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The Power of Continuous Feedback

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Steffen Maier, co-founder and Chief Marketing Officer of Impraise, joins Dr. Jack Zenger and Dr. Joe Folkman in this edition of the Zenger Folkman podcast series to discuss continuous feedback, its relationship to pay, and how it can replace annual performance reviews to open learning and development opportunities for individuals and help define their career paths.

Impraise is a platform for actionable, timely feedback among managers and co-workers.

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Why do managers and employees often find traditional performance reviews so unbearable and frustrating, and what have you done to help resolve these issues?

When I worked at Mercedes Benz early in my career, I was one of the hundreds of thousands of employees who waited until the very end of the year to receive feedback for that entire year's performance. When my manager and I sat down to discuss performance and how things went, I realized that both he and I could remember only the last two weeks. I also found that the feedback was inaccurate because it was coming from only one person that I had not interacted with very much during that year.

This experience was frustrating. If more employees felt like I did, and they had the desire to achieve more in their careers, there needed to be a mechanism that allowed for more frequent feedback and conversations to happen between managers and employees, and to also involve others, such as peers and customers in the process.

On the other side, I've seen managers struggle with understanding what is expected from team members, how they can help team members grow their careers, and how they can put attention on team members' strengths in order to develop them further.

Many managers seem to have that "check-the-box" mentality when it comes to that heavy process at the end of the year.

At Impraise, we want to break that process down into small pieces that happen all year long where individual employees have the chance to actively seek feedback whenever needed or wanted. We strongly believe in continuous feedback because it helps people take ownership of their own career development. Continuous feedback also provides more data to make decisions on how to coach employees and how to create career paths within the company that provide opportunities for growth and development.

Organizations often wrestle with the relationship between performance management versus compensation and pay. What insights do you have about these issues?

Working with high-tech companies, we noticed very quickly that questions around pay and compensation come up frequently. Companies asked, "How can we take information from reviews and make smarter decisions around pay and compensation?" What we've actually seen in the industry, however, is that performance reviews and performance management are not that connected to compensation decisions anymore. Performance reviews are becoming more about opening learning and development opportunities for individuals and helping define career paths.

Many employers say that the high performance they are getting is not necessarily due to the fact that they pay their employees well—it's much more due to being aligned around values, having clear policies, having clear responsibilities defined for everyone, and having trust and transparency across all levels.

One of the interesting things we've discussed while working with the HR department of Facebook is the question of why its employees are so engaged. Facebook pays its employees very well, but they've discovered that people are extremely engaged and productive because they are at the top of the job market and at the forefront of the digital revolution.

Employees are gaining skills and knowledge that not many people have, which adds to happiness and why they put more effort into their work.

We've been talking with organizations about this topic and we're hearing that people agree with what you've just said. However, more traditional HR folks would say that there has to be performance appraisals to give individuals some sort of indication of where they stack up in comparison to their colleagues. What are your thoughts on this dilemma?

Many of the companies that we're talking with are struggling with this, regardless of how established or young they are.

Establishing the conversations and feedback moments within the organization and team that happen for learning and development purposes is important, for example, regular check-ins with managers and peer feedback to understand the skills to focus on to grow careers. However, there has to be a clear distinction between these conversations and feedback moments as it relates to compensation. If you mix the two, you create frustration for employees because they aren't sure if information will be used against them and result in negative consequences, such as lower compensation. Can I, as an employee, build a trustworthy relation- ship with my manager or mentor in order to progress and improve, and actually look at the progress that I made throughout the year, and then have compensation decisions based on real progress and improvement? That separation has to be really clear. You cannot mix development, performance, and compensation discussions.

Secondly, compensation decisions can be enhanced with more input from peers. Peers can help me understand my strengths and help me gather information about how I can move up the ladder and improve my skills.

