**Angelia Herrin:** Welcome to today’s Harvard Business Review webinar, How Technology Can Transform Performance Management. I’m Angelia Herrin, editor for special projects and research at HBR. And I want to thank all of you for joining us today. We really want this to be an interactive discussion so if you have questions or comments at any time just type your question in the box at the bottom of your screen. To download a copy of today's presentation click on that double link icon in the lower right corner of your screen. We also have a conversation going on at Twitter, you can find us at HBR Exchange and use the #HBRWebinar.

Performance Management everyone knows it’s important but too many people talk about how much they don't like or hate their performance management system. The surveys, the ratings, the data collection. And try saying the words like review or feedback to many people and they shutter, whether they're a manager or a front line employee. We know that technology and analytics have the promise to help us here, but Marcus Buckingham says that we first have to understand where to focus our efforts and how to deploy the technology in the right way if we really want to see results.

Marcus is here with us today in Los Angeles. His ideas about how to turn streaks into performance have challenged our thinking around performance management in the corporate world. Beginning with his first book, First Break All the Rules, his books have now sold more than four million copies, and he has appeared in the Wall Street Journal, the New York Times, Fortune, and Harvard Business Review. His leadership development firm, The Marcus Buckingham Company, works now with organizations worldwide ranging from Facebook, Kohls, Hilton, Tweek Center and The Gap. Marcus thanks so much for joining us today.

**Marcus Buckingham:** Thank you for having me.

**Angelia:** Marcus you know as I mentioned in the introduction, a lot of people don't like that word feedback and a lot of people, including me, don't like annual reviews. Either as a manager or as an employee. So why all the angst?

**Marcus:** Well there's so many different things that are wrong with performance management systems from a standpoint of their to infrequent but too burdensome, their too complicated. But probably the most damaging one of all is that when you go to performance management review its two minutes on what you did well last year and then a 58 minutes on your areas of opportunity and your areas of opportunity is just a euphemism of stuff you don't do well. So most performance management systems and appraisals and processes are remedial, they're trying to identify where you're flawed, and then trying to fix you.

And if there's anything that is sort of guaranteed to make your skin crawl, or to be the ingredients of a bad relationship, it would be where someone says look I know you very, very well and I just wish you were different, and now I'm going to spend time in this appraisal on giving you feedback on all those things that are wrong about you and then we're going to try and fix it together. No matter how much you couch it in good language like area for development or area of opportunity it just doesn't feel very good to know that this conversation is going to be all about the things about me that are broken.

We say that people like feedback, we say that millennials they love feedback. Here's the truth around that. No one likes feedback, no one wants feedback, we want attention. We want attention. And particularly we want positive coaching developmental attention. We don't really want to know where we stand, we want to know that there's someone there to help us get better. So as we move forward I think we got an interesting tension between feedback which is what somebody just sort of dumps on you and coaching. People don't like feedback, they like strengths based coaching. That's going to be part of our future I think.

**Angelia:** So one of the things that people are puzzling about when they talk about performance management systems is they're built to collect a lot of data and then use the data. So what's wrong with all this data that we have?

**Marcus:** Well one major problem, and I'm going to flick through with a slide here, hopefully you can all see that. Part of the problem is that most performance management systems are built for the wrong audience. They're built…

**Angelia:** What do you mean?

**Marcus:** Well they've built for the organization. The express purpose of many systems is to ensure that the organization can compensate people appropriately and then create alignment. And while alignment let's say is a good thing, you don't actually use a performance management system to create alignment. If you look at those companies that have got really strong cultures, like a Facebook, or like an Apple or like a Chick fil a, they use stories and heroes and the physical plant of the building itself. I mean Apple's creating this beautiful perfect headquarters that's a circle because their whole culture is about beauty and what could be more beautiful than a perfect circle.

So there's lots of benefit's to alignment. But performance management isn't a good system to create alignment. The moment you go two buckets down on putting your goals into various buckets, it becomes an exercise in abstraction, as people are sort of retrospectively shoving their goals into one of the corporate buckets. So we've built these systems for the organization. And as a result the individual goes well it’s not for me. It’s not really my system. It’s not my performance it’s the company's system. Which means that we have to then coerce these team leaders and team members to use these systems, and they don't want to do it. Which means from a data standpoint, it means we have bad data in there. We have data that's infrequently collected. We have ratings once maybe twice a year. We set goals once a year. And yet deep down we know that the goals you set at the beginning of Q1 are irrelevant by the third week of Q1 and yet the system doesn't allow for that kind of agility.

And so we have, basically we've designed a system for the one percent and then the 99 percent of us are kind of pushed into using it. We need to flip that. We need to design our performance management entire systems, not just the technology, the system needs to be designed for the team member and the team leader to work together to accelerate performance. Then if we actually have something that team leaders and team members want to use then they will, I don’t know, use it and then we’ll get better more real time data. Okay that’s the brass ring. We want on-going, frequent usage, consumer like usage, we don’t want an enterprise forcing us to do something, we want something that we reach for when we’re trying to get the best out of ourselves and our team. And then we’ve got real data in there, real time data in there and then we can start to analyze what does this data tell us about this person versus this person, what does it predict. Then we can do all that good, big data analytics stuff. But we can’t do any of that if the data input is basically once a year in a system that none of us really want to use. So that’s what I mean by the wrong audience, we’ve built it for the organization and then cascaded it down versus building it for the team leader and the aggregating that data up.

**Angelia:** Let me make sure that I understand here, because aren’t we, shouldn’t we find valuable to know how many employees we have, how long they’ve stayed with us, how many, what’s our turnover rate, all the above?

