

A Strategic Lens to Performance Management

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Your facilitators today



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THE CURRENT STATE OF PERFORMANCE MANAGEMENT



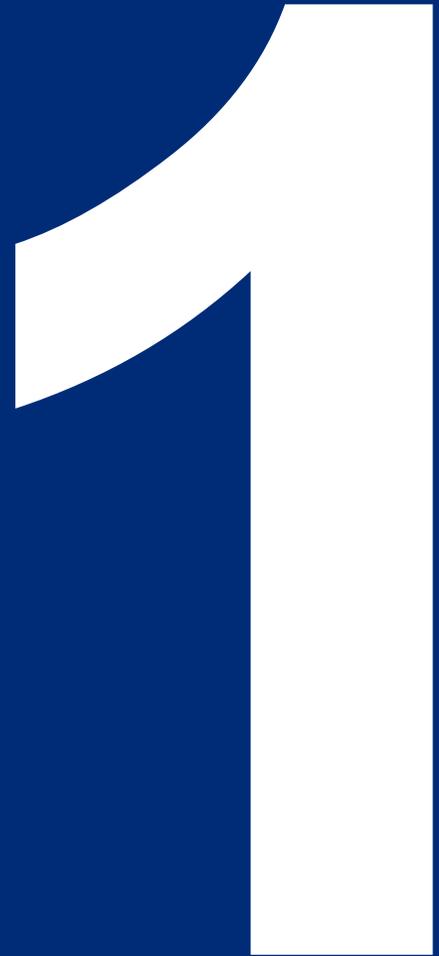
THE ROAD AHEAD



SOME INNOVATIVE PRACTICES

Agenda

The current state



Performance management today provides mediocre value for organisations...

Only **2%**

of companies feel their performance management approach **delivers exceptional value**

Over **70%**

of companies say there is a need to **improve the link** between performance management and other **talent decisions**

only **2%**

of companies say they have a feedback rich culture where quality and quantity of feedback differentiates the company

Employees are concerned about how performance, reward and progression decisions are being made

43%

of employees believe that it is easier to be paid more if you leave the organization and come back

40%

of employee believe that their organization prioritizes outside hires over promotion from inside

68%

of employees express concern that remote workers will have more difficulty getting ahead/being promoted

Employees today expect a curated & customized experience



Take time to get to know me..

Consider my aspirations, my passion and strengths while thinking about my goals, my role and my future

Give me opportunities to grow and contribute....

Help me understand how my role contributes to the organisation's success, what I need to do to grow

Show me how I can thrive in the future....

Help me understand what could be opportunities best suited to my aspirations and strengths
Give me feedback, coach and guide me to help me succeed

Thriving employees are 4x more likely to work for a company that understands their unique skills and interests.

Our traditional approaches to Performance Management seem to be falling short...

.... So why invest in a process which takes so much time, energy, effort but provides mediocre value?



The organisation lens

What Mercer's Global Performance Management study tells us

#1

Goal clarity matters most

Driving company performance goals is consistency ranked the #1 reason for having performance management across industries and countries

#2

Performance feedback and coaching needs greater focus

Web-based feedback has not added the value that was expected, for many people providing meaningful feedback remains challenging

#3

An integrated strategy is crucial for success

70% of companies aspire to improve the links between performance management and other programs

The organisation lens

#1

Goal clarity matters most

Driving company performance goals is consistency ranked the #1 reason for having performance management across industries and countries

TOP 3 REASONS PERFORMANCE MANAGEMENT EXISTS

- #1** Drive company/ institutional goals
- #2** Drive employees to higher levels of performance
- #3** Clarify how employees contribute to the company through goal setting



Although companies are strengthening goal cascading >50% of individual goals are set in a vacuum

The organisation lens

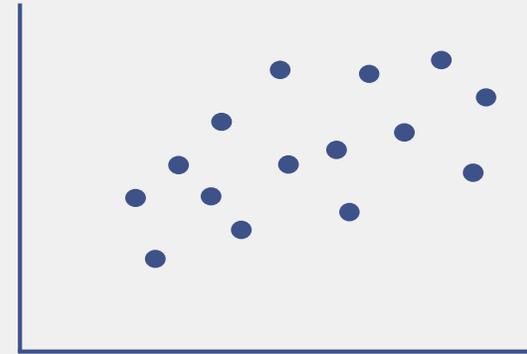
#2

Performance feedback and coaching needs greater focus

Web-based feedback has not added the value that was expected, for many people providing meaningful feedback remains challenging

ELIMINATING RATINGS HAS NOT LED TO RICHER FEEDBACK

In reality, only 15% of companies do not have ratings...



