



Building a better working world

US Government and Public Sector: Performance management for a new era

Executive summary

June 2021

How are government and public sector organizations rebooting performance management to work for their people? What trends and approaches will help government and public sector organizations move beyond traditional models into a new era?

Government and public sector organizations are comprised of a collection of dedicated and passionate individuals who work every day to improve the lives of others. Empowering and supporting this workforce, not only enables individual development, but also the critical public sector missions that matter to the American people. In many ways, the COVID-19 pandemic has been a catalyst for government and public sector organizations to continue to reboot their performance management approaches and prepare for a new era.

Human resources professionals with five federal and state government agencies shared what they've encountered in recent months during the Performance Management Roundtable hosted by Ernst & Young LLP's Government & Public Sector People Advisory Services practice. The session was facilitated by Tamra Chandler, EY Principal and author of *How Performance Management is Killing Performance - and What to Do About It* and Tom Taliaferro, EY Principal and HR transformation leader. The March 25, 2021, session centered on the effect of the COVID-19 pandemic on performance management and ideas for elevating the way government and public sector organizations handle this crucial function.

Session facilitator



Tamra Chandler

EY Principal
People Advisory Services



Tom Taliaferro

EY Principal
People Advisory Services

Several key themes emerged from the roundtable:

COVID-19 has re-emphasized the need for moving away from traditional performance management.

While obstacles remain, public sector organizations are beginning to experiment with new performance management methods.

There is an increased emphasis on proactive performance management.

One size may not fit all across public sector organizations.

Agencies are encouraging performance through employee recognition and empowerment that tap into human motivation.

¹ *How Performance Management is Killing Performance and What to Do About It*: Chandler, M. Tamra, Hoyt, Natalie

COVID-19 has re-emphasized the need for moving away from traditional performance management.

Efforts to scrap the “check-the-box” brand of performance management were already underway when the pandemic hit. Still, research continues to show that an estimated 70% to 80% of organizations were using the traditional assessment/ rating model at the time COVID-19 surfaced. The pandemic further highlighted flaws in the traditional model - particularly with regard to equity and fairness - and accelerated the emphasis organizations, including government and public sector organizations, put on replacing it.

One participant cited that the future of work was already a topic of interest prior to the start of the pandemic. Because of this, the participant noted that their agency was already transitioning to a more virtual focus for performance management. Based on lessons learned from COVID-19, the participant developed a telework playbook for use across the organization that highlights how to manage employee performance and development in a remote work environment.

As many government and public sector HR professionals are emphasizing, while COVID-19 disrupted normal routines, this isn't a time to put off reviews for the cycle or year. If anything, this is a time to be proactive and lean in further to initiate conversations with employees, providing clarity on the work that's needed and checking in to gauge people's well-being. One participant cited discussion of this topic with others within her organization, saying they eventually opted to keep their reviews on track and had a successful cycle.

The traditional model repeatedly has come up short in fulfilling the common goals of performance management:

Three common goals

1 Develop people

- ▶ Individual development
- ▶ Coaching and mentoring
- ▶ Retention of top performers
- ▶ Leadership Development

2 Reward Equitably

- ▶ Pay for contribution
- ▶ Promotion and advancement
- ▶ Total rewards

3 Drive Organizational Performance.⁴

- ▶ Goal alignment
- ▶ Strategic communications
- ▶ Culture development

² Time to Get Real with Rewards (workhuman.com)

³ More Employers Ditch Performance Appraisals (shrm.org)

⁴ How Performance Management Is Killing Performance-and What to Do About It: Chandler, M. Tamra, Ulrich, Dave



While obstacles remain, public sector organizations are beginning to experiment with new performance management methods.

While the desire for more conversation-based performance management is high, obstacles remain for government and public sector organizations. As one participant pointed out, informal check-ins can be harder in the remote environment. An audio or video call may lack the casual air of an impromptu conversation in the hallway or at the coffee maker.

Public sector organizations also may be plagued by some form of the “the manager dilemma”: outside of assigning a rating, managers may struggle to recognize, reward and coach their people. The traditional model may enable managers to process performance management activities quickly without challenging managers to learn and use the art of engaging their people in more productive conversations. Relatedly, a recent study by the Merit System Protection Board found that step increases are nearly automatic for federal employees and that agencies deny step increases to only one in 1,000 employees. Research shows that the traditional model drives *disengagement* among employees.

A participant noted that her organization discourages people from connecting with managers close to the designated review deadlines. Such policies may preclude transformational work in performance management, but as the participant pointed out, incremental gains can still be made. She cited her work in focusing on individual touch points, making sure to contact new managers and offering them a tour of the performance management system and connecting them with other helpful resources in other parts of the agency.

A representative from one agency shared that a problem with pay-for-performance ratings is that managers in some instances may be tempted to “game the system” - by working backward to make sure the performance rating matches the pay increase needed to retain a certain employee.

Another common problem is that some organizations look to enforce a bell curve system or a performance rating quota based on industry practices: a ceiling is imposed on the percentage of employees who can be considered top performers. As a result, initial ratings - given by managers who know their employees best - might get downgraded as they pass through the performance management process to stay within the given boundaries.

