

# Straight talk about employee evaluation and performance management

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Managing employee performance successfully requires real support for managers and a process that is recognized as fair.

**In this episode of the *McKinsey Podcast*,** McKinsey Publishing's Lucia Rahilly speaks with McKinsey partner Bryan Hancock and senior partner Bill Schaninger about the role managers can and should play in coaching their employees on a regular basis, designing fair compensation systems, and knowing how to handle good—and challenging—conversations.

## Podcast transcript

**Lucia Rahilly:** Welcome to the *McKinsey Podcast*. I'm Lucia Rahilly, sitting in for the podcast's regular host, Simon London. Today, we discuss new research on a hotly contested topic that affects all of us, from leaders right on down the line: performance management, or how we define, evaluate, and reward success on the job, including the much-dreaded, often-derided, and, in recent years, sometimes discarded, annual performance review. Joining me today are Bryan Hancock and Bill Schaninger, both leaders in McKinsey's Organization Practice and coauthors of a recent *McKinsey Quarterly* article on fairness in performance management. Bryan, Bill, welcome to the podcast.

**Bryan Hancock:** Thank you for having us.

**Bill Schaninger:** Good afternoon.

**Lucia Rahilly:** Let's start with some straight talk. We all know many people who find at least elements of the performance-management process pretty painful. Many of us have colleagues who suffer from a version of seasonal affective disorder that begins to manifest in the fall and then vanishes magically at the close of ratings season. Where do you see companies going wrong on core processes like feedback and evaluation? Bill, let's start with you.

**Bill Schaninger:** One of the most interesting things that we turned up when we were looking at a bunch of clients was that many of them said they were stopping. And we said, "OK, well, come on. You have to have some way of keeping score." But when we really dug at it, we found a couple of basic things.

Companies over the last decade and a half have really fixated on tools and processes: the “magic” nine-box [grid], the magic ratings scale, the magic form, or, on the process side, being fixated on the annual process. The part that was missing always was the role of the individual manager. Our joke title for one of our articles was, “Putting the manager back in performance management.”

You’ll see a trend in a lot of what we’re talking about in that there is still no substitute for that direct feedback and direct coaching that happens day in and day out, not just annually. We’re going to have a lot of horror stories, I’m sure. But in the places where we find it’s working well, it’s because you’re working for someone who bothers to check in and go, “How’s it going? Have you thought about this? I saw that.” It’s that critical relationship of employee to boss.

**Bryan Hancock:** Our research shows that a vast majority of CEOs actually don’t find the performance-management process all that helpful in identifying who the best performers are. Over half of the individuals surveyed think that their managers didn’t get the performance review right.

So, we’ve got a process in which the people receiving the review don’t think they got it right, and the CEOs don’t find it useful. Yet we’re stuck in this annual cycle of going through this, because it’s, in some companies, the only time where they can force managers to give feedback. So, they say it’s worth all the pain to have at least one annual conversation.

### Why regular employee feedback is more important than ever

**Lucia Rahilly:** This has been going on for decades. Performance management is not a new concept. Why now? Why are companies putting core processes back on the front burner at this particular juncture? And why do we think we can fix it now?

**Bill Schaninger:** There are probably two things coming together at once. One, when you saw a run of clients get rid of the ratings, they ran into the very real problem that, at least in North America and Western Europe, you really do need some form of a documented administrative evaluation of the year to make any employment decisions, or you treat everyone exactly the same. There is just a basic legalese version of “you need something.”

When you went and looked at the people who made the big ballyhoo, “Oh, we’re getting rid of it,” if you scratched even a little, they went to “ghost” ratings. They went to conversations that were a calibration that really was a rating—in the background, that was the administrative function.

They recognized they needed something. But they were all saying, “We can’t do what we were doing before.” What that started becoming was purely an administrative outcome. When we ran it back 25 years—that took us back to the mid ’90s—you had reengineering. That was a process orientation of “leaning out.” You had massive budget cuts and real downsizing during the ’90s. Then you had the e-HR era in the late ’90s, early naughts. That was the rise of self-service. Then you saw another round of massive cuts and, increasingly, a move to centers of excellence and distributive things.

