



From Performance Review to Performance Preview

The Situation – Purpose and Utility of Performance Evaluation

Humans have been evaluating their coworkers' performance for as long as they have been working together. Wherever you find humans working together you'll find continual evaluation – whether it focuses on matters of performance, personality or potential.

And these days it's still all about determining an employee's individual capabilities as precisely as possible and using them for the company in the most optimal manner. That's why companies attach particular significance to having an efficient performance management approach, especially when it comes to promotions, training and further development or dismissals. The theoretical and ideal triad behind any approach to performance management should consist of the following aims:

1. to make use of performance resources to the maximum;
2. to develop skills and capabilities;
3. and to increase work motivation.

The other side of the coin follows from this: Indica-

tor systems, which should be appropriate for motivating employees and guaranteeing their satisfaction on the job, even increasing it where possible, must be present.

It is universally agreed that personnel evaluation and development represent indispensable management tools for a company – but do familiar methods do justice to the demands of the changing work world, to advancing digitalization or rampant shortages of qualified personnel?

Of course, employee evaluation itself has also changed over the past decades. The 70ies and 80ies were characterized by attribute-oriented processes, which were developed and introduced by human resources departments on their own. There was hardly any thought given to communication; supervisors rarely spoke with their subordinates about the results and filled out standardized survey forms.

The 90ies saw the increasing development of task- or goal-oriented evaluation approaches and the performance review meeting gained in significance. It is also undisputed that companies realized that they had to push equitable communication and that the appraisal of supervisors by subor-

dinates began to be used increasingly. In particular the 360° feedback approach, in which, in addition to supervisors, employees, colleagues and customers or suppliers are also involved in the evaluation process, is on the march. This process, however, requires an enormous amount of work and time and it is also not really fundamentally new: as Christoph Thoma of the consulting firm Kienbaum has stated, orchestras have actively practiced 360° feedback for as long as they've been around.

The further development of performance evaluation has not been able to achieve a sustained effect on employee motivation. According to the most recent Gallup Engagement Index, 15 percent of employees have already “given notice on the inside”, or silently resigned in their heads. The phrase was coined by management researcher Martin Hilb. Such an employee feels that they are being treated unfairly and only works just as much as they themselves consider to be fair in light of this perceived mistreatment. In this manner, the employee reestablishes their sense of justice through this refusal to work. More than two thirds (70 percent) of the workforce belong to the segment of minimally bound employees, who do no more than the minimum required by the rules of their contracts. According to a Gallup estimate, badly motivated employees are responsible for economic losses between 73 and 95 billion euros every year.

In the scope of Ernst & Young's 2015 job study, which appeared in September, only 26 percent of employees under the age of 21 describe themselves as motivated. In the age segment from 21 to 30, the level is 32 percent. Satisfaction levels are lowest among those aged 31 to 40, at 50 percent. And, on the average, 56 percent of employees are generally satisfied with their jobs, while 38 percent are at least “quite satisfied”.

“The very low level of motivation among young employees is a wake-up call,” warns Ana-Cristina Grohnert, Managing Partner at the business consultancy Ernst & Young. According to her, more flexibility and stronger

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accommodation of individual lifestyles are necessary. “There is a need for managers who understand themselves less and less as ‘classic bosses’ and more as mentors instead.”

Motivation as a Decisive Factor in Job Satisfaction and Commitment

But what is the driving force, what promotes employee commitment for real? Everyone agrees that successfully recruiting and binding employees will play a more and more important role in the future. Experts predict that the current employee turnover rate could increase to 65%. With individual hiring costs amounting to nearly 1.5 times a typical yearly salary, the ability to recruit and bind valuable employees has a decisive impact on a company's performance. Thus companies find themselves faced with the question as to how they can ensure that supervisors communicate and interact with their employees in such a way that the latter stay engaged in their work.

A study done by MSW Research, in co-operation with the Dale Carnegie company, attempted to capture the structural and emotional factors which make up

an employee's sense of commitment. The result? Of the many factors that influence employee commitment, the researchers were able to identify three key ones:

1. relationship to one's direct superior,
2. trust in management and
3. identification with the company.

Thus, supervisors can and do strengthen or weaken the commitment of their employees through their own attitudes or actions.

A similar conclusion was reached by the Hay Group HR management consultancy in their study "Engagement Matters", for which they surveyed 3,000 employees in lower and middle management as well as 300 CEOs and top managers in six countries (Great Britain, The Netherlands, France, Spain, Germany and Saudi Arabia): around one third of respondents stated that their superiors play an especially crucial role in their personal motivation.