Marcus: Yeah. No all that. Absolutely all of that is great data. That’s countable real data. If we…

**Angelia:** Finance loves it.

**Marcus:** Yeah and it’s good data. Like we like that kind of data which says this is how many employees we have, this is how many FTEs, this is how many lost work days I mean that’s real data. The problem with our performance management systems though is that it’s not with that data. That’s good data. We overlay on top of that data Angelia a bunch of bad data in the form of ratings, ratings of performance, ratings of potential, ratings on various aspects of performance in terms of competencies. We put all those data into nine box grids and we end up paying people on that data, promoting people on that data, doing succession planning on that data, and all of that data and this is, I don’t know, for those of you watching this might twist you’re thinking a wee bit, but all of that ratings data is bad data and I think those of us around the board room table, we sort of know that HR is brining to the business conversation faulty or questionable data. And the reason I would say it’s bad data is there’s a… I’m going to go into the weeds here so pull me back up if I’m too in the weeds.

**Angelia:** Go ahead. I’m hearing collective groan from the HR leaders out in our audience but go ahead.

**Marcus:** All right so I’m just going to peel the onion and then you can decide whether or not this is actually really relevant to what you’ve got in your performance system. But in the world of psychometrics, there’s a phenomenon called idiosyncratic rater effect which we’ve known for ten years. It just hasn’t bled over into business. And the idiosyncratic rater effect basically means that when I rate you on potential, let’s say or strategic thinking, my rating of you is actually more reflective of me than it is of you. The largest study of its kind was done, yeah here you go. This was done ten years ago, by three researchers, they took 5,000 managers and they had each of those managers rated by two direct reports, two peers and two bosses. So about 500,000 ratings overall. And their basic question was when I rate you on something what explains my rating? Is it my, which the fact that I’m a direct report versus a peer, is it my overall sense of your performance, what explains why I rate you the way that I do? And what they found as you can see on this pie chart is that more than half of my rating of you is a function of me and how much of that particular quality I have or how important I think it is. More than half of it is due to the idiosyncrasies of me versus you. They actually summarized here a quote in terms of the summary of their research, they said most of what’s being measured by a rating is the unique rating tendency of the rater, thus ratings actually reveal more about the rater than they do about the rate.

Now if you’ve followed that around that means that all of the ratings that we put into our performance management systems, that we then aggregate up as we decide who’s a high potential or who isn’t, who should be promoted or who isn’t, how we should pay people or not, all of that data is (inaudible) precise. We think it’s revealing of the person being rated but it isn’t, it’s way more revealing of the person who is doing the rating. We are putting into our performance management systems bad data and bad data in yields of course bad data out. So when you say is it good to know how many employees we have and how many lost work days and yes that’s all good countable, reliable data. We should understand the relationships.

When you look at ratings, gosh they are psychometrically problematic. We think they’re revealing one thing but they reveal much more about the person doing the rating. That’s the problem. We all need to grabble with that problem as we move into the big data world of the future we need to figure out how we put good data in which we can… I’m going on a bit here but we can solve that but we do actually need to at least look at it and deal with it as a problem, and then we can start thinking intelligently about what is the right solve for that.

**Angelia:** So I think you’re saying that we are not getting the right data about the individual, the person. And we’re not getting the right data about what levers we can move to get better performance from people?

**Marcus:** Yes. We aren’t getting accurate information about, let’s say I am the team leader and you’re the team member. What the organization wants is they want to see through my eyes into how you’re doing. In some reliable way. And they then want to aggregate that so that the organization could decide what to do with you. Actually it turns out Angelia the organization doesn’t want a rating on you. The organization doesn’t need to know that you’re a five versus a three or a 3.6 versus a 3.8. That’s irrelevant. What the organization wants to do is it wants to know what are we going to do with you in terms of how much we’re going to pay you, are we going to promote you, are we going to train you in a certain way, deploy you in a certain, it wants to know what it should do with you.

So actually the solution to both our ratings problem and to, well what do we do with you, is to ask and if it’s all right with you I’ll just show you these four items…

**Angelia:** Yeah because I’m already starting to see questions from the audience saying okay so…

**Marcus:** So what do we do.

**Angelia:** This ain’t working, what are we supposed to do?

**Marcus:** Okay. So here’s a very simple solve. If the organization wants to see how well you’re doing, it needs to see it through the lens of the person who is closest to your performance, which is me the team leader. And if it wants to do that in a way that’s reliable, the we should, the organization should simply ask me, the team leader, four times a year, so once a quarter, I should just answer four questions about me as in what I would do with you. You can probably see the four up there. We should ask me, would I hire you for the company.

**Angelia:** Okay why that question?

**Marcus:** Because that’s an overall sense of whether or not I think and of course this is my subjective judgment, I’m a team leader, but I’m being paid for my subjective judgment, we just need a reliable way to measure what is my subjective judgment about you. The first question is something about overall do I think she’s awesome? The second question, as you can see there, would I always pick this person for my team? We want to know not just do I think she’s got superior talent such that I would always rehire her again, but do I actually want to work with her? Do I actually want to have her on my team? So this is, there’s a collegiality element to do I… If I could would I move hell and high water in order to get her back on my team. That’s a great question to ask.

Third question don’t ask me is she promotable. Like what on earth does promotable mean? Instead just say would you promote her today if you could? That’s a behavioral thing we are asking Marcus to rate Marcus, nor Angelia just would you Marcus, if you could, would you promote it today?

**Angelia:** Let me stop you with that one and ask you, the word today tells me, it doesn’t give me much leeway to say, well you know I don’t think she’s quite ready but I think she needs training.

**Marcus:** Yes but if you start projecting out into the future and say Marcus do you think she’s going to be ready soon, how about very soon, how about almost immediately but not quite today. The moment you start doing that we start creating vagueness in our measurement, and we start having a lot of different managers define soon, very soon, not quite so soon, in really different ways. Which means when we aggregate that data up, we have no idea what it really means and we have to start running back to managers and going what did you mean by very soon. Which is a problem. Instead we ought to go very simply one question that’s unequivocal, there’s no vagueness in the question. If you could, would you promote her, today.

I don’t need you to lean in and talk about what you’re doing in five years time, or two months time. I don’t, today right now, you’re close to her you’ve worked with her for this last quarter. Right now today would you promote her today if you could? What’s beautiful about that questions in fact what’s beautiful about all these questions is they’re simple. We need simpler more reliable ways to measure. And then we can start looking at what that predicts over time. We don’t need complicated models of competency and leadership and questions that are replete with vagueness around what you mean by the question. We need simple, beautifully worded questions where I the team leader am rating what I would do with you.

We can then elevate that up and we can, for you in terms of these four questions, we’d end up with 16 data points at the end of the year on you. Now we can then, as the company, we can then look at that data and go huh what should we do with Angelia, should we promote her, or should we move her to a different role, or how much should we pay her because we could slice your 16 points of data and put it back into a quintile or a quartile. We could split it up however we want. But the very least we’d be doing all of that on very simply collected, reliably collected data. And that cuts through all of the psychometric or other idiosyncratic rates or affect problem that I described a couple minutes ago.

**Angelia:** Slow down for a second and talk about that fourth one. Does the person have a performance problem that you want to address today. Again I’m intrigued by the use of today, but also talk about subjectivity. That leaves a pretty wide open gate doesn’t it?

**Marcus:** Yeah completely. But first of all in terms of the today’s when we’re into the world of psychometrics and how you design questions. But you want to put in any question that you’re asking team leaders to rate, you want a time qualifier if you can whether it’s always or whether it’s today, anything which puts some specificity in terms of time, and the question yields a better range on the question. And you want range, you want a big standard deviation on your question. So anytime you put a today in there, it locks a person in and there’s no projection into some future it’s like no, no, today, just here for the performance problem today. Every human being knows what today means. Does she have one today.

So once again we’re just elevating data that’s reliably collected, we can then decide who know s what we might decide to o with you but at least the data is reliably collected. And then in terms of subjectivity yes every one of these questions if you look at them, every one of these questions is my admittedly subjective judgment on every one of the questions. We’re not trying to pretend that we will ever make me or any team leader perfectly objective. You will never make, I’ll never make, you’ll never make anyone a perfectly objective observer of somebody else’s performance. It’s a red herring, there’s no way you’ll ever do it.

So instead we ought to go look, everyone of our team leaders will always be subjective, funny enough we want to pay them for their subjective judgment, that’s why we promoted them into team leader positions. And now all we want to do is find a methodologically reliable way to measure their subjectivity. This is not, these four questions you can see, they’re not objective. They’re just methodologically reliable ways to measure subjectivity. Of course I’m going to be the one to decide whether or not I think you have a performance problem. Is that objective? No. But is the company paying me to have those kind of subjective judgments? Yes. And so the company really just wants to access my brain reliably enough to be able to aggregate it and go huh. Let’s say you worked on ten projects in the year and every one of the ten leaders in the course of that year said yes to that question.

**Angelia:** So you might be exposed to rating by more than just your immediate boss.

**Marcus:** Yes.

**Angelia:** It might be a series of people with whom you came in contact?

**Marcus:** Yes. Well yeah in terms of who answers this, there’s a couple of questions that you have to think to yourself as you design the way that this is used. And one of them is who is the rater. It could just be your direct boss in which case we would suggest that you have that rating happen four times a year. Simple, really fast, four times a year. Because then I’m responding to these questions as close to the action as possible. I’m not trying to, and that’s part of the problem of the year long rating is you try and troll through your memory banks for any, both of you the team member and the team leader to remember what the heck did, and then both of us are subject to the recently effect, which means that I’m really rating you on the last week or the last two weeks anyway.

So the first thing we got to do is figure who’s the rater that has the tightest most vivid understanding of your performance. It may be your direct supervisor. If you’re in a project environment it may be the project leader, so at the end of every project no long lists of questions to answer at the end of every project just four questions… I’m not saying these are the golden questions, you could add one more, you could take one away, you could tweak the wording. They should look like this. Very simple, with an extreme in them, and then either it’s the team leader, the team leader plus the project manager.

You could add peers but oh we need to be so careful. I know there are a lot of peer ratings…

**Angelia:** I was going to say wait a minute the beloved 360, what? Why such a face?

**Marcus:** Well the 360s have psycho social value in the sense that it’s sometimes good to say to a person whey look. Other people are going to show you how you come across to other people. And that’s psychosocially valuable. Psychometrically the data that’s generated from the 360 almost all of the data in a 360 is subject to the idiosyncratic razor effect which means most of you look at the items and just look at the items in your 360s. You’ll see most of them are not me rating what I would do with you, they’re me rating you on various aspects of your behavior, your competencies, your skills. I’m rating you on strategic thinking, empathy, communicate. I’m rating you as though I’m a reliable judge of you, and I’m not, as you saw from that pie chart, more than half of my rating of you, on anything is a function of me not of you.

So when I give you a five, on strategic thinking. We aggregate that with other people as though my five is meaningful in some way. It isn’t. It’s probably a function of the fact that you’ve got a little more strategic thinking than I have. But if you had a little less than I had you’d get a three. But actually what’s changed there isn’t how much you have it’s how much I have. So most 360 data is psychometrically flawed data. I’m not saying it’s not a good thing sometimes to say to someone look in the mirror. Yes. But don’t aggregate the data, put it into a performance management system and then promote people based on it. Or advocate training based on it. It’s falsely precise data. It’s not good data.

**Angelia:** So obviously the people who are listening to this webinar are saying hey wait a minute I see the questions, you’re going to compile a new pile of data and it can go to the company and it can go to the individual manager, but what am I going to do with it. So people are really asking, how do we make this actual? What’s the action here?