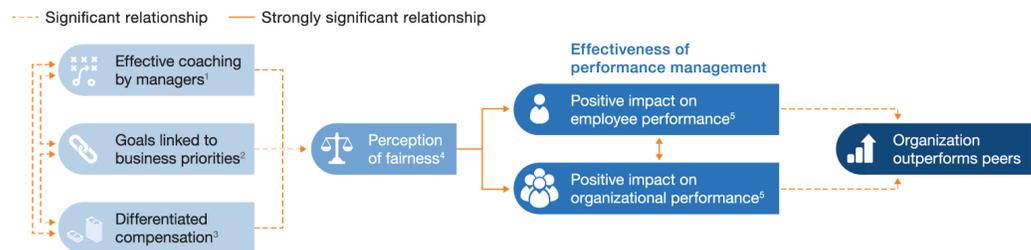
And so, in general, the people who used to “feed the beast” and/or who had spans of control, like the HR business partner, who were small enough to really provide coaching, were not there. Who did it fall on? It fell on the manager. Then the managers suddenly felt overwhelmed with an increasing level of the bureaucratic nature of the process. And they started mailing it in. That’s the reality.

No one was getting anything out of it that they wanted. Most humans like knowing how they’re doing. Could you imagine playing an entire season of soccer, or football, or baseball and never actually knowing the score? I was recently at an eight-year-old’s lacrosse game where they notionally didn’t keep score. You know who was keeping score? The parents, and the kids. Everyone else was keeping score other than them, because we like to know how it’s going.

There’s been such a groundswell of people saying, “Don’t make this painful. But if I get something out of it that’s useful, I’m willing to invest in it.” That starts more with the day in and day out and less about the annual (Exhibit 1).

### Exhibit 1

Three key practices directly influence perceived fairness in performance management—the strongest driver of overall performance-management effectiveness.



<sup>1</sup>74% of survey respondents whose managers were effective at giving feedback and coaching said their companies had effective performance-management systems.

<sup>2</sup>46% of survey respondents whose companies linked goals to business priorities said their companies had effective performance-management systems, compared with 16% of respondents whose companies did not link goals to business priorities.

<sup>3</sup>54% of respondents whose companies had differentiated compensation said their companies had effective performance-management systems, compared with 16% of respondents whose companies did not meaningfully differentiate compensation.

<sup>4</sup>60% of respondents who said their companies' performance-management systems are perceived as fair reported that their systems were effective.

<sup>5</sup>Self-reported and defined as impact on individual performance (Q: To what extent do you agree that your current performance-management system has a positive impact on individual performance?) and organizational performance (Q: To what extent do you agree that your current performance-management system has a positive impact on organizational performance?).

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**Bryan Hancock:** There’s a structural driver to the changing nature of work that is part of why performance management has become such a hot topic now. As you get more and more jobs that are knowledge based and interdependent, there are fewer jobs where you naturally receive the feedback of whether you did a good job as part of what you’re doing.

If you’re a salesperson, and you’re not involved in solution selling, but rather you’re a traditional door-to-door salesperson, whether you sold a product is its own form of feedback. You can go back at the end of the day and recognize, “Am I ‘crushing it’ as a business salesperson or not?” Because you have the objective feedback. Same way if I’m operating

a factory, and there are a number of factories in the network making the same product, and I have the lowest productivity. I can look back and say, “I understand how objectively we’re making fewer products, or we have a higher defect rate, or it’s more expensive to operate in my factory.”

But when you’re talking about the head of strategy or head of digital design, those are inherently more interdependent roles. They’re roles where the feedback may not come naturally. At the end of the day, you may feel like you’re crushing it, and your boss doesn’t.

**Lucia Rahilly:** Compounding that, I would imagine, is that the labor market has been extremely tight in the knowledge-work fields. It would seem that there might be a correlation between supply and demand in the labor market and the need to give developmental feedback, at least, to employees in order to raise their performance, because you have to compete.