Thirdly, it is interesting to look at additional ways of rewarding people. People from a company in the gaming industry that we've been working with said, "It's great that we can get feedback very regularly with Impraise so that people can understand their strengths and learning opportunities; however, we would like to look at those people that provide the feedback and determine how helpful the feedback was." That is interesting because, normally, feedback can be more of a one-way street—I give it to you and you can take it or leave it, whereas it should be the starting point of a conversation. As a result, we developed a feature that gives people the opportunity to reply to feedback that they receive, but also the opportunity to give feedback on the feedback—this was helpful or this was meaningful. This gaming company then decided that a huge part of their compensation and bonuses would be based on how much feedback an individual gave to colleagues and how much of a coach this person was for others.

An article recently published by McKinsey argued that most compensation that makes much difference is at the extremes. The differences in compensation are in the one-tenth of a percent range and the two big issues were the tails of the normal curve. Have you seen this in your work with clients in separating compensation from performance management?

That's something that we've seen as well. Some tech companies are using very transparent and well-recognized formulas to determine fair pay based on variables and criteria such as loyalty and experience to align on the baseline to apply compensation fairly while avoiding the outliers that McKinsey found. This is something that completely separates performance from pay. Some companies take it to the extreme and publish the salaries publicly for anyone interested within the company. I'm not sure if this brutal transparency and openness is something that established companies can introduce, but it is certainly an interesting experiment for younger organizations to try out to determine if pay is less of an important factor in getting the job done well.

What about team compensation? Have you seen more of that?

One of the companies we're working with, the world's most-used travel booking and accommodations company, has self-steering teams that have no managers and, hence, there is no way to let the managers decide on employee compensation. This company lets the teams define and calibrate on performance to set a baseline within a certain frame of what the team compensation should be. This is an interesting approach, and I'm not sure where it will go. It is in the early stages of experimental usage and will be interesting to observe in the future.

Based on your research, would the nature of these periodic coaching conversations change from what they have been in the past? Would they be more forward-looking?

We've seen that these conversations take some time to move from what happened in the last couple of weeks or month to move towards conversations around determining whether the criteria that were set are proven to be the right ones, whether the expectations were right, and whether the behaviors or skills that are relevant to the specific role should be adjusted. After we've agreed on new goals, behaviors, or skills, we can then make an action plan to follow up on these things. This follow-up is often forgotten in annual appraisals.

Frequent conversations also cause the focus to be narrower. We can look at a specific behavior and figure out how to bring it to the next level, rather than having a ten-page assessment and trying to figure out plans for all of them. Environments are changing very quickly, so having more frequent conversations allow us to steer behaviors and skills in a direction that are still applicable in the next quarter or year to come.

You mentioned the value of having employees asking for feedback. What have you seen happening that encourages this behavior?

This behavior reflects the trust level and openness in the organization and the general culture of how people communicate with each other. The way to encourage feedback at the individual level is, in the first place, helping managers to show and embrace feedback behavior. Where many companies start with Impraise, for example, is helping managers get better feedback from their direct reports, helping managers understand where their leadership strengths are, and helping managers appreciate that feedback—taking it seriously, being thankful for it, talking about it favorably, and taking action with the feedback.

Having leadership or managers exhibit this type of behavior naturally increases the curiosity of employees and, for the first time, they might feel empowered to express their opinions. They might become curious to understand how they stand with other employees, which leads to more developmental conversations between the manager and the individual. Then the individual wants to involve more than just the manager in these conversations—peer feedback. This is a developmental transitional process that all companies must go through if they don't already have this culture in place.

Is there anything else that you'd like to share with our listeners and readers that we haven't discussed?

I would like to highlight the notion of autonomy and giving ownership to the people around their own career development. People come into an organization to commit to a career path, grow into a certain role, find their strengths, and to find fulfillment. If you give them autonomy over the processes around career development, they feel empowered to improve.

I would also emphasize the fact that the traditional way of performance assessment, being a very burdensome and tedious process, will continue to hurt the individual, the manager, and the organization. There is a need

to rethink the entire process in a way that feedback and performance conversations can happen frequently and be more of a lightweight and agile process, unlike the once-a-year review.

To learn more about Impraise and Steffen's work, visit: https://impraise.com.

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