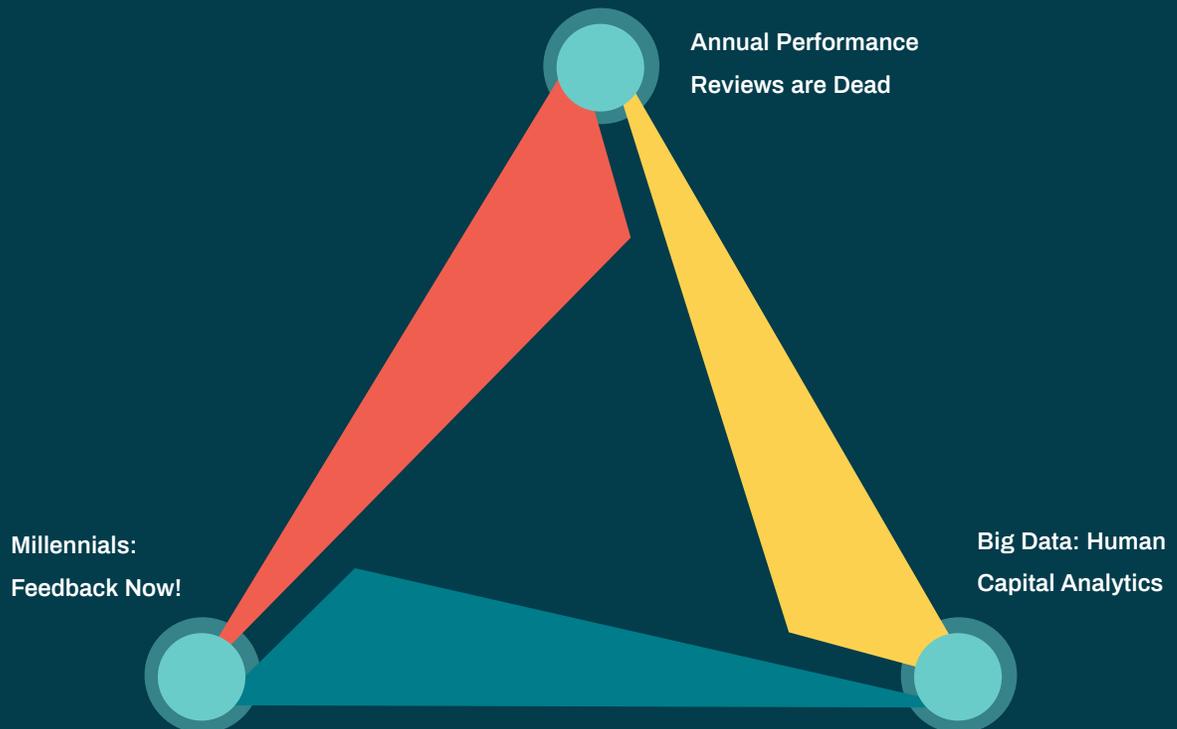


The Human Capital Triangle™

Emerging Trends in Performance
Appraisals, Millennials, and Big Data



Annual Performance Reviews are Dead

The annual performance appraisal is on its way to becoming a dreaded and ineffective activity of the past. A U.S. poll from San Francisco consulting firm, Achievers, revealed “98% of staff find annual performance reviews unnecessary” (Quast, 2013). Many companies are moving away from the annual performance appraisal like General Electric, Goldman Sachs, Accenture, Morgan Stanley, among many others. Companies are trying to replace the annual performance appraisal with various processes to make the activity more valuable and, in many cases, to drive performance more effectively.

In an attempt to facilitate more effective, collaborative and faster decision making across the organization, General Electric piloted a shift from their legendary performance management system. The pilot achieved a 5x improvement in performance and is now being rolled out company-wide (Baldassarre, Finken, 2015). Central to this outcome was the creation of a culture of shared accountability and a system of continuous dialogue and real-time feedback. Driven by a mobile app to help facilitate the process, employees could receive ongoing and real-time feedback from anyone in their work circles about competencies, skills and behaviors. (Baldassarre, Finken, 2015). GE acknowledges, and most of us in the human capital fields know, this type of feedback is difficult to deliver and receive.