**Bryan Hancock:** There’s one part of it—that the tight labor market makes people afraid to give negative feedback, especially during the year. They don’t want to lose their people. They don’t want to lose this valuable resource. In some cases, it’s not that they’re worried about losing it outside of their companies, they’re worried about losing it from the team. Someone might think, “Oh, that person’s really tough. I’m going to transfer over here.” As a manager, you know you can’t replace that person, so you really soft-pedal the feedback during the year. For you, getting rid of ratings means, “Ha! Another reason why somebody’s not going to get mad at me, not going to leave.”

But at the same time, you’re not developing that person. You’re not advancing them. You’re protecting against the downside, but you’re never really seeing the upside of what a good, ongoing performance-management conversation could be.

**Bill Schaninger:** And you’re still missing the opportunity. So much of the conversations we have are organized around an annual process. Most of the annual processes that we have in companies are because of the financial system, driven by accounting rules. They force you to close the books annually. The talent budget is literally an artifact of just getting it in for the financial system. If this was 1950 or 1960, and the annual plan still mattered a lot, and you broadly knew exactly what your job was going to be, and you were going to be doing the same thing every day—because it was “planful,” and you’re going to go, “OK, we draw lines around it”—then, maybe, a static job description and a once-a-year review would be OK, although not likely.

But in an environment where, increasingly, your work is chunked into a week, a couple days, a month, and is far more dynamic, with much faster cycle times, with project-based work, different people, different clients, it’s unacceptable. Because that’s, again, like going to a game and thinking, “I don’t know what the score is.” You show up the next day, you’re playing a different game, and you still don’t get a score.

That’s the challenge here: as much as we hear about all the digital stuff, all the agile stuff, the common denominators are pace and the deployment and redeployment of people in different

combinations. If you have any chance of wanting employees to feel good about what they're doing, they need the reinforcement in both directions. Most people don't get up and think, "Yes, I'm just going to assume I'm doing wonderfully."

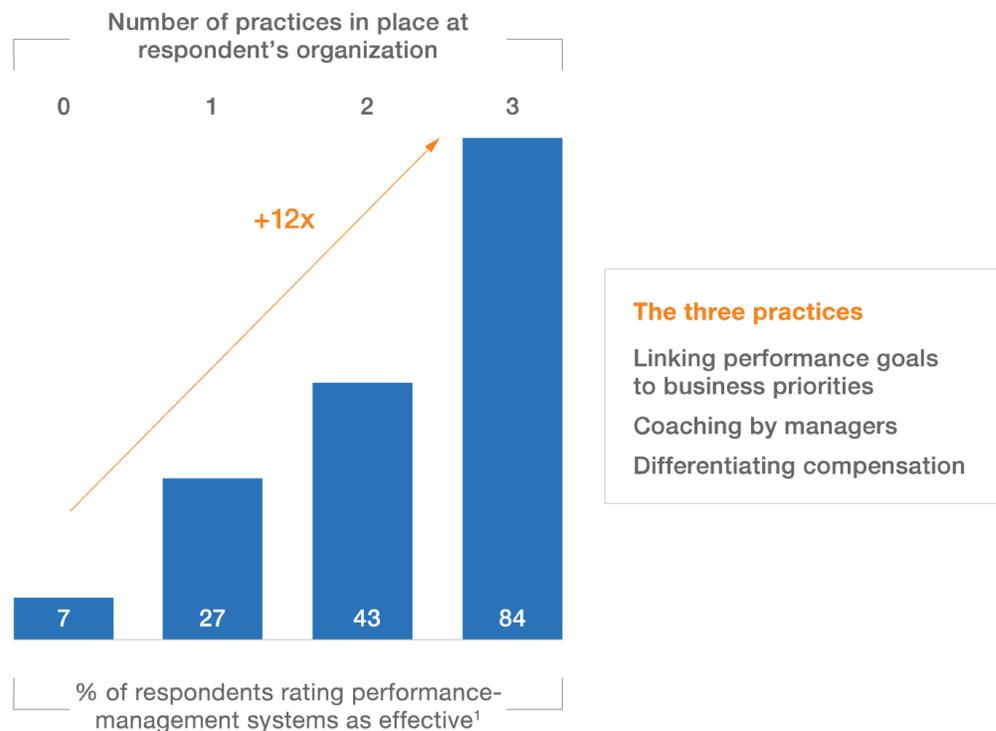
### How to build fairness into performance management

**Lucia Rahilly:** Bryan, you raised the topic of fairness. Fairness is genuinely a vexed concept. How do you optimize for a metric that is so rooted in subjective experience? In other words, what can you companies do to make their processes fairer?