Since the emotional binding of employees is directly influenced by the leadership behavior of their direct superiors, the focus of this year's Gallup Engagement Index was also placed on management personnel. "The three key components of management excellence are approachability, accountability and an orientation to goals and the corresponding ways of acting that go along with them," emphasized Marco Nink, Senior Practice Consultant at Gallup. And these should go beyond constructive feedback, praise and acknowledgement for good work or the involvement of employees in the decision making process.

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19 percent of employees without an emotional attachment to their work are actively searching for a new position. A further 23 percent are casually exploring their options, though not yet actively searching. By contrast, the figure for those actively searching for a new position is only at one percent among employees with a high emotional attachment to their work, and only six percent in this category are casually looking at other options. According to Marco Nink: "The failure to bind employees emotionally is a problem for companies due to turnover trends and especially in light of shortages in qualified personnel."

Therefore, sustained engagement starts with good communication between employers and employees. It is only in this way that a positive work environment can be created.

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How Has the Context of Performance Management Changed?

If our community defines itself by the fact that the individual can develop him or herself, then it is necessary to ask: What is suitable for the individual? People are more individual than ever and strive to reach that which personally matches them. The management models used by many companies are however oriented towards the outdated concept that a company is like a pyramid and that an incentive scheme is necessary in order for employees to perform. But companies are not pyramids; instead they are process organizations.

The shortage of skilled workers and employee turnover have led to a situation where companies increasingly have to make an effort to reach the members of Generation Y, which sociologists define as including those young people born after 1980. They are replacing Generation X – the so-called baby boomers. Scientists make a distinction between the two groups because they display significant changes in attitude. So it is that self-actualization and development opportunities play a considerably larger role for the members of Generation Y; they are not focused solely on their careers and they do not measure their success exclusively by how high their salaries are. The quantitative survey “Self-image and Perception of Others of the Emerging Generation of Young Professionals” conducted by Egon Zehnder International and the Berlin think tank Stiftung neue verantwortung came to the conclusion that the top three motivation factors for Generation Y are “pleasure in the activity”, “personal development” and “a sense of purpose on the job”. By way of contrast, only a few of the participants rated “power” and an “international setting” as important. It’s striking how much importance is given to factors that belong to intrinsic motivation. The results of Medienfabrik embrace’s study “Career Meets Meaning”, in which 3,633 career-oriented students from twelve different areas of

study of the career network careerloft were surveyed, are similar. The conclusion? The arrival of Generation Y heralds a radical change in values, one which affects both the ideals of future skilled personnel as well as the relationship between work and leisure time.

A further synonym used to describe those born after 1980 is “digital natives”. They grew up with cultural technology that has played a major role in shaping their behavior and attitudes. HR officers have been coming to terms for some time with the requirements and needs of digital natives. Employer branding, company culture and management style are all now supposed to attract and motivate individuals who have never even known a world without the Internet and digital communication. It seems to be clear what distinguishes these digital natives from their predecessors: freedom, independence, an appetite for risk and permanent interconnectedness are the characteristics attributed to the representatives of this age group.

In many cases this will necessitate an adjustment of the competency model applied for the evaluation of management personnel up until now. Whereas in the past above all the so-called hard skills, such as strategic capabilities or an orientation towards results, were in the foreground when it came to competency assessment, the soft factors will now become increasingly more important. Soft skills are commonly considered to be difficult to measure and are often neglected. But indeed anyone who aims to come up with an approach to management development that includes Generation Y as an integral part of today’s competency models and training offers will also have to grapple with the subject. For this reason, to a greater degree the concept of inclusion, and not diversity, should serve to guide management’s actions. According to an Egon Zehnder survey, the majority of workers would like to have a company culture in which diversity and individuality are given space to unfold in everyday work life and one in which differences are valued and used for the benefit of all. Further, they would like to be recognized individually based on their abilities and led accordingly.

Where once Goethe believed “If you demand duties from people and don’t want to afford them rights, then you have to pay them well”, today good wages alone have long since ceased to be enough to inspire performance. And the baby boomers are already insisting on their own rights. “Waiting a whole year for feedback from your boss is not going to increase your motivation and is downright absurd,” says Christoph Thoma from the business consultancy Kienbaum.

Successful personnel management in an era marked by shortages of skilled

workers requires that those responsible adapt their performance management approach to new attitudes. The iron-clad methods of old, which concentrate on the rewards and status of particular positions, are not enough any more these days. Instead, the results of sociological studies on Generation Y should become the foundation of HR policy.

The type of management style used in dealing with Generation Y also has to be changed. Hierarchies and orders from above have to become a thing of the past. Young skilled workers prefer instead to see teamwork and encounters between employees and management – on an equal footing. They demand honest and regular feedback on their work, both praise as well as criticism. Prospects for development are equally important to them. Aside from fair and frequent feedback, companies should also invest in individual personal development as a result.

Only continuous reflection and transparency are the suitable means for taking feedback culture to the next level, to one which reflects the needs of Generation Y and increases the subjectively perceived relevance of these digital natives for their company as much as it does their job satisfaction.