What we have found through our research with our real-time feedback platform, in collecting over 1,000,000 data points, is that organizations come into enhanced feedback processes from different foundations. We have built a proprietary consulting matrix that diagnoses an organization's culture and feedback orientation using real-time, competency-based feedback. Based on this quadrant-based assessment, we have developed specific interventions to help organizations understand the importance of feedback culture, move to the appropriate level of readiness for change, and lead and implement institutionalizing a culture of shared accountability through the use of a system of continuous dialogue and real-time feedback. The bottom-line is that the level of quality feedback ultimately drives organizational performance (“A Successful Performance Culture”, n.d.). Interestingly, this also aligns with the needs of Millennials.

The Millennial: Feedback Now!

While there are many perceptions about Millennials, including possessing a lack of engagement and loyalty, they currently represent over 40% of the workforce. This has organizations feverishly working to better understand how to attract, motivate, and retain Millennials. However, recent Gallup research, “How Millennials Want to Work and Live,” offers enlightening perspectives which includes information that Millennials are very demanding, but not naturally disloyal or lazy (Crowley 2016). So, what do Millennials want? They want much more frequent feedback, better quality feedback, work that has purpose and a coach, not a boss (Crowley 2016). Given this we see many companies are drastically and quickly revamping their thinking and processes around organizational feedback.

Millennials are the most tech savvy working generation ever. They think about communication differently, and are comfortable communicating important and emotional information electronically. In our extensive work with Millennials we have found that they do want frequent feedback, and they are very questioning of the quality of the feedback (Hernandez, 2015). We have also found that they have some of the same feedback resistance filters that are common to other generations, as well.

So, what should we do? We need to continue the change to make organizational feedback more continuous in real-time. It needs to be competency based so the feedback has meaning and can drive organizational performance. It needs to be technology-enabled to facilitate communication and complement face-to-face feedback. Additionally, we must ensure that the foundation for feedback has been clearly laid out, or risk facing feedback execution issues that organizations have historically encountered. Just because Millennials want more feedback doesn't mean they are prepared to give it effectively or receive it effectively without a clear foundation in place. This can be difficult, which is why we built our model to assess and develop this foundational level. Having a data driven model helps us measure and analyze interactions among co-workers in a “big data” manner not previously possible.



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Big Data: Human Capital Analytics

We all are aware of the recent big data craze in business. It has become a trend which, in some cases, has been incredibly meaningful, and in others more talk than meaningful action. The craze continues to build momentum. It has been a challenge for those in the human resource function to add the same value with big data compared to other C-Suite functions. In fact, in a business intelligence survey by BI-Survey.com, human resource executives were virtually non-existent among the thought leaders in top organizations relative to big data (“Who Are the Big Data”, n.d.).

Why is this? Is it that HR executives aren’t smart enough? Of course not. The primary reason is there is not enough “good” data. Outside of compensation and benefits data, there is really not much meaningful data. Most people agree that people drive results, but we don’t have that minute-by-minute, day-by-day data about our people and how they act, and in what ways they impact the organization. Therefore, the HR executives tend to be on the outside looking in when it comes to big data in the C-Suite. Our real-time feedback platform was created to unlock the answer to this challenging program. While other platforms do exist, ours differentiates itself from the competition by integrating a management strategy and leadership framework—key successful factors in an enterprise solution.

As business leaders who have had profit and loss (P&L) responsibility, we have always been fascinated by the all-consuming nature of the business P&L. We anxiously await its release every month. We dive into every detail. We have endless operating reviews. People are hired, promoted, and fired based on the P&L. It literally consumes almost every waking moment, and some moments when we aren’t awake.

We have always wanted to create this same crazed intensity around the “people stuff,” or leadership aspects of business. While many of us know there is a large body of literature out there that shows how varying types of strong, positive leadership has caused superior desirable business outcomes like sales, profit, shareholder value, engagement, loyalty, commitment, and retention, among others, most organizations have not created this same intensity on leadership. How could we create this same maniacal focus with robust processes around the “people stuff” in order to assess our real-time performance against key organizational competencies aligned to execute our strategies?