...and our study shows a **weak positive correlation** between not having ratings and a feedback-rich culture

WHERE DO WE NEED TO IMPROVE FEEDBACK THE MOST?



Feedback improvement is most needed for Manager and employee feedback

The organisation lens

#3

An integrated strategy is crucial for success

70% of companies aspire to improve the links between performance management and other programs

HIGH GROWTH COMPANIES ARE FOCUSING ON INTEGRATED STRATEGIES

High growth companies are 4x more likely to have an **integrated talent strategy** in place

Companies with ratings are **20% more likely** to link performance to other **talent decisions**



The road ahead

2

Organisations today see Performance Management as a strategic lever to drive performance and shape the culture



Ensures alignment to the Organization Goals & Strategy



Establishes clear measures and outcomes for performance and non performance



Ensures course correction and change through performance feedback



Establishes Rewards and Recognition to incentivize high performance



Ensures alignment to organization vision and values



Articulates expected behaviours, capabilities and norms



Enables Performance and Development conversations



Enables employees to make an impact

Given the critical role it plays, organisations are re-thinking & re-shaping their Performance Management frameworks



#1

Shifting the **emphasis** from performance management processes (administration of the process) to **building a performance culture**



#2

Rethinking what Performance means for the organisation – emphasizing the 'what' and the 'how' of performance



#3

Strengthening linkages of Performance Management to other HR processes (rewards, learning and development, career progression and growth)



#4

Investing in Capability of People Managers & making them accountable for people development



#5

Putting employees at the centre of performance management, which means showing how they fit within the organisation and how PMS ties in with their aspirations & skills



#6

Increasing emphasis on continuous feedback and dialogue to enable performance enhancements and growth

**Some innovative
practices**

3

Rethinking feedback and incentivising upskilling

Emphasizing multi-source feedback to make calibration process more effective

Case Study

- One of the largest ICT organisations in Singapore with more than 3,000 employees
- They were **struggling with rating calibration process**, which was perceived as subjective and unconvincing to employees
- They also wanted to **encourage upskilling and reskilling**, but employees were not prioritising skill building
- Overall performance management process was **seen as time-consuming** for people managers

Changes Made

- **Gamified continuous 360 feedback** so that feedback was not just based on manager's input

Fri 12.00pm
"What a week! Remember to take time to recognize colleagues who have done well and/or to provide colleagues with a developmental tips that will help their growth before you go off for the weekend!"

Push notification to computers and mobile phones every Friday lunch time to remind employees to provide continuous feedback

Your People Developer Dashboard

Points earned this week:	Points earned this FY:
1 st Recognition Feedback given +1	1 st Recognition Feedback given: 26
1 st Developmental Feedback given +0	1 st Developmental Feedback given: 8
Points from RO-affirmed feedback +2	Points from RO-affirmed feedback: 12
TOTAL: +3	TOTAL: 46

Well done! You are amongst the **Top 20%** in the People Developer Points Leaderboard. Thanks for your contribution towards the development of your colleagues!

To encourage employees to actively adopt a continuous feedback culture, credit will be provided to active feedback providers. ROs receiving quality feedback are able to award additional credit to the feedback provider

A high-level scoreboard will nudge employees who are inactive to be more involved in feedback provision (can be through push notification too)

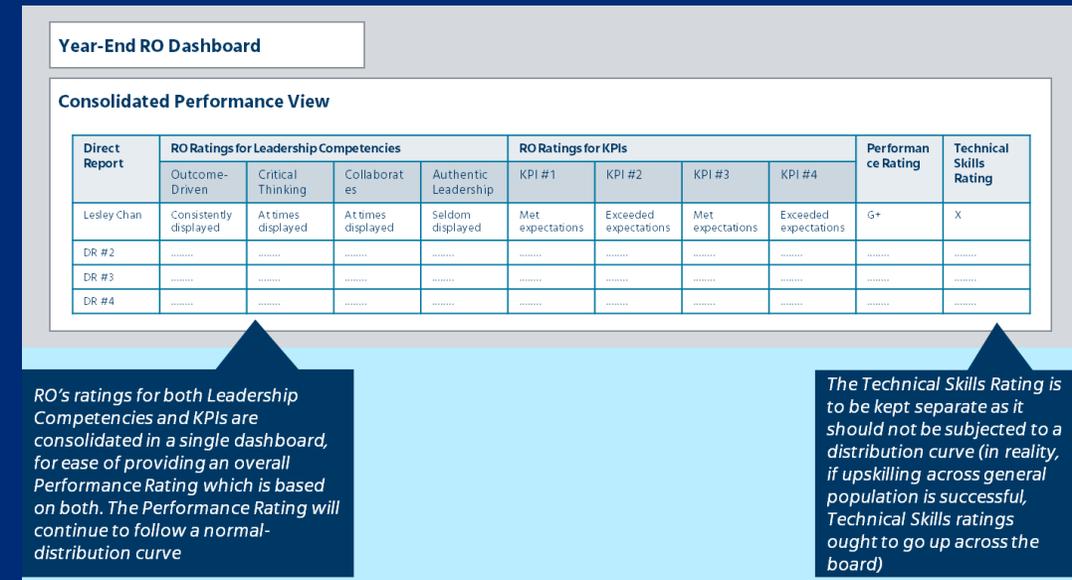
People Developer Points can be exchanged for staycation, dining experience, or other rewards at the end of the FY