Merit System Protection Board (MSPB) “Determining an Acceptable Level of Competence for Step Increases” (April 2021) David Rock, Josh Davis, Beth Jones, Neuroleadership Institute. “Kill Your Performance Ratings.” (2014) *The Future of Performance Reviews* (hbr.org)

Fatal flaws

- 1 A theory without evidence is just a (bad) theory**

There is no solid evidence that traditional performance management leads to improved performance.
- 2 Nobody really “opens up” to the person who pokes them in the eye.**

Traditional performance management impedes the reception of feedback and limits honest dialogues.
- 3 Nobody remembers the good work.**

Performance reviews generally emphasize the negative, rather than focusing on strengths.
- 4 No man (or woman) is an island.**

The focus is on the individual, rather than the system or organization - even though system or organizational challenges often have a significant influence on individual performance.
- 5 We are not machines.**

Fairness and standardization in ratings, and the judgment of performance simply cannot be achieved, especially across positions.
- 6 We are not machines, redux.**

Review output is unreliable for making talent decisions.
- 7 Let me introduce you to the competition - now play nice together!**

Comparing people to one another erodes attempts to create a collaborative culture.
- 8 We are not Pavlov’s dog**

Pay-for-performance does not deliver improved performance.

There is an increased emphasis on proactive performance management.

Forward-looking conversations represent the most productive approach for all parties. The traditional construct of having recognition/rewards and development in the same review process poses an inherent conflict: looking back and looking forward at the same time. And about 80% is spent on looking back. The end product is an odd but familiar ritual: the manager and employee brace for an event that will set the tone for the rest of the year.

Flipping that model can help put both parties on the same page in focusing on the employee's future. Organizations should consider breaking the look-back and look-forward functions apart: one-to-ones can be focused on performance; check-ins can be used to zero in on growth, development and well-being. Ultimately, managers and their employees should be equipped with the skills to prepare for these types of conversations that may have eluded them to this point. At its best, performance

management is this series of continuous coaching conversations between the supervisor and the employee. Thus, the annual review becomes a reflection on that series of conversations and the themes that emerged from them.

More frequent goal-setting also enables organizations to move away from giving annual ratings. Strong managers who have regular coaching conversations and measure interim progress against goals can reliably report on how their people are doing without needing a more elaborate mechanism for processing their impressions.

One participant spoke of how her agency reduced its performance rating system's levels, and now the review process focuses on a smaller, tailored set of coaching questions. She reported strong progress with the new coaching model, which puts particular emphasis on employee strengths or "superpowers."

One size may not fit all across public sector organizations.

As recently as a decade ago, 95% of organizations in the US were doing performance management the same way, with a standard annual review, perhaps a self-assessment, a rating and a decision tool that affected compensation and promotion decisions. But rating systems are plagued by the "idiosyncratic effect." That is, a given rating says far more about the person giving the rating than it does about the recipient.

In the federal government, many organizations follow the government-wide framework and guidance set by the Office of Personnel Management. Organizations can instead, look for the "red thread" that runs through the organization. Construct a performance management process that conforms to a consistent philosophy across the organization but has the flexibility to deal with the nuances of different job types. Priorities will vary among organizations. What's important is to adapt the process to the type of culture and organization desired.

Peer-to-peer feedback is one of the shifts from the traditional model that public sector organizations are exploring. Organizations can benefit by bringing in more voices to performance conversations rather than relying on the traditional one-to-one manager feedback. More voices can provide a fuller picture, and peer-to-peer feedback can be more meaningful to people. One participant noted that her agency had experimented with peer-based feedback years ago but pulled back because of numerous other initiatives that took precedence. She expressed interest in re-exploring the topic.

⁶ *The Future of Performance Reviews* (hbr.org)

⁸ Peter Cappelli, "Should Performance Reviews Be Fired?" *Wharton Center for Human Resources*, April 27, 2011, accessed February 8, 2015, <http://knowledge.wharton.upenn.edu/article/should-performance-reviews-be-fired/> Should Performance Reviews Be Fired? – Knowledge@Wharton (upenn.edu)

⁹ Marcus Buckingham, "Most HR Data Is Bad Data," *Harvard Business Review*, February 9, 2015, <https://hbr.org/2015/02/most-hr-data-is-bad-data>

Agencies are encouraging performance through employee recognition and empowerment that tap into human motivation.

The best performance management system will tap into human motivation. Although government organization might lack the same flexibility as the private sector to motivate employees, opportunities exist particularly in the realm of recognition. Employees most value trust and transparency in the process, and a 2018 study found that growth-oriented feedback was the top driver of performance.

One participant said her organization works to continually upskill its people through mobility of talent - encouraging people to go to other parts of the agency and

learn new things that they can bring back. The agency is developing a core set of competencies that people acquire from these assignments so that meaningful data can be collected.

Ultimately, tapping into motivation and empowering government and public sector employees to take ownership of their performance are major strides that will simplify matters for management and advance organizational goals.

Summary: COVID-19 has served as a catalyst for government and public sector organization to reboot performance management and focus on greater coaching and growth-oriented feedback that will enrich their employees' experiences and advance their missions.

¹⁰ *Performance Feedback Culture Drives Business Impact, Corporate Performance (i4cp) and the Center for Effective Organizations (CEO), 2018 Performance Feedback Culture Drives Business Impact – i4cp*



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