**Marcus:** Right. Well when you are putting together a performance management system you actually have to split it up into you could argue three systems but I’ll just stick with two for right now. There’s a how do we reliability evaluate system? And then there’s a how do you drive performance system. So there’s a how do you evaluate performance, how do you drive performance. They are two separate systems.

**Angelia:** What do you mean?

**Marcus:** Well this one, those four questions, the reason I called that slide essential eval is these are evaluation questions. I’m trying to give the company a view into how I evaluate your performance. I’m not feeding that data back to you, I’m aggregating it up to the company. You might at the end of the year we might decide it’s useful for you to see an aggregation of these data points. But I’m not giving it to you right then and there because that’s not the point of these questions. The point of these questions is to enable the company to see a reliable way from the person closest to you what I think of your performance and then we can aggregate it either quarterly or at the end of the year. That’s evaluation.

In terms of driving performance, actionable performance, where does coaching happen? Like where does development happen? If I was to take all of the research that I’ve ever been a part of and you were to say to me, which you didn’t but I’ll pretend that you asked this. What’s the one ritual that you would put inside a company in the area of performance management what’s the one ritual that you could put inside an organization that would most effectively drive performance? It would be this. And this is, I’m sorry, this is going to sound so crushingly obvious. But I’ll say it anyway.

It’s every team leader should have frequent strength based check ins about near term future work. You could call them one on ones, you could call them touch basis you could call them check ins. But every week if you look at what the best leaders do they don’t save up their developmental and coaching feedback until the end of the year. They’ve doing it all the time in the work. So every week you look at the best leaders, they’re doing and I don’t mean just junior leaders, I mean you go to the C-suite, the best ones have a little five minute, seven minute, could be over the phone, it could be in person, it could be on email, but there’s a five minute, seven minute check in on basically what are you working on this week and how can I help.

What are you working on? How can I help? What are you working on? How can I help? And then I’m giving you coaching not in an abstract. Oh you’re not strategic enough. I’m not doing that. I’m giving you tweaks and adjustments in the work as in try this next week versus that. Try this not that. Try this… So that frequent weekly check in is where the actionable advice comes in. We don’t rate people and list their qualities and then give them feedback at the end of the year and say go work on that. That’s not what the best leaders do. They’re doing coaching in the moment, in the work.

And there are some I’m sure who might say well who has the time. I mean my leaders they’re really busy. To which I guess I would say, that little check in, that little check in one on one, and it’s not a team check in by the way it’s one on one. That little check in isn’t in addition to leading it is leading. It’s what leaders do. So if your leaders are too busy doing a bunch of other stuff to do the one on one check in because they’re just too busy, have them stop everything else, just do that. Because if you look at what actually drives performance that one on one real time one on one hey how can I help, what can we tweak, what can we course correct, what can we adjust, that’s what the best leaders are doing right now. Probably the best leaders in your companies are doing it right now. They just don’t have any technology to support it.

But it’s that frequency of check in about near term future work. By the way a check in isn’t, I know there are some companies that are messing around with check ins as though they’re once every six weeks or once every eight weeks, that’s not what the best leaders do. The moment you change it to once every eight weeks, you’re not only changing the frequency you’re changing the content. Because if I check in with you once every eight weeks, I’ve got to start looking back you’ve got to start looking back. Now you start to have to prepare for the meeting. I have to prepare and suddenly we’re taken the performance appraisal that you and I both hate and now we’re doing it like seven times a year. So you take something terrible and now we’re doing it more. Yeah don’t do that. A check in is once a week. Once a week.

And that way it ensures you’re not preparing for I’m not, we’re just doing real time in the work course correction tweaking, coaching. So in terms of the question that’s where action ability happens. It’s an every week individual to individual thing. And it’s leading that’s leading.

**Angelia:** So a couple of people want to know everything about performance management systems. It’s really all directed to bottom line results, what did you do that moved the lever that made us basically have a better bottom line. So can you talk about any experiences that you’ve had where people started using questions like this where you actually, you don’t have to name names of companies, but…

**Marcus:** (Inaudible).

**Angelia:** But can you talk a little bit about… Some people were saying I get it’s a great, it feels like a great thing to do, but how do you sell it up in a sense and how do people understand that impact?

**Marcus:** Well yeah so I can’t name names but there are a number of very interesting smart companies doing something very similar to what you’re seeing on the screen right now. Because if for no other reason than the bottom line, we didn’t say this right at the beginning, performance management systems as currently designed are hugely time consumptive. I mean unbelievably time consumptive in terms of how much time and energy and effort is spent on the part of team members and team leaders writing their reviews, calibrating the results, coming together in calibration sessions to ensure that somebody is a two and then we fight for the two and we’ll give her a two this year, she’s got to suck it up and be a three this year and then you, all of that rigmarole is incredibly expensive.

And so one of the ways to sell this up is to come in and go could we get better data for about a tenth of the time, and a tenth of the price. Better data, better data on performance evaluation. But much faster and much cheaper. Our current systems are very, very burdensome in all ways. So part of the sell is lighter, agile, better data.

The other part of this though I was talking with Dean Cutter who is a CHR of Sears the other day, they have they’re doing great work, really interesting work though. They asked 90,000 people every day one question. Basically what’s your mood. What’s your mood. So they got really interesting long, it’s a very simple question right what’s your mood. And as I think that’s three choices. And they can track that mood swing around the country. They can see which stores, tend to be in better moods. They can see things like when some stores get busy their mood goes up and other stores, right around the corner when their store gets busy their mood goes down. Like they can see interesting relationships. But they can also see, as you perhaps expect, that there’s a relationship between mood and the bottom line. So they can start to see that those stores that have a better mood today sell more discretionary stuff to our customers. It just feels better to buy from somebody in a better mood.

So if you’re selling something like this up inside your company, what you’re doing is saying look if we can gather reliably gather real time data simply then we can start to examine the relationships of these data, reliably collected, to the bottom line. No one can do any relationship of ratings to the bottom line because the rating is bad data. And for those of you that know statistics you know if there’s no reliability to the data there’s no correlations. You can’t examine the link between ratings and the bottom line because this data’s bogus. So once we start getting better data here, we can actually start going now which questions predict performance better over time? Which questions predict performance… By performance I mean measured, countable performance for certain kinds of jobs.

We can start to see whether or not some leaders have a better correlation of their rating to performance. So we can start doing all these really interesting groups to the bottom line. Only if we start gathering better data locally. Now there’s so much more we could dive into there but those are the two things I would say. Start by saying this is faster and simpler and cheaper and then move on to say and it helps us to establish better links to the bottom line.

**Angelia:** So you mentioned the fact that you’ve got to have the right data to analyze. But there is a lot of promise then here in applying analytics if you have the right data.

**Marcus:** Yes.

**Angelia:** So that you’ve, what you find trends that you find, I mean what are you looking for as you think about, as I said at the opening, there is a lot of promise between technology and analytics, but how do you recognize that promise?

**Marcus:** Yeah. Well if you don’t mind I’ll take a slight detour. Because my background is with Gallup. Obviously I was with Gallup for 17 years. They’re a very good research company. And we were interested always in the relationships between engagement and performance. So running those kind of analytics if you take Sears. They’ve got a whole bunch of different stores, do the most engaged stores, outperform the least engaged stores. Those are interesting things to know.

As we move forward though, one of the really I think, fantastic things from an analytic standpoint, from a data standpoint is that we’re moving from once a year measures of engagement where we kind of thought of engagement as a photograph, which was problematic because if you took the photograph of Chicago mid-February and then you got the data back to people in the frontline in like July, then they all start shoveling snow because that’s what the photograph says Chicago is like in February. Of course engagement isn’t something that you take like a photograph. Engagement is something that moves quite a lot, team by team by team.

So as I think about, I’ll go to this next slide if that’s all right. If you think about analytics one of the things you might want to look at is whether or not the most engaged teams are more productive, are the most engaged teams. Do they have fewer accidents on the job? Maybe engagement actually drives accidents on the drive. Or drives likelihood to sue. Or drives customer satisfaction. If you’re going to get to that kind of analytics then you’ve got to have a survey that meets these four criteria. One would be the right questions. That’s a little different than the essential leave out questions I just showed you. So those, basically the right questions means are you asking questions that do have some, it’s called criterion validity. So do the questions actually rate, or sorry, do the questions relate to performance.

**Angelia:** So let me interrupt you because someone just asked. Does this mean that different organizations have different questions because they’re in different industries, they have different challenges?

**Marcus:** Yeah well see that’s the part of the analytics that we could find out. Right now we do these long surveys, maybe 60 questions or something. And we do what’s called driver analysis. Some of you watching will know what driver analysis is. Or we get a data back on our surveys and we think oh question six, seven and five, drive everything. When actually that’s just correlating items within a survey. You run that data again next year you’re going to get different correlations because part of those correlations are an artifact of the way that these stats work within the survey.

You shouldn’t be doing that analysis you should really be looking at the 60 items and going, in our industry which items actually predict time one to time two performance at the level of the team? And in that sense, for your question, yes, there’s probably some core items that are transferrable across industries, across countries. And then there will be a few, two or three additional items that are really peculiar to your industry or your function.

Now if you look at this slide here it says the right questions, but the next one says the right time to the right audience. If we can give, and by the way from a technical standpoint we can. If we can give a team leader the ability to trigger their own survey and this is where data collection is going, we’re going to give team leaders and team members just like Dean Cutter is doing at Sears we’re going to give leaders and team members the ability to trigger their own surveys which means we’re going to get local data with the right questions. Deloitte I know is doing a bunch of work in this area too trying to give local team members and team leaders the ability to launch their own surveys so that they can actually get reliable engagement data in the local team.

Gosh once you have that then you can start doing really interesting analytics in terms of predicting does this level of engagement on this team predict client growth, profitability, how about speed of earning? What kind of team allows people to get up speed fastest? So you can start correlating essential eval data which is the team leader’s judgment of your performance with your level of engagement data. Once we’ve got that kind of real time data gathering the team leader has answered those four questions in this way, you’ve filled out an employee survey that I launched with you last week. Now the company can start going, gosh performance does drive engagement whereas over here engagement drives performance.

If we want to understand the relationship between that elusive thing, engagement, and the elusive thing performance, we're in a much better position to understand it when we're gathering that data locally, simply. So in terms of your employees survey it's got to have the right questions delivered at the right time, which means locally triggered, delivered to the right audience which means not the HR function. You deliver engagement data to the team leader and the team member because that's where engagement happens or fails to happen. And then right actions means of course I as a team leader, I want somebody to tell me what I can then go do with these actions.

So I bring up this survey point, not that every performance management system should have a survey component but certainly if we wanted to see what's the future of technology and performance management surveys are a good example of what that looks like. Local, simple, real time data fed back to the local team fast. The survey closes on Thursday I get the data back on Friday.

**Angelia:** So you're really describing a kind of technology enhanced management system for our team leaders. And somebody just asked the question. How well do you think most managers are trained to do this? And you can, and I think the second follow on to that is so how do I help these middle managers?

**Marcus:** Yeah. Well I think the answer to the question is that we don't train managers very well on the simplest things. And so and this, frankly this is our focus, I spent, as you've said, I've written a number of books all about focusing on strengths and how the best leaders and managers do that. But until you change the forms, it's like if you're doing a revolution, if you're trying to create a revolution and you don't change the forms, in the end the forms always trump the training. It doesn't matter how good the training is, if the existing performance management system is remedial and retrospective and cumbersome, that performance management system will trump your strengths based training.

