, perseverance, and dreams represent the backbone of our workforce.**

We've realized that these businesses face challenges disproportionate to their size and resources. And technology providers largely focus on the needs of large businesses, creating services out of touch and out of reach for small and mid-size businesses.

Our mission at talentcloud.ai is to level the playing field for the other 99.7% — the underserved small businesses that fuel our economy. We provide innovative and intuitive HR and payroll software and services purpose-built for these small and mid-size companies. Want help building your new performance alignment processes? Use Talentcloud.ai to improve employee performance with tools for goal setting, reviews, and one-on-one meetings.

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