Rethinking feedback and incentivising upskilling

Emphasizing multi-source feedback to make calibration process more effective

Changes Made

- Created a dashboard which automatically summarised feedback received by an employees across all sources and group them by competencies for the people manager in enhance efficiency
- Retained different scores for technical competencies and KPIs so that managers differentiate between high performers and highly skilled employees, and there is focus on development of technical competencies



Rethinking rewards & normal distributions

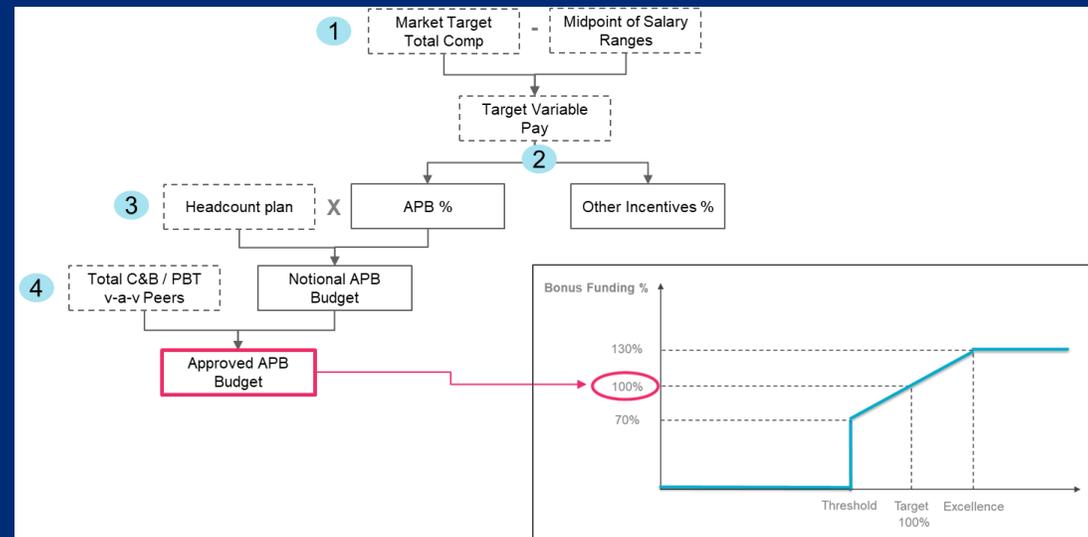
Providing flexibility in bonus allocation within defined departmental budget

Case Study

- One of the top five largest financial institutions in Singapore
- Client struggled with **rating calibration curve** which was seen as **inflexible**
- Employees saw PMS as being a “**zero-sum-game**” rather than reinforcing pay-for-performance
- Pay decisions account for performance but not other aspects such as **internal equity** and rewarding **niche skillsets**

Changes Made

- Set an overall bonus budget for the client and then allocating that budget by department, balancing between cost of talent and cost of operation



Rethinking rewards & normal distributions

Providing flexibility in bonus allocation within defined departmental budget

Changes Made

- Developed **KPI scorecards** for each department with quantifiable and balanced goals
- Performance on departmental scorecard was then used to **determine actual bonus budget available** to managers to be distributed to employees without limitation of a rating calibration curve