So undoubtedly those two things have got to live together in concept. We've got to have forms, systems, which in today's world means tech, we need tech that is supportive of what the best team leaders do. And then we need to educate team leaders on both of those things. Namely what are the very few things the best team leaders do. That check in thing I mentioned, frequent strengths based conversations about work. If you just trained your team leaders to do one thing it would be do you have that ritual in place. Do you have a ritual in place where every team leader has the time, and is encouraged to, and is supported in having those kind of check ins with their people. If you are, that's your change management mechanism, that's your innovation mechanism, that's your performance uplift mechanism. I mean that's the way in which you drive all those things through that one on one conversation.

Should we build team leader training that is focused on that? Laser focused on that? Yes we should. We over complicate what team leading is all about. We make it more complicated than it needs to be. We design long lists of competencies that people are supposed to have but no one has all of them, and we deep down we know no one has all of them. The poor managers, poor managers are supposed to then rate people on all of them and write reviews, so that's what the good team leaders do. They don't do that. So we, in a sense, a lot of what our training should be for team leaders is removing a lot of this burdensome review descriptive stuff that we think people want, they don't, remove it and in its place put very light touch training for managers on basically look if you do nothing else, have these simple light touch strengths based check ins about work if you just did that you'd start to put in place the kind of rhythms and rituals that you always see on great teams.

**Angelia:** So but how do you keep that from becoming wrote, that people feel, ah here's my weekly duty, I just got to do it, check box, check box?

**Marcus:** Well that would be like saying how do we prevent in a soccer season or a basketball season people not feeling like oh gosh we got another game. On the best teams, the best team leaders seem to realize that a year is 52 sprints, and your job as a team leader is to ensure that we don't go, oh, I'm in spring 36. How do you create, and it's an interesting question, how do you create intensity, week long intensity, so that when you and I came in on a Monday I would somehow go all right, what's your priority for this week, let's just have a chat. And create for you some excitement, some pull, some tension. It's Monday, I know it’s a week, I know we got 52 of them, but this one's got to be kind of a good one and I'm juiced to help you.

That's what the best team leaders are good at doing, creating a little every week starts at zero, every starts at zero, come on let's rack some numbers up by the end of the week. Like that's the genius of a good team leader. Creating little moments of intensity. If that's the rhythm and that's the cadence we have to get into then no question the challenge is how do you ensure that every week does feel a bit like okay I've got a big game next Saturday and okay we're going to play the game and then I'm going to come in on Monday. I'm not going to coast into Thursday because I've got another big game on Saturday. And I know we use sports analogies for too many things, but that's not a bad one, you know, it's like every week we got to get up for the game. So there's something to learn there from us.

Now look maybe there are some, like if you're in a software business and you have a release cycle of eight weeks, your release cycle is eight weeks, maybe every week you've got to figure out the right cadence for you in the eight week release cycle. So I'm not saying there aren't some industries where maybe you do it every day. I mean there are some companies that have a standup meeting every day. Although I don't see, I haven't seen any way to do a one on one check in every day. That feels like when you look at the best leaders they're not doing it every day. But at least these are the right hard things to grapple with. How do you create meaningful intensity every week. That's the right hard thing to get into. The wrong hard thing is how do you rate people reliably on a list of abstract qualities, that's really hard, and a waste of time.

**Angelia:** So someone asked, I've got a performance management system in place, we're willing to retool it, we also have some technology in place, so can we essentially overhaul our performance management system and plug it into our existing technology? And also people love, several people say, explain to me how this works with the dashboard, people love a good HR dashboard.

**Marcus:** They love a good dashboard. Well on that question first, what something like this would do is that, because you're collecting local data, reliably. It just means you have better data on your dashboard. You have more better data on your dashboard. If you like dashboards, god bless, let's just make sure the data on the dashboard's good data. Right now if you look at our dashboards they're filled with data that is undermined by this idiosyncratic rater effect problem. You've got people like nine box gridded and the numbers in there, we assume they're good numbers and they show up on dashboards, but they're not good numbers for the reasons that I described. So in one sense this will make the dashboard better.

In terms of what have you got, you've got an existing system. When you look at your existing system you've actually got three systems and you can keep one probably, and then if you look at the other two you can affect the other two. So the three systems are, you have some way to, in terms of a performance management system, the last and most important system I suppose is you need some way to reliably evaluate and reward people. That's probably what your systems are currently doing at the moment.

But then you need to have some way to evaluate people and some way to accelerate performance. So accelerate performance, evaluate performance, reward performance. Those are sort of three separate systems and your current system is probably very heavy on the evaluate and reward. All right, for the moment keep that there, that's the management part of performance management. All right, keep that there, then spend a lot of your time looking at what do we got for acceleration. What have we got for the part that deals with how do we actually uplift performance. Do we have anything that gets team leaders and team members into the cadence of frequent real time coaching, frequent real time coaching based upon an understanding of a person's strengths. Do you have anything like that?

If you don't then you're doing a lot of management and no performance. So start putting in place some systems, tools, training that are focused explicitly on how do we actually help team leaders and team members get into the right cadence so that it's not burdensome, it's light touch, but the right cadence to help you have a better week this week and more weeks like your best weeks. That's how do we help you have more weeks like your best weeks. You can plug that in and at the same time keep your, for the moment, keep your existing evaluation and reward system. Because your evaluation and reward system is kind of a once, the cadence is much less frequent.

So put in place something that's got a more frequent cadence, keep this and then gradually what I would suggest is you gradually look at each element of it. Whether it’s the performance review part of it, whether it’s the competency modeling part of it, and you start paring it back. So for example if you have a competency model, which many of you do, take the data part out of it. Keep the model, if you like the model, because you're like hey look we've thought about everything our best people should have and here's the list. All right that's great, put those up on the wall as values that we hold to be important. Just take the measurement part out, take the rating part out. So gradually pair back what you're doing keeping the parts that you think are really valuable for you, but always trying to move your evaluation and reward system closer and closer towards something that is psychometrically sound. That means less data more frequently collected, which in a sense aggregates to more data. But less burdensome, rich, heavy data and lighter touch measures that you can aggregate properly. That's what we got to move to.

