Engaging for Performance: How Cargill transformed Performance Management to Drive Employee Engagement

Carlson Business School HR conference, 2015

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Good PM can Drive High Engagement

But typically it does NOT!

- Key drivers of engagement that can be boosted via effective PM:
  - Clarity and alignment
  - Feeling valued
  - Feedback
  - Development
Everyday Performance Management

Poll

To what extent does your performance management system drive high engagement in your organization?

1. Not at all
2. A small amount
3. A moderate amount
4. A great deal
5. Completely
What we hope PM will achieve

- Implement the organization’s strategy
- Help employees learn and grow
- Improve employee-manager communication
- Improve individual and organizational performance
PM is Profoundly Broken

67% of employees with highest performance scores were not the top performers

59% of employees feel PM reviews are not worth the time invested

56% of employees do not receive feedback on what to improve
Cargill Performance Management Study

IN RESPONSE TO STRATEGIC PRIORITIES

Key findings

• Major disconnect between PM and daily work
• Managers are reluctant to give candid feedback
• Managers view PM as an administrative drill

Our Opportunity

• **Simplify** Performance Management Process & Requirements
• Focus on **Everyday Performance Management** behaviors & practices
• Strengthen **Manager Capabilities**
Principles of Effective PM

NEW MINDSET EVERYDAY PERFORMANCE MANAGEMENT WAS BUILT ON A FEW FOUNDATIONAL PRINCIPLES

• Effective PM is an ongoing process

• Day-to-day PM activities and practices predict the quality of PM

• Employee-manager relationships are at the heart of effective PM

• PM processes need to be flexible to address different business needs
How Performance Management Needs to Change

What PM is Today - Intermittent prescribed steps that drive administrative activity bursts with little in-between

What PM Needs ‘To Be’ - Effective day-to-day PM behavior that matters most in driving performance

- We’ve over-engineered our formal PM systems, turning them into onerous, low-value check-the-box exercises
- We need to:
  - STOP focusing on the formal PM system
  - START focusing directly on driving key behaviors that matter every day

(PDRI/CEB, 2013)
Our new approach will address not only how we do things, but it will require managers to shift attention from administrative aspects of the PM to the frequency and quality of conversations they have with employees.

This shift will build engagement and ensure employees:
- understand how their roles align to business strategies
- discuss with their manager how to ensure the efforts are focused on business and customer success
- respond with agility to external and internal changes by adjusting performance goals”
Refocusing Performance Management

KEY CHANGES

- FOCUS ON ADMINISTRATIVE REQUIREMENTS
- COMPLEX FORM
- YEAR-END PERFORMANCE ASSESSMENT & RATINGS
- EVENT-BASED PERFORMANCE MANAGEMENT

- FOCUS ON ONGOING, HIGH-QUALITY PERFORMANCE DISCUSSIONS; MANAGER EFFECTIVENESS; EMPLOYEE ENGAGEMENT
- SIMPLIFIED FORM
- YEAR-END REVIEW DISCUSSION WITHOUT RATINGS
- EVERYDAY PERFORMANCE MANAGEMENT
No-Rating Pilot: What we Learned

• More than 90% of pilot participants reported, year after year, overall positive experience with a no-ratings approach.

• One strong theme: manager’s skill in delivering qualitative feedback is critical to the success of a no-rating evaluation.

  • Employees who had a good experience with no ratings attributed it to the enhanced quality of the manager’s comments and/or the performance discussion between the manager and employee.

  • On the other hand, employees who a bad experience had attributed it to poor goal setting, confusing performance reviews, and lack of clarity about how they were doing.
Benefits of a Coach Approach

A Coach Approach:

- builds collaborative and engaging partnerships
- guides employees to make deliberate and empowered choices
- creates alignment and shared commitment to goals and objectives
- generates creativity and promotes collaborative discovery of solutions
- helps team members understand how they fit, why they matter, and how they can develop and grow
How are we doing after two cycles?
Effective practice of Everyday PM has been sustained or enhanced over time