Goal Categories	Management Objectives	Performance Metric/KPIs	Proposed %
Finance 10%	• Utilize IT expenses effectively OR Support the bank to increase PBT	1. % Actual IT expenditure vs plan OR % Actual bank PBT / Target	10%
Operations & Risk 50%	• Increase digitalization of processes and products	2. Digitalized project A, B, C will be completed as the 2022 IT technology roadmap aligned with Bank strategy (within timelines, budgets and qualities required)	30%
	• Improve processes within IT division to improve efficiency	3. Creating new or improving current process A, B, C of the IT division as plan and apply it	10%
Customer 30%	• Ensure strong cyber security of all technology infrastructure, especially for those services exposed to public like Ebanking system (Internet banking, Mobile banking)	4. Number of major cyber security incident and disaster incident of all technology infrastructure < XX (as the defined list, and including when having PenTest done by 3rd party), especially for services exposed to public like Ebanking	10%
	• Increase external customer satisfaction of Ebanking (Internet banking, Mobile banking)	5. External Ebanking client satisfaction survey scores in A, B, C items increases XX% versus last year OR Having > XX% responders rating Meet Expectation or above	10%
	• Increase internal customer satisfaction on IT supports	6. Internal client satisfaction survey results related to IT supports (daily operation support) has XX% increase in scores versus last year OR has > XX% responders rating Meet Expectation or above	5%
	• Increase internal customer satisfaction on IT software developed by IT division	7. Internal client satisfaction survey results related to IT software developed have XX% increase in scores versus last year OR Having > XX% responders rating Meet Expectation or above	10%
Employee & Culture 10%	• Improve system reliability	8. Reduce unplanned down time of system A, B, C by XX% versus last year	5%
	• Improve IT knowledge and new skills for IT employees	9. XX% IT employees is trained required new skills A, B, C with passing scores	5%
	• Reduce staff turnover rate; OR Increase employee engagement	10. % Staff turnover of good performer (A3 up) < XX% OR Employee engagement survey score > XX	5%



Using Performance Management to shape the culture

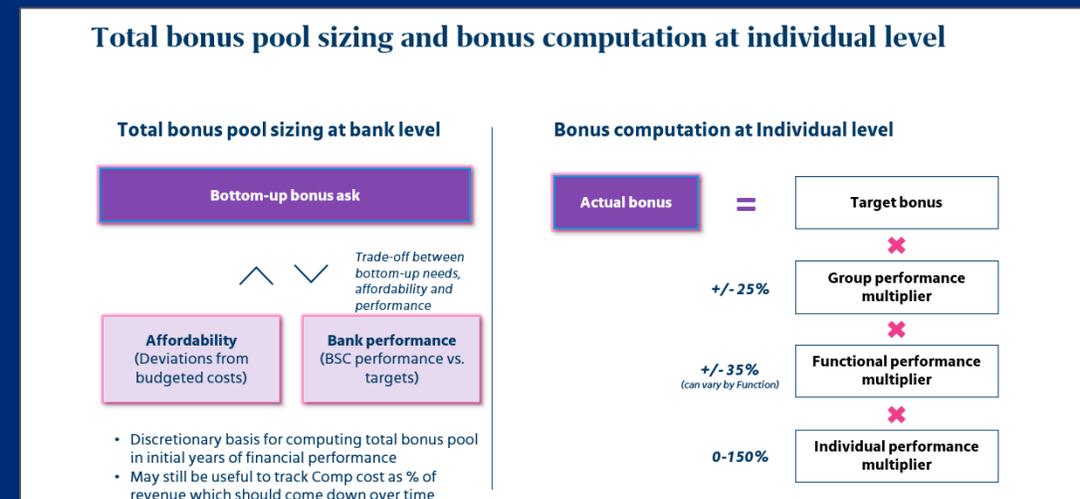
Using different levers in Performance Management to drive the desired behaviours

Case Study

- The client is a newly launched Bank in Singapore. The organization wanted our support to design a Performance Management Framework which would help build a **High Performance Culture** and **build alignment and ownership** to the shared objectives
- They were keen on a framework to help **drive collaboration and shared accountability** while recognizing individual contribution and performance

Changes Made

- We used rewards and non-reward based levers to drive the desired behaviours
- Linkage to reward was established so that collaboration and team work were recognised (Team Goals impacting bonus)