You don't have to get there tomorrow, I guess that's my point. You could put this in place, keep your existing system and then iterate.

**Angelia:** Someone makes the point that part of the promise of the big data and being able to look at the trends is being able to think about your talent pipeline. Can you talk about how this would improve your dealing with a talent pipeline?

**Marcus:** Talent pipeline. Well yeah I would suggest that we think, right now when we think about talent pipelines we think we have some precision on them because we've got rating systems in place. Ratings of performance or ratings on a competency model. And we think that that gives us really good precise data on our pipeline. Actually as I said earlier this data is all falsely precise. It's all revealing more about the rater than the ratee. Big problem. How do we solve that problem?

I would suggest two ways. One we should emphasize strengths profiles over competency models. So if we want a talent pipeline we should be looking at well who are you? I don't care what this perfect profile is, who are you? Let's get rich on what a particular person's strengths are. I don't mean just a strengths assessment although some of you know in my work I'm connected to the whole strength finder, strength measurements, stand out assessment is all, I'm a big fan of really reliable strengths assessments. But then can we create a page, can we create a page where a person gets to tell their strengths story at our work? Right now your company profile, my company profile, you look around, company profiles are barren. They're like they're not for me. My personal profile on a company internet is not a place that I frequently visit and update. I have to get coerced into doing it. Whereas you go to your Linked In profile all the time right.

So we should, every company should have, when I join the company we should be saying to you, we want you to be really increasingly intelligent about presenting the very best of yourself to us. So we're going to start with some kind of strengths assessment and then a place to capture that. Don't put it in a drawer, don't put the results in a drawer with your Myers Briggs results, no, no, no. We want a place which is you at your best, and we'll try and help you with some curated content, with some stuff you can customize. But we ought to all be trying to create a place where every single employee is encouraged to capture and present the very best of themselves to the company.

Again I'm not saying that's easy but that's the right hard thing to be working for, so that if we want to put our talent pipeline together we can then turn to well who's Angelia. Click. Oh here's like a Pinterest like page of who Angelia is from a curated and credible standpoint, who she thinks she is, some input from other people on who they think they are. Gosh that's a really rich view of Angelia. Okay that doesn't exist at the moment, it should and it's so imminently doable and we should do it. Because that will inform our talent pipeline.

Then the other thing that informs the talent pipeline is those essential eval questions or your version of those four eval questions. Because if over time we've not got 30 managers over the last three years that have answered those four questions on Angelia and we've aggregated that up, then when we pull Angelia's name up we wouldn't just see her strengths story page, we'd see her aggregated and historical essential eval data. Now we could then decide does that mean she's high potential, or not high potential? We could decide all sorts of things about what to do with her. But at the very least we'd know this is really good raw data. We are looking at reliable raw data and then we can make informed human decisions about what to do with Angelia in terms of her place in the talent pipeline. So I would suggest those two things. One very qualitative and Angelia driven, and one very quantitative and team leader driven. You start putting those two things together okay that's a really rich human from the individual on out, data source, to make intelligent decisions about what we should do to deploy you or grow you.

**Angelia:** So is this going to help if you encounter trouble or problems in your pipeline? For instance my company really needs a lot of engineers, I'm noticing that I'm not being able to hold on to my engineers. What's up with that?

**Marcus:** Well yeah. I mean right now the answer to that question would be we don't know. And the way that we're currently doing our performance management we will never know other than doing a couple of focus groups and anecdotally doing maybe a couple exit interviews. What we want to be able to do is say let's build a tool which allows every engineer to volunteer the best of themselves and display the best of themselves so we can see what they're in to, see their hot buttons, see their strengths, see their skills. We can see all that because that's that strengths story page that I just described. And then we ought to be able to see the on-going engagement of those engineers because we've got a self-driven survey that the team leaders, so we've got real time engagement data on everybody including our bunch of engineers, and then we've got essential eval data on every individual engineer. So now we've got performance data, engagement data, strengths data. Now suddenly if you have a question like holy moly we're losing our engineers, now you've got rich data to go into to go why.

Well let's look at who these engineers are that are leaving. Let's look at what their engagement scores were. Let's look at what their essential eval scores were. All of this is real data, it's not fake ratings, it's real data, and we can start to draw conclusions about huh these people are being rated very highly but their engagement is very low and the ones that are engaged, we've been doing this now four times a year people have been launching this engagement survey. We now know that these two questions in engagement actually time one to time two predict that this cadre of engineers is leaving. Okay that's gold from a human resources, from a talent intelligence standpoint you've got real time talent intelligence data, eval, survey, strengths, and then you're putting that together in terms of real time talent intelligence predictions about what's going to happen with these people, or interventions in order to prevent a negative outcome from happening with these people.

All of that is, I mean the big analytics engines and obviously IBM has a really good one, they want that data. They want to take that data, shove it in and then ask all these really interesting questions about well what if we do this, and what happens with these people when this. If you get real time local data collected then you can start asking all of these really interesting questions, without the data you can't.

**Angelia:** And given your experience, why role does compensation have in all this? If I do have a problem in my pipeline.

**Marcus:** Yeah well how long do we have, because that's like a…

**Angelia:** About seven more minutes.

**Marcus:** Seven minutes. All right. Well compensation is a whole other story. There is a school of thought that says that you shouldn't pay for performance. Dan Pink wrote a lovely book called Drive on whether or not that actually works. You could argue that in sales organizations actually it does work and yet there are other places perhaps in other kinds of work where it doesn't. So the first thing that your company ought to do is decide what is your compensation philosophy? Do you have a pay for performance philosophy? Personally from all the research I've been a part of, frankly the jury is out as to whether or not that drives performance or doesn't. And in the end I think it comes down to does that feel like it's the kind of entrepreneurial environment you want in your company. If it feels right you should do it, if not you shouldn't. From a performance management standpoint though, if we're going to variably compensate then we have to variably compensate people on reliable countable data.