**Bryan Hancock:** Part of what we found through our research is what drives perceived fairness in the performance-management process (Exhibit 2). One of the drivers of fairness is that you understand how what you're working on fits in the bigger picture: "I understand how this links into the department or the overall strategy."

#### Exhibit 2

Among a host of factors that may affect **employee perceptions of fairness** in performance management, three stood out.



<sup>1</sup>That is, having a positive impact on individual employees' performance and on their organizations' overall performance. **Source:** McKinsey Global Survey of 1,761 executives on performance management, July 2017

The second driver of fairness is that there's an ongoing component. "My manager has an ongoing conversation with me about how I'm doing, so I'm not surprised. I know what I'm working on, how it fits in. My manager has the conversation with me."

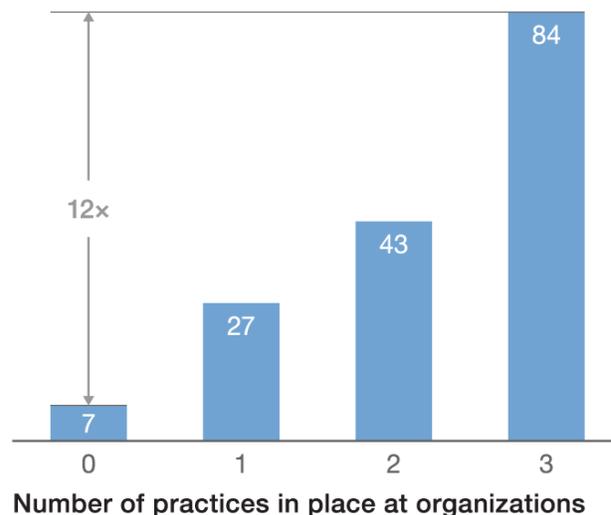
The third component of fairness is about differentiated compensations, and, in particular, two kinds of differentiation. One type of differentiated compensation is making sure that the people who are loafing aren't making the same as what others are making. Because that's not fair. They're not pulling their fair share. And the other is that we're recognizing, and fairly recognizing, those who are disproportionately good performers, recognizing the Steph Curry and Klay Thompson of the team. Yes, they should be making a bit more, and recognizing that raises the perceived fairness for everybody.

For companies, when they get those three elements right, it raises the perception of fairness of the overall performance-management process (Exhibit 3).

### Exhibit 3

The three practices are mutually reinforcing, and their cumulative effects on performance management are dramatic.

**% of respondents rating performance-management systems as effective<sup>1</sup>**



<sup>1</sup>We define effective performance-management systems as those that, according to respondents, have a positive impact on the performance of individual employees and on their organizations' overall performance.

**Lucia Rahilly:** Can one of you give an example of a company that is doing those things well, or at least a couple of those things well? Take, for example, people feeling like their work and their contributions matter and that they align with the business goals. How does that play out in practice?

**Bill Schaninger:** We happen to spend a lot of time studying organizational health. Some of the components of that talk about things like strategic clarity and role clarity. But if you think about that chain, it almost always starts with a few questions like, “What’s the long game for this company, and do I find it meaningful?” Basically, “Do we do something that I think matters?” You go, OK, that’s a great idea. What’s our plan? And the plan ought to be pretty detailed: Here are the milestones. Here are the targets. Here are the goals. I just said “goals” and “targets,” which are part of the annual goal-setting exercise.