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<tbody>
<tr>
<td>The process is only as good as we make it. <strong>I question whether my supervisor will have ongoing discussion with me.</strong></td>
<td>Had ongoing discussions with manager.</td>
<td>85%</td>
<td>84%</td>
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<td>We have a one-on-one discussion once a month now. It is not very meaningful. <strong>My manager does not contribute to this discussion.</strong></td>
<td>Received useful development feedback.</td>
<td>69%</td>
<td>77%</td>
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<td>Removing the leadership model from the document will lead to less discussion about it.</td>
<td>Felt valued as a result of ongoing discussions.</td>
<td>70%</td>
<td>79%</td>
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<td>There are still questions about <strong>how incentives will be determined in the new &quot;no ratings&quot; PM process.</strong></td>
<td>Received feedback on the Cargill Leadership behaviors.</td>
<td>77%</td>
<td>78%</td>
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<td></td>
<td>Understand the link between their performance and compensation.</td>
<td>60%</td>
<td>60%</td>
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Have we delivered on our promise that Everyday PM will increase employee alignment, focus, agility, and engagement? The answer is: Yes!

Our findings indicate that having effective, ongoing discussions significantly improves:

- Employee engagement
- Employees’ ability to be aligned, focused and agile
- Employees’ experience with no-ratings
- Employees’ understanding of the link between their performance and compensation
THE POWER OF ONGOING DISCUSSIONS
Employees who have ongoing discussions are more aligned, focused and agile

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<th>Having Ongoing Discussions</th>
<th>YES</th>
<th>NO</th>
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<td>of respondents understand how they add value to the business</td>
<td>80%</td>
<td>30%</td>
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<th>Having Ongoing Discussions</th>
<th>YES</th>
<th>NO</th>
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<td>of respondents focus on work activities that most impact business results</td>
<td>78%</td>
<td>31%</td>
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<th>Having Ongoing Discussions</th>
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<th>NO</th>
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<td>of respondents adjust their performance goals in response to changing business priorities</td>
<td>77%</td>
<td>28%</td>
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Employees who have effective ongoing discussions are more engaged

The ongoing performance discussions...

- Increased my engagement
  - Discussions were less effective: 41%
  - No Change: 64%
  - Discussions were more effective: 86%

- Made me feel valued
  - Discussions were less effective: 49%
  - No Change: 74%
  - Discussions were more effective: 89%

- Helped me perform at my full potential
  - Discussions were less effective: 45%
  - No Change: 71%
  - Discussions were more effective: 89%
THE IMPACT OF EFFECTIVE LEADERS
Effective managers have more engaged employees

My manager...

- Gives me feedback that helps me improve my performance: 81 Yes, 12 No
- Helps me focus on work that has most impact on the business: 84 Yes, 17 No
- Helps me adjust my goals in response to changing business priorities: 84 Yes, 16 No
- Helps me understand how I add value to the business: 83 Yes, 13 No
THE ELIMINATION OF PERFORMANCE RATINGS
Elimination of ratings had little negative impact on year-end discussions

What contributed to the positive impact?

- Ongoing, quality discussions
- Effective managers

- No Impact: 55%
- Positive Impact: 38%
- Negative Impact: 7%
Frequent, ongoing discussions contribute to positive experience of no-ratings

I had ongoing discussions

<table>
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<tr>
<th>Yes</th>
<th>No</th>
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<td>39</td>
<td>18</td>
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Effective managers contribute to positive experience of no-ratings

Positive Impact of No Ratings

- Gives me feedback that helps me improve my performance:
  - Yes: 41
  - No: 16

- Helps me understand how I add value to the business:
  - Yes: 41
  - No: 18

- Helps me focus on work that has most impact on the business:
  - Yes: 41
  - No: 19

- Helps me adjust my goals in response to changing business priorities:
  - Yes: 42
  - No: 18

Yes | No
Lessons Learned

- Linking the transformation to **strategic priorities**
- Importance of **executive champion** and key advocates
- The power of a **successful pilot**
- Educating and **preparing the HR function**
- Partnering with Compensation **Team**
- Focus on **role and capability of managers**
- Measure, measure, and **measure**…