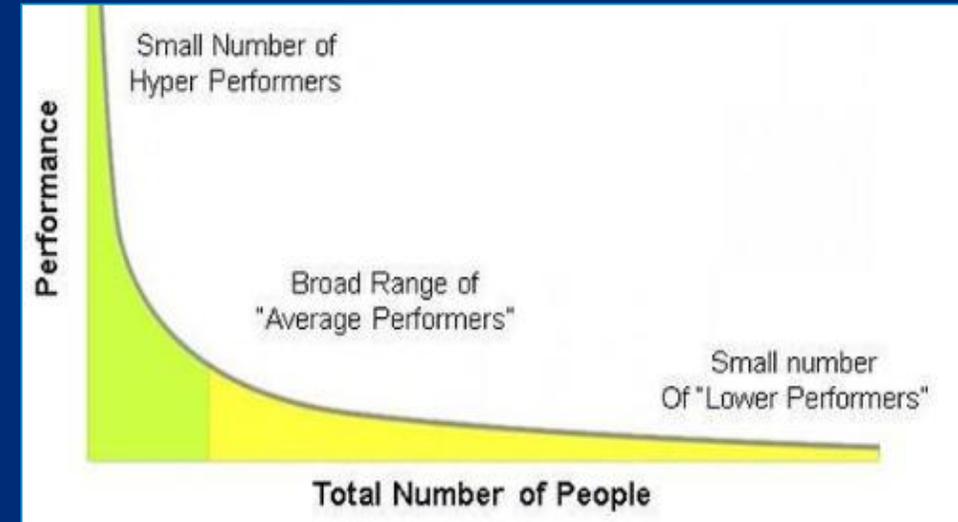
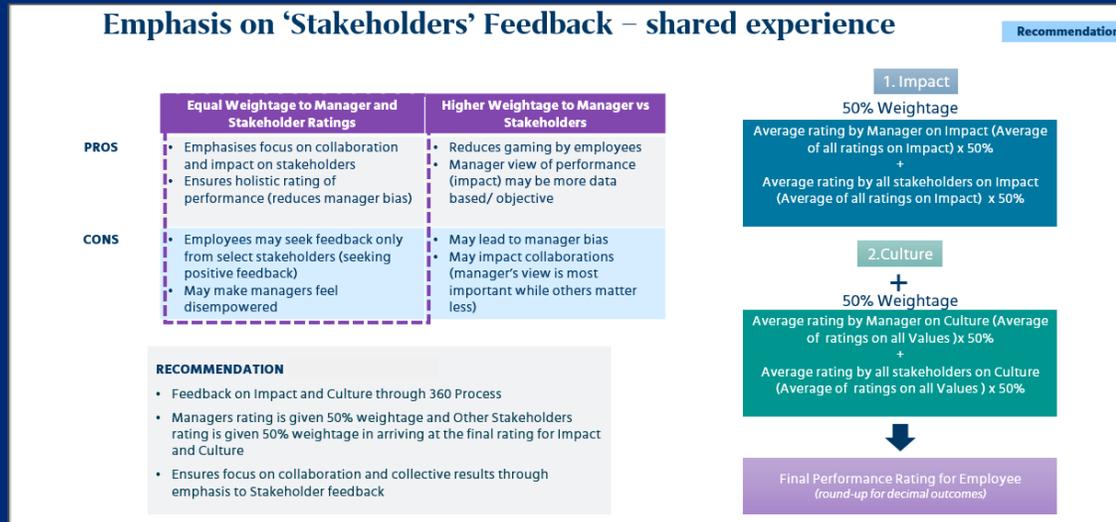


Using Performance Management to shape the culture

Using different levers in Performance Management to drive the desired behaviours

Changes Made

- **360 Feedback** was established to ensure that Key Stakeholders feedback was considered while evaluating an individual's performance
- **Power Law** was used rather than normal distribution to emphasise the **culture of collaboration** (together we win) rather than competition among the staff



Discarding Calibration and Fully Automated Rewards

Simplify Performance Management and Align to Organisation's Vision 2030

Case Study

- Global pharmaceutical undergoing **transformation** to meet “Vision 2030”
- Different regions apply PMS differently (more conservative in Japan, more liberal ratings in Asia and Europe)
- Process seen as mechanical, with little emphasis on feedback
- Managers highlight spending too much time on calibration process