For you to even have a hint at fairness, you have to start from those two things: “I like our long game. I got our plan. I know what success will be judged by,” and then dot-dot-dot down, “and I know what my part of it is.” It is obvious, classic role clarity, which means, “I know what you’re asking me to do. I know what good looks like, by when it has to be done, with whom I have to work, and what I can decide on my own.” When you have that, they at least feel like they have a fighting chance. That’s almost like the hygiene factor.

And then you get into the other thing Bryan was talking about, which is good, old-fashioned managers showing up and coaching: “Hey, try this. Have you thought about that? Oh, that didn’t go well. What do you think about this?” You know that you have a fighting chance, because this doesn’t have to be easy. With increasing pressure for performance, you’d expect that the target-setting part would feel pretty stretchy.

We’ve seen organizations do a much better job, particularly in professional services, where you see project-based work, IT shops that have adopted agile ways of working, anyplace where they’ve been allowed to break it down. It’s much easier to draw an immediacy link of the thing you’re doing today and how it impacts the company. It’s also an attack, again, on the long, static job description. It’s too hard to connect to. You’ll see things ebb, and flow, and change. That’s a big part of it—the sense of meaning. It’s been linked to millennials.

Millennials get labeled with a lot, like, “Oh, I want my work to be meaningful. Oh, I expect someone to be thinking about my development.” If you were to convert those claims, and what Bryan was talking about as matters to fairness, into plain language: “I’d like to know someone cares about me. I’d like to know the things I’m working on matter. And I’d like to know how it’s going, so I have a chance to be successful.” Well, who wouldn’t want that? It’s no wonder that the data was so obviously one sided, saying if this doesn’t seem fair, it’s not going to yield any performance improvement individually or organizationally.

**Lucia Rahilly:** You’re relating this to millennials. But, in fact, it sounds like what you’re illuminating applies across demographics.

**Bill Schaninger:** Everybody wants it.

**Lucia Rahilly:** And so, what's different about now? Is it the cadence and the complexity of working on teams, and having priorities change, and nimble decision making, and rapid prototyping, and those kinds of environments?

**Bill Schaninger:** A voice has been given to the millennials because it's an easy group to talk about. But I think enough work has gotten more broken up into smaller chunks. And there's just enough noise in the air about it that I think it's hard for people to ignore it now. It's almost given a voice to the employees to say, "This has to get better for us too."

**Bryan Hancock:** As we look at how roles are changing—and there are more roles that are knowledge based, more roles that are interdependent—it becomes more and more incumbent on us to define what we're working on and why it's important. It becomes even more important to have the ongoing conversation that then explains the difference in compensation.

I really think it's more interdependency. If you go back to *Glengarry Glen Ross*, you have the line, "Coffee is for closers." It's not like the person turns around and says, "But I'm a closer." No, he knew where he was on the sales list. He knew he should put that coffee back. He got it. There are so many people today that don't get it. They'll hear, "Hey, man, coffee is for closers." And they'll think, "Yup, that's me! I got it." That's where the disconnect is, because we've become more interdependent. The natural sources of feedback aren't there. The other things I'd say that have advanced a bit are data and analytics that let you more objectively say whether you're doing a good job or not. The best example of this is in sports. If you look at the advanced statistics in baseball that can help go into analytics, they can tell where you are in wins above replacement. Now you really understand in an advanced way, "OK, what is it I'm supposed to do? OK, I'm not supposed to steal bases, because stolen bases are actually a negative thing." I know where I'm supposed to be on the field, because the analytics are telling me. I understand now, in a different way, what I'm supposed to be doing and how it ties to the bigger mission of getting more men on base, not going into an unforced out.

Then you've got what the manager is supposed to do. If you're a role player on an NBA team, they tell you what role you're supposed to play. And then the compensation actually follows this. There are role players now that get paid a lot better and a lot different than role players were paid in the past, because people understand what the value is. And everybody sees that new system is fair. But it required some shifts to get there.

### Coaching is part of a manager's job—and not just in sports

**Lucia Rahilly:** Also, the notion of coaching is a built-in part of the sports function. This is less so in knowledge work, to Bill's point, in that most managers don't have the time now to spend, particularly now that there's been this proliferation of communication channels, and people are slacking, instant messaging, texting, and using internal platforms.