And when I showed you those four essential eval questions, just imagine that, maybe I could go back to them, can I go back them? There we are. If I go back to those four essential eval questions, just imagine that you've got in your company every single person has at minimum had those four questions asked of them by a team leader, four times a year. So we end up with minimum 16 data points on a particular individual, not counting any other countable stuff like your sales or your productivity, your customer satisfaction scores or whatever else you may collect on you. Let's say we collect that as well. You take all that data you can put that into a scatter plot. You can see a range and if you want to, you could slice all those little data points up into quintals, quartiles, deciles, and then just export that data into your compensation calculators to create a really reliable pay for performance. Because this data, as I've shown you with these questions, it's reliable data.

Now you could look at the scatter plot and allow a human, a talent human to look at the data and go ah well Angelia, I'm going to move her down a little from the 93rd percentile to the 84th percentile, because I happen to know what kind of project she was on. Marcus we're going to move him up a little bit, he's an outlier. So if you want to you could have a human look at your scatter plot and move things back in line. But if you were to do that, you shouldn't ever move the scatter plot. The scatter plot is the data, don’t futz with the data, the scatter plot is the scatter plot. We could then decide where we wanted to have each person in terms of their percentile compensation and that's the data we export.

Right now of course we do the opposite. We take our ratings and we move the actual ratings to try and get the right (inaudible) curve, and that's why our ratings, when you try and run correlations between ratings to actual performance metric, there's very little correlation because performance in the real world doesn't follow this curve. So if you force the curve you get no correlation. So we maneuver the data wrong. What we should do collect better data, have the data be the data, we can slice it how we want to slice it and then if we want to have a human being come in and alter those outliers that's fine, save that alteration but don't change the data. That way, over time, with the analytics piece we can continue to look at whether our scatter plot what it actually relates to in the real world. We can look at that because we haven't messed with the data in order to fit it into a compensation scheme.

**Angelia:** There's a lot of enthusiasm here about the four questions. But there is also a question, so you find that older employees find this. Too much pushing, too much mothering and the younger employees are much more receptive to this kind of coaching.

**Marcus:** Well TBD. So I think it probably depends upon your industry and the business that you have. The bottom line is that most of my research, as you know for any of you that have read anything that I've written, has been focused on what the best team leaders do differently. So it's focused on managers, at whatever level. Someone who's got a direct report or a set of direct reports. And if you look at what they do their operating principle is individualization. That's just the way they operate is I've got to figure out are you a knight, a rook, a queen, a bishop, a pawn. I'm trying to play chess. You're all different. I got to try and figure out how you're different.

There's no ageism in that. It's like every individual wants to be known by their team leader. Everyone does. And if you think about how they then execute on that individualization, their context is that a person, in this case let's say you, you will develop best in response to another human being. The human being in this case is me. I'm your team leader. So whatever age you are, human beings have that kind of social quality to them where we grow best in response to another person. Not a system, not a technology, we grow best in response to another person.

So whether you're a millennial just joining the workforce, or whether you're just leaving the workforce, that part of you, yes we've all got that knob turned to different settings. Some of us we need to be mothered a lot some of us if you check in with us once a week we feel like we're being micromanaged. But the best leaders individualize that, they'll figure out how to touch base with you.

But the bottom line, pragmatic perspective that the best team leaders have is I can't wait six weeks to realize that what you've been working on every week is the wrong stuff. I can't offer my tweaks and my coaching, my course correcting six weeks from now because it's always late. So yes I need to tweak my style to fit how you like to be checked in with. But given the pace of change and the speed of change, and the speed of performance in business today, I don't have as a team leader, I don't have the luxury of not checking in with you. The question is simply how do it I do it in such a way that fits your orientation. And it's not really an age orientation, it's more of a what's your personality like. Are you kind of a hugger, kind of hey, or are you more like hey just the facts man.

And the best leaders individualize that. But they never get away from the fact that you'll grow most in response to me paying attention to you.

**Angelia:** One last question. We have a lot of people who are asking, hey great idea to get rid of the 360 review, but is there any function in the system you envisioned for team members evaluating the team leader?

**Marcus:** Absolutely. Yes. Where does the team members evaluation of the team leader fit? Oh maybe I can go to this slide here. So 360s are problematic because I am rating you on qualities that frankly I have no ability to rate you on at all, therefore my data is bogus, you take my one piece of data and a 360 says hey add it to five more pieces of data. Suddenly it will turn my bad data into good data. No that doesn't happen. You take six pieces of bad data, you've got lots of bad data. 360s are replete with bad data. What's the solution? The solution is let's have a short survey launched by the team leader where the questions and the survey, and I could show you an example of one we don’t have time now, but all the questions are me as a team member rating my own experience. Like do I know what's expected of me at work, or do I feel like I'm going to get praised for good work, or do I feel like I'm excited about the mission of the company. Those are all questions where I'm rating me.

Now then you aggregate ten people on the team, all rating their own experience. You aggregate that and you hand that to a team leader, you can say to the team leader hey look, these people aren't rating you they're rating their own experience of working on your team. So but it's their… They weren't guessing your weight they were weighing themselves. So that's what a survey should be, it should be a summary of our own weighing of ourselves and then we hand it back to you as our team leader and go, you want to know how you lead, look at yourself though the lens of the led. So that's how I would answer that question.

**Angelia:** Marcus this has been a great discussion. We've got a lot more questions but alas our time is up. I want to thank you.

**Marcus:** Not at all.

**Angelia:** I want to thank all of you who have joined us today. This concludes our presentation. Have a great day.