Changes Made



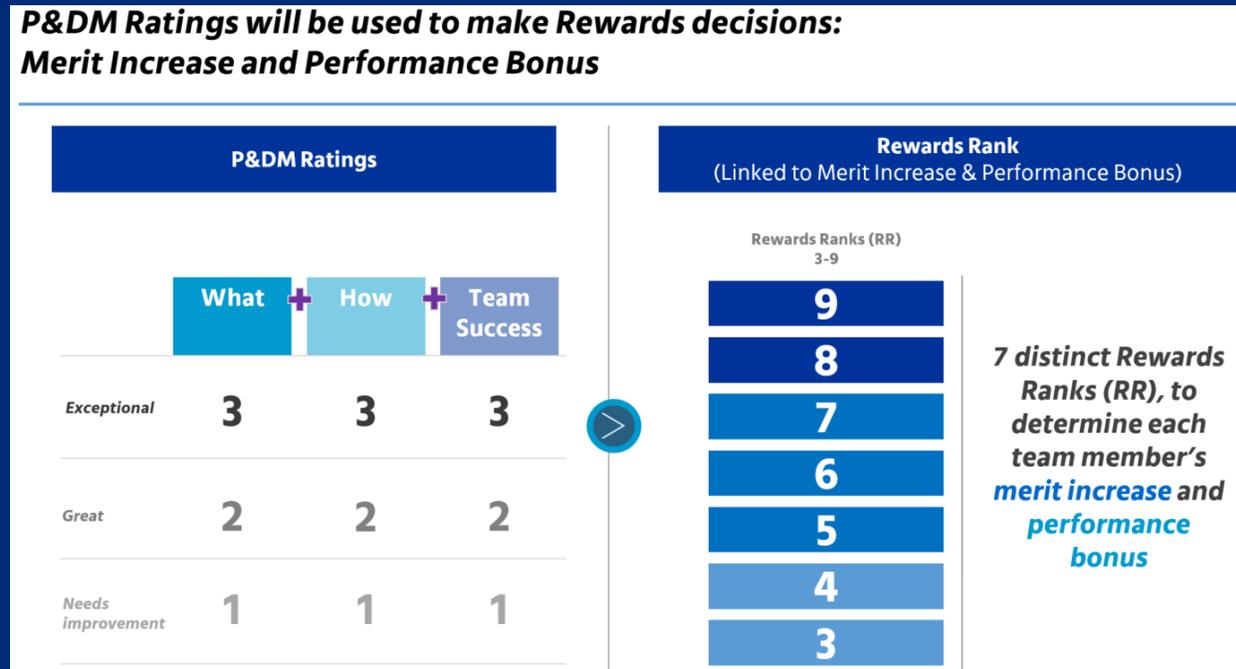
- “De-construct” what performance meant within the context of the organisation (“what” + “how” + 3rd strategic pillar used to drive agenda for MTP 2025)
 - Compulsory learning goal to drive up-skilling
- Simplify from 5/7-point rating scale to 3-point rating scale for 3 components; no final rating
- Build consistent timeline, process and technology across all region

Discarding Calibration and Fully Automated Rewards

Simplify Performance Management and Align to Organisation's Vision 2030

Changes Made

- Automate rewards – no area for managerial discretion, rewards is determined by with how employee has performed in alignment with 3 performance component



Discarding Ratings and Fully Automated Talent Decisions

Collect data points to inform promotion and reward decisions

Case Study

- One of the largest professional services organisation in the world
- Looking to drive emphasis away from ratings, calibration and forced distribution
- Looking to collect data to inform decisions for talent and reward decisions
- Stronger emphasis on targeted talent management

Changes Made

- Moved to “ratingless system” from perspective of employee
- 6 snapshot reviews held throughout the year with formal documentation
- Manager rates team members on 4 questions below (from Strongly Agree to Strongly Disagree)
 - *Will Manager invest in this team member?*
 - *Is team member demonstrating capabilities for next level?*
 - *Will you hire this person if given the opportunity again?*
 - *Is the team member able to improve their shortcomings?*
- HR developed a “black box” to compute overall outcomes into 8 categories
- MI and PB range proposed based on labels and distribution
- Talent review every quarter with specific themes (e.g. review of new hires, low performance, etc.)

Category A	Category B
Category C	Category D
Category E	Category F
Category G	Category H

Group Discussion

What are we struggling with

- What are some of your struggles with Performance Management in your organisation?
- Which challenge resonates with your organization?

What we have tried

- What are some things you have tried to reshape Performance Management ?
- What has worked what hasn't worked?



Closing & Key Takeaways



Each organization's needs and context are different & there is no one solution which will work for everyone



A well designed performance management framework considers 3 aspects:

- The organisation lens – how will this help us drive our strategy and build the culture we want to shape; how will it link across our HR processes
- The employee lens – what our employees expect from the journey and how to enable the 'right employee' experience across moments that matter
- The Manager Lens – what is the role our managers can play in the journey and how to make it meaningful for them