So, how has the role of managers changed? Or, how do you propose that it changes to facilitate creating explicit KPIs [key performance indicators] that can be measured for knowledge workers, for example, and then having ongoing conversations with those

knowledge workers in a way that's constructive, doesn't make people feel put upon, and keeps them motivated?

**Bill Schaninger:** Well, you can't guarantee the last part. How they feel, whether they feel put upon, you might still get that.

You said something very early that teed up something we see all the time, which was that managers "don't have time." I think we can all agree, if someone's doing a piece of work for you, that you checking in with them about making sure they understand what you're asking, asking how it's going, and then positively recognizing and rewarding them—I think most people would go, "Oh, yeah, that's a good idea."

If we agree that, in general, that's a good idea, but we know it's not happening, well, then it's worthwhile asking: Why aren't otherwise-well-intentioned managers doing what we know is obvious? One thing you hypothesized is, "I don't ever have time." But I do think we see a broader range to that. We bundle it into three basic things.

[The first is,] "I'm not allowed," which is, "it's not my job." And, interestingly enough, in teams that are formed and reformed, or in semimanaged work teams, there may not be role clarity about providing feedback to others. You see this quite a bit in education. Think about the average K-12 [kindergarten to 12th grade] teacher where the teachers are formed in teams. Whether it's because of union rules or the perceived "that's not how we do it around here," you have role history and it would be a normative violation to provide feedback. "It's not my job" could be because they just don't think it's their job, particularly in a professional setting. How many coders are giving each other feedback on their code, even if one is a tool-carrying manager? In knowledge work, you see a lot of managers who still do the profession.

The second one you talked about was, "Well, I can't. I don't have the time. I don't have the resources." Or, "I don't know how." Very few people are going to say they don't know how to give feedback. But some of them actually don't. That's why there is some skill training on this—to be behaviorally focused, talk about what you can do, not assume intent. But the time and resources ones are interesting. Because as we have leaned out organizations, we've increased spans, we've increased complexity, we've increased the expectation that you are plugged in always from the moment we give you what used to be a Blackberry, now a phone.

There may be many situations where managers feel like they don't have time. I can think about many client settings where the first thing we did was get a handle on what the daily manager routine was today and then what it should be. You'd have to do things like, "No meetings before lunch, period. You must be at first starts. You must be at the 'tool talks.' You must be at the morning briefing. And, by the way, you're going to go meet them when they come back in, so you can give them feedback." Sometimes you have to structurally insert being a manager. The manager is saying, "I don't have time to talk to the people who do the work for me. I do have time to do paperwork, to do email, and go to meetings." When you say it that way, it is absurd that it's not happening. But that's how we've filled up their days.

The third one gets a little bit more emotional, because you think about some of the more charged things, such as, “You’re messing with my relationships, my standing in the community.” For many people, it is just too charged, because they themselves will probably have been on the wrong end of some tough feedback, and they didn’t like how they felt. They inevitably project that and think, “Oh, that might be really tough, if I’m telling them that didn’t go well.”

When, meanwhile, the person on the other end of the conversation would likely just say, “Yeah, that went really badly. How can I do that differently?” [Without that conversation, you instead] have the employee going, “I don’t know where I stand. Why haven’t they said something? Why aren’t they helping me?” And then you have the manager going, “Oh. I don’t want to make him feel bad. It’ll get better tomorrow.” That’s just a vicious cycle. It never gets better.

**Lucia Rahilly:** Do you genuinely believe that employees are that open to feedback? It seems to me a feature of human nature is for people to fixate much more on one small item of negative than on a suite of positive feedback. My husband gives me a lot of compliments. But when he criticizes how I organize the dishwasher, it really sticks in my craw, and that’s what I remember. I have that experience myself delivering feedback all the time—that I give a generally positive review, and it’s the one piece of developmental feedback that people feel anxious about.

**Bryan Hancock:** This gets to part of the skill of giving feedback. There are ways of giving feedback that are strength based, like saying, “Hey, you are really excellent at delivering presentations and organizing your thoughts when you talk in front of folks. What would be great is if that same skill was applied to your written communications so that they literally read like you would be talking, like you’d be giving a speech. So, why don’t you read that out loud when you do it, because that would really pick up on your great speaking capabilities.” And flip to the employee, who is thinking, “OK, I understand two things. One, that I’m a valued human being—that I’m doing things right, that everything isn’t all bad. And, two, that’s practical advice. That’s a better way of getting me to do better than to say, ‘Hey, work on your writing.’ It gives me a way to think about it building on my strengths.” There is a skill of how to do that.

You aren’t going to have every conversation in a strengths-based way. But there are skills, even if something went really badly. Just asking the open-ended question, “So, how do you think that went?” For the vast majority of people, they’re going to say, “Uh, that did not go well.” And you can respond, “Yup. Totally agree. Now we got it on the table. What do you think did go well?” And you can ask probing questions.

### Designing a fair compensation system is key

**Lucia Rahilly:** OK, so, let’s talk about compensation, because that’s a factor that people really care about. In the US in recent years, I think the low-inflation environment has often translated into constrained increases, even for higher-level performers. You guys view compensation, and designing a fair compensation system, as one of the principal elements of a functioning performance-management approach. How do you design a system that

doesn't leave employees simmering with resentment? What are the features that would make that work?

**Bryan Hancock:** Some parts are easy, and some parts are hard. The parts where it's easy are where it is pretty objective on what you are supposed to do and on whether you hit the goal. In sales, it's straightforward whether you hit the sales goal and whether you triggered a level of the sales-incentive plan. And it can be pretty graded, so that you know how much additional you would make at each level, and you know whether you hit it. Same thing in an operations context, which can be more straightforward as to whether you hit the goals and what the consequences for that were, as laid out at the beginning.

Where it gets more difficult is in the more subjective, knowledge-based world. Here, it is harder to make fine differentiations of compensation in the middle. It is easier to identify, "Hey, this person is a clear outstanding, differential performer at the very top end and should be rewarded more." But what we show from the research is, rewarding those folks an extra 1 percent compared to the merit increase everybody else gets doesn't matter at all. It needs to be 15 percent or more for that to really matter, for compensation differentiation to really make a difference on the high end.

However, there is a perceived slight if somebody else that you perceive is doing roughly the same as you got an extra 1 percent bump. The person who got the bump is like, "Sure that's nice," but it didn't really do much for them. The other person is pissed. And they're going to be pissed for a month or for two months. They will really simmer over it, because it is a perceived injustice.

There is a wonderful video you can watch on YouTube that is of two capuchin monkeys that can see each other, one of whom is fed a grape to do a simple task, the other is fed a cucumber. The grape is sweeter than the cucumber. It's preferred. The capuchin monkey that gets the cucumber repeatedly, when he sees his neighbor getting the grape for the exact same thing, goes ballistic. That is, for many people, the compensation system.

Our view on compensation design is, for the harder areas, where it's more subjective, really separate at the ends—the very low performers and the very high performers. Be very aware for the middle of the risk of a long-term, negative result from a fine differentiation in compensation that some people may not perceive as fair.

**Bill Schaninger:** A core finding for us is, differentiation matters. But it's differentiation in both directions. And it starts at a basic premise of, what do you believe you should be compensated for? If you believe that you should be compensated for turning up each day, that's a problem. You should be compensated for achieving your goals. There's a difference.

Then we start getting into all things around language. We used to have the annual cost-of-living increase, or allowance. Everyone got that. That was to keep you whole on inflation. Somewhere along the line, we've allowed "a merit" to become synonymous of that, where everyone thinks

they get a merit. Well, no, it's not merit. Merit, by definition, ought to be based on performance. Over the years, we've allowed our language to undermine differentiation.