But the members of Generation Y are not the only ones for whom technology has become a constant companion. And since it penetrates into every area of our lives, it hasn’t spared the field of personnel management either of course. The buzzwords here are digital transformation or digital disruption. Digitalization changes the way that people work and requires

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fundamentally new HR strategies as a result; it was and remains one of the vital keys to increasing process efficiency in companies – and thus to being able to better focus on conceptual tasks.

The business consultancy Accenture has identified the following digital developments, which are poised to change the HR field radically:

- The availability of data and their integration will become the determining factors.
- Digital technologies will transfer power and decision-making authority – including that of HR management – to employees.
- The use of consumer applications will become a matter of course in companies.
- Digital solutions will enable tailored talent management, with progressive decentralization and embedding in everyday processes.
- Cloud solutions will enable a new dimension of flexibility and agility.
- Silo-like work structures will disappear and the boundaries between units will be blurred.

Professor Heike Bruch, Director of the Institute for Leadership and Human Resource Management at the University of St. Gallen, also sees silo-like work orga-

nizations becoming a problem in companies over the next ten years: “Knowledge that is stuck in the departments is often as a result not available across the company as it is needed.” In order to be better able to use this knowledge in the future, networks structures

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have to be established more firmly. “A more flexible personnel pool, a ‘breathing work force’, that is, fluid structures, are becoming necessary.” In such a setting, identity and a sense of purpose are essential in order to reach common goals. “The establishment of a stronger sense of unity outside of homogenous departmental or internal company groupings will become a key competency in HR work.”

How Performance Reviews Have to Be Redesigned

For the most part, the digital natives are as such driving the change to the company culture. The question remains how companies can do justice to the change in values represented by Generation Y and at the same

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time resist those temptations offered by digital transformation which could potentially counteract their attractiveness for employees: “The increasing digitalization and the simplified availability of data often lead to a great fixation on key indicators,” believes Heike Bruch. “As a result, KPI-based transactional systems, that is, ones with management through goal setting and monitoring, are being used.”

It appears absolutely necessary to make employee satisfaction the very central core of performance management, in order to be able to track how the satisfaction of employees and their performance develop; the necessity of establishing a system which credibly and transparently reflects the company’s interest in every single employee and their development is also apparent. For only when feedback occurs at a specific, frequent rate and in a constructive manner and it is equally possible for employees to express their views and reservations can their job satisfaction and commitment to performance develop in a positive way.

Additionally, it should be possible to derive a concrete action plan for every single individual from this approach – training, support programs, projects to expand competencies – one which communicates a vision of their personal potential and makes it clear which measures are necessary and provided by the company to make this vision a reality.

But how to keep the complexity and sheer amount of work involved as low as possible while simultaneously keeping the flexibility and agility of the system as high as possible? In this regard, a cloud solution that

supports the establishment and perfection of this kind of feedback culture with the right methodology seems to be the path to take. This way, not only is a system for regularly occurring performance

management initialized and internalized – the processes are also thus simplified, due to the fact that the system is available to all those involved at any time.

The result in the year 2015? Internal entrepreneurship is the most important factor in employer attractiveness. Where employees perceive space for internal entrepreneurship, this perception has an especially positive effect on employer attractiveness across all genders and generations (+30%).

Outlook

But are performance management and performance evaluation even still the right terms and approaches at all for the future? Or is it all about entrepreneurs in enterprises, about relationships on an equal footing?

The Top Job Trend Study, conducted by the Institute for Leadership and Human Resource Management at the University of St. Gallen, has been examining what makes companies attractive for employees since 2002. At the foreground is not the company's image, its public perception, but instead how the attractiveness of a company is reflected in the emotions, thoughts and behavior of its employees.

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About Loopline Systems

At the heart of loopline lie high-quality feedback, individualized development of personal potential and employee satisfaction. Because every path to further development begins with constructive feedback.

With loopline there is no need to introduce new complex technological structures – loopline adapts itself to existing processes within your company. Existing documents and templates can be uploaded with ease.

Performance scales and the length of feedback periods can also be adapted to the individual company in a straightforward fashion.

Transparency regarding individual employee satisfaction opens up new possibilities for employee guidance as well as for fostering an open approach to the feedback dialogue. The linking of individual data on performance and satisfaction enables a timely response to change on both individual and organizational levels.

Good feedback is future-oriented. That's why loopline connects performance evaluation to development goals and training, in order to make full use of the developmental potential of every individual employee. And every employee can make their voice heard.

In this way, you can develop top performers and respond to changes in their satisfaction at an early stage. New insights into performance and satisfaction data open up unique opportunities for strategic analysis and the long-term steering of your company.

[You can access loopline for free here.](#)

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