In order to accomplish this we needed to break down the business P&L. The business P&L is made up of transactions. Transactions that happen at the point of sale, as inventory moves through a warehouse, and when expenses are paid. These transactions are run through the accounting system and coded, and then accumulate under certain categories in the P&L like labor costs, SG&A, product costs etc.

So the big question is what, as it relates to the “people stuff” or organizational behavior, is similar to the transaction? The answer is the interaction. How people in the workplace interact. When a supervisor is coaching a direct report, that is an interaction. When a team is communicating with each other at a team meeting, that is an interaction. When a sales manager is riding along with a sales representative they will have interactions among themselves, and with customers, throughout the day. So if we can capture these interactions as they happen, and code them based on our competencies which are developed to drive our strategies, we have created an organizational behavior type P&L which could have as great, or greater, impact on the business results as the business P&L. We call this The Leadership P&L™.

Developing Your Human Capital Triangle™ Strategy

Our work around our real-time feedback platform has enabled us to create this phenomenon called The Leadership P&L™, where we gather real-time, competency based feedback, resulting in the creation of millions of human capital big data points rapidly. We have seen first-hand how organizations have engaged with great intensity in analyzing the collected data. One example in our work in academia is with a cohort of Executive MBA students who used the app with real client organizations, “locking in” for three days analyzing the data, and developing findings and making recommendations. The cohort included CFOs and other senior finance executives who were crunching and slicing and dicing data many different ways to collect actionable insights. Another example was a global business team of senior executives who used the app for an extended period of data collection to assess where they were foundationally from a feedback readiness state, and to formulate a plan to shift their feedback culture to an orientation more aligned with their strategic objectives. The power of The Leadership P&L™ is intense, focused, relevant, and meaningful.

The three trends associated with the Human Capital Triangle™ are challenges that we must contend with today—the transition away from the annual performance appraisal, the wave of the Millennials’ prominent place in the workforce, and the need for relevant and meaningful big data, or human capital analytics. Companies are speeding to understand how to build a successful strategy around it. It can’t be ignored. The trends that caused this triangle to form are powerful and moving quickly. As many organizations race to figure out how to use the triangle to deliver results, others will likely be left behind. The stakes are high, as they are connected to sales, profit, and shareholder value. The question that all business leaders need to ask themselves is “Am I maximizing the impact of my human capital on the organization’s strategic objective, and do I have access to the analytic metrics and insights needed to execute the strategy in a quantifiable and meaningful manner?”. Solving this problem requires more than just software. It requires a strategy, framework and tool that can provide you with the impact and insight needed to develop your Human Capital Triangle™ strategy.

The perfect storm is upon us in the world of human capital—the transition away from the annual performance appraisal, the wave of the Millennials’ prominent place in the workforce, and the need for relevant and meaningful big data, or human capital analytics. What emerges from the confluence of shifting forces is The Human Capital Triangle™ that captures the dynamic convergence of these powerful trends. While these are not the only important trends in the human capital analytic field, they do represent what is quickly becoming a significant differentiator for leading organizations when understood and leveraged strategically. So, what insight and impact does a strategy involving the Human Capital Triangle™ possess? Insight and impact into how human capital can drive performance in a quantifiable and meaningful manner like never seen before.

Thinaär

Thinaär solves complex organizational challenges with a holistic solution that integrates proprietary data collection technology, analytics, and strategy consulting. We partner with leaders from Fortune 500 firms, large healthcare organizations, and multi billion-dollar companies.

With each engagement, we leverage our data collection technology—which integrates machine-data with human feedback—to develop a 360° view of the organization. We use these insights to inform our consulting approach, designing solutions that align with the organization’s best opportunities and greatest needs.

Contact us at info@thinaer.io

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AUTHORS



Tony Petrucci
President



Michael Rivera, PhD
Chief Analytics & Innovation Officer
Michael.Rivera@thinaer.io