The work Bryan and some of our other colleagues have led—and I think there's a real value here—shows there are truly those among us who “walk on water,” and you look at them and go, “Oh, wow. They're amazing. Yes, they should be paid more than the rest of us.” And then there are others that are just bringing us down, and they're an irritant. And they should not be paid more. This is where it's an interesting cultural point for an organization. Let's say there is an annual bonus. Are you willing to look people in the face and say, “You still have a job. That's it. You're not getting the bonus. There's nothing additional.” And you look at the people who really crushed it and say, “And you're getting three [times the bonus].”

**Lucia Rahilly:** But play that out over time. Suppose that the manager adopts an assertive talent-management approach and weeds out poor players—suboptimal players—and develops that big pack of “B” players. If you're embedding a chasm between the compensation of the superstar “A” players and the B players, how then do you account for development among the B players and a movement of the curve to the right?

**Bill Schaninger:** The basic premise here has a few things that none of us like to get our heads around. If you go into a room full of Mensa [Mensa International] members, half that room is below average. That's the reality. So, we're moving the mean on any organization up, which is the ideal. Let's say the distribution even starts moving out, because you have a bunch of people in here who are really good. We're not saying to spend time differentiating on the heavy 80 percent or the heavy 75 percent—the ones in the middle, who are all probably doing a great job. We're saying, differentiate the tails. And the reality is, when you're moving the mean, people who were good enough yesterday will not be good enough tomorrow. That is at the essence of a continuously improving organization.

**Lucia Rahilly:** So, how do you see technology facilitating this kind of process?

**Bryan Hancock:** As organizations get flatter, you more naturally are working with more and more people across such organizations. Having a way of getting and collecting feedback from all the folks that you're working with, technology can help enable that. Who is best positioned to opine on whether a particular set of code was good? The person compiling it is probably in the best position to say whether that was good, clean, or not. Because once it all starts to work, it's really hard for a manager, or somebody above, to be able to see that.

Technology can be very good in gathering peer-based feedback, feedback outside of the formal hierarchies. In these knowledge roles, it's harder to determine what good performance looks like because there's not a built-in performance-management mechanism. It's not like the salesperson who didn't make the sale. That ongoing feedback from your peers, in a technology-enabled way, can make that happen.

## Rooting out bias in employee feedback

**Lucia Rahilly:** We've heard a lot about gender bias in feedback and different ways that folks offer feedback for women versus for men. How does that factor into this kind of technologically facilitated feedback-on-all-sides approach, if at all?

**Bill Schaninger:** There are gender biases, there are national biases, there are cultural biases. They are all there. One of the beauties of large samples is that you can see thematic trends that can rule some of these things out because it's over rolling, large numbers. If [feedback is that] someone's a jerk, if you only have one data point, you have no idea whether that's the prickliness of the person who's providing it or actual behavior. But if you roll over these samples, you can see a pattern of varying degrees—of things about how they deliver feedback or how they interact when it comes to taking credit for things. Large samples get a lot.

There is also an opportunity here to separate out administrative feedback, which is that which goes into the review, from developmental feedback.

It is really interesting that in some of these platforms, whether it's the apps where people are nudged to give the feedback, if you make it clear that the feedback is developmental, it is much more direct and much more pointed with much less varnish about saying, "You're doing this. This is working. You're doing this. This is not."



**Lucia Rahilly:** Give me your two-sentence summary to a CEO or to a leader who really wants to break through on performance management.

**Bryan Hancock:** Improving performance management is about putting the manager back into performance management and making sure that you've got the right ongoing conversations versus having a one-time annual review that may seem disconnected from the employee's reality.

**Bill Schaninger:** For all CEOs, I'd say, "For everyone else in the organization, you are they. If you want to change the tenor and performance, you have to change the way in which you're engaging on it."

The beauty of that is, every person who has a relationship where they're responsible for leading others has an opportunity to do that every day. Don't make it about the system. Don't make it about the process. Don't make it about the tool. Just start with the actual interaction. What are we doing today or this week? How's it going? What can we do better? Just do that. It gets better.

**Lucia Rahilly:** Great. Bryan Hancock, Bill Schaninger, thanks for talking with us today. For more on performance management, visit us at [McKinsey.com](https://www.mckinsey.com). 

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