

## ***White Paper***

### ***A Model for Systematic Performance Feedback in a Self-Managed Work Environment: Creating Powerful Continuous Peer Feedback Loops***

***By: Doug Kirkpatrick, September 8, 2009***

Morning Star's work environment presents a challenge for delivery of effective performance feedback. Since Morning Star is a self-managed organization, there are no designated managers or supervisors—meaning any performance feedback must come from one's peers. This works well when colleagues are willing and able to deliver effective (meaning timely, accurate and specific) feedback to one another to enable course corrections and improved performance. It does not work well when colleagues lack skill in providing effective feedback, or are unwilling to do so. As illustrated so well by the Delancey Street Foundation, effectively delivered feedback can serve as a powerful catalyst to sustained organizational performance.

This white paper presents a model of a continuous feedback process that encompasses all colleagues in a self-managed organization and removes impediments to delivery and excuses for non-delivery of effective performance feedback.

The criteria for a peer-based performance feedback process in a self-managed organization should include, at a minimum, the following:

- Colleagues should be held accountable by their peers for performing work that meets agreed-upon, freely negotiated performance expectations
- Feedback should be delivered in a timely manner and be specific and accurate
- Feedback should be not only developmental (or 'negative'), but should also reinforce exemplary performance
- Feedback should be reasonably documented and congruent with each self-managed colleague's personal commercial mission and vision, as well as the company Mission, Vision and Principles
- Any feedback process must be self-sustaining, and not require supervision or costly maintenance

#### Trends and Historical/Contextual Background

The roots of employee performance appraisal can be traced to Taylor's time/motion studies (is this person worth the wage they're being paid?). Performance appraisal

as a structured management practice dates to the WWII era. Initial systems were set up as simple income justification processes: if a person did a “good” job, they would be paid more. If not, they might receive a pay cut! This pay justification method gradually gave way to using appraisal to identify employees who are “promotable” and offer them opportunities and rewards, and to identify employees lacking promotability and offer them counseling and sometimes dismissal. Current practice usually involves an annual structured conversation between a manager or supervisor and an employee to discuss strengths and weaknesses as well as promotability.

Throughout the United States, the standard company annual performance evaluation (appraisal, review) process is coming under considerable pressure to radically change, as more companies recognize the limitations of an annual process in actually improving performance. Books like *Catalytic Coaching: The End of the Performance Review* by Garold L. Markle and *Abolishing Performance Appraisals: Why They Backfire and What to Do Instead* by Tom Coens and Mary Jenkins M.D, and articles like *The Death of the Performance Appraisal – Redefining Performance Management* by Josh Bersin represent some of the influential analysis arguing against an annual performance process.

According to one recent course description, “[m]ost employees hate performance evaluations. Most managers dread giving them. Yet more than 70 million U.S. workers receive them each year. Why? Advocates of performance reviews say they raise productivity, differentiate salaries and protect against lawsuits. But it's not true. No wonder just 5% of HR professionals are ‘very satisfied’ with their performance management systems.”

As a self-managed enterprise, Morning Star is uniquely situated to experiment with new approaches to achieve enhanced individual and organizational performance. To the extent that Morning Star does not have managers or supervisors to drive a performance management process, it really is up to each and every colleague to hold each other accountable for excellent performance. The process described in the following sections provides a model for doing so.

## The Model

All Morning Star colleagues have, or should have, a Colleague Letter of Understanding (CLOU). This document identifies the colleagues with whom each individual colleague interfaces the most, generally within each colleague’s work area and perhaps embracing other colleagues engaged in a shared business process (internal customers and suppliers). This serves as a logical and pragmatic starting point for delivering regular colleague feedback.

Each Colleague Letter of Understanding embraces the company Mission, Vision and Principles and the individual colleague's personal commercial mission. According to the Colleague Principles, whenever one colleague perceives that another colleague is not adhering to the Colleague Principles, or not acting in a manner conducive to achieving the Mission, they are required to privately discuss the matter as soon as practical. Regular performance feedback discussions among colleagues are therefore not antithetical to the Colleague Principles under which Morning Star has operated for the last twenty years (unless one wants to take the position that not meeting performance expectations is conducive to the Mission).

Colleagues would meet with their fellow CLOU colleagues and negotiate expectations of each other, which may or may not include discussion of each colleague's personal commercial mission (why am I here?) and possibly a personal commercial vision (what does excellence look like in my position?).

Expectations can include hard performance metrics (percentage of equipment uptime, days to close the books following end of year, days sales outstanding, etc.). Expectations can also include 'soft' elements, such as approachability, teamwork, initiative, providing feedback, openly receiving feedback, etc., since behavioral characteristics can be critically important to a self-managed organizational culture. Since colleague expectations are freely negotiated between self-managed professional peers, there are no (legal) areas that cannot be subject to expectations clarification.

Once expectations are clarified through discussion, they can be categorized or grouped by theme (for example, boiler maintenance and repair, new customer development, professional negotiation results, etc.). The theme serves as a category or bucket for very specific expectations, and is referred to as a meta-expectation. Once the discussion results in agreed-upon clarity among CLOU colleagues, each participant's expectations can be cleanly summarized by listing the Personal Commercial Vision and Personal Commercial Vision (if one is negotiated), followed by a set of meta-expectations, with each meta-expectation listing the very specific micro-expectations that pertain to that category.

For each meta-expectation, there is a box to check at agreed-upon intervals (i.e., monthly). In the view of the evaluating colleague, a fellow colleague either met the expectation, exceeded the expectation, or fell below the expectation. Each CLOU colleague in that area is expected to review the meta-expectations for the other colleagues in that area and check one of the three boxes for each meta-expectation. If the colleague met the expectation, no feedback is required—they are performing exactly as expected! If the colleague exceeded the expectation, the evaluating colleague is expected to provide specific feedback, either verbally or in writing, to reinforce the exemplary performance. If the colleague fell below the expectation, the evaluating colleague is expected to deliver developmental feedback to help that colleague perform better in the future. If feedback is delivered (either reinforcing or developmental), the evaluating colleague is expected to make a one or two sentence note of the content of the feedback discussion and the date. While feedback should

be delivered at the time of observation to be most effective, the agreed expectation evaluation interval can insure that feedback is delivered not later than each evaluation date.

To the extent the feedback is systematically recorded (for example, in a software application or spreadsheet), it provides documentation of continuous colleague feedback throughout the year. A report summarizing this feedback can, in effect, become a Steppingstone. It can also serve as a reality check on any 360-degree evaluation system, since continuous feedback provided throughout the year should be congruent with feedback provided on a 360 evaluation.

## Benefits

The benefits of a self-managed, peer-centric continuous feedback process are as follows:

- This process reinforces the concept that Morning Star colleagues are truly self-managed professionals, able to freely negotiate performance and behavioral expectations with one another and hold each other accountable to those expectations.
- A documented feedback process drives accountability in two directions: it drives accountability on the part of the colleague being evaluated, since he or she freely agreed to be held to a particular set of expectations (a la Delancey Street); it also drives accountability on the part of the evaluating colleague, since any failure to deliver feedback will now reflect back on that colleague.
- To the extent colleagues agree to engage in this process, it guarantees feedback at regular, agreed intervals with minimal loss in timeliness—*it provides for close-to-real-time feedback*.
- This process supports positive feedback to reinforce exemplary performance as well as developmental feedback to change.
- Since the process is based on expectations, it encourages dynamic conversations around jugular performance issues. Expectations can be hammered out among peers around every conceivable dimension of performance.
- Reports summarizing peer feedback for a period of time can serve as Steppingstones, and can be used as an input to any compensation process.
- This process is completely congruent with and supportive of the Colleague Principles. To the degree that colleagues become familiar and comfortable with providing regular feedback to their peers, this process will animate the use of and dexterity with Morning Star's Colleague Principles.

- It is simple and straightforward. Most of the work involves negotiating crystal-clear expectations and categorizing meta-expectations. All colleagues have to do after that is check a few boxes at agreed-upon intervals, and document any feedback conversations. Since colleagues should be having those feedback conversations anyway, right now, the ongoing process is no more burdensome than the existing culture. The initial workload to define and clarify expectations is largely done once, with updates as needed as expectations change.
- The process can be embedded in software, and either connected to the current CLOU system or not. Using standard workflow concepts, the system itself can generate reminders or forms at prescribed intervals to initiate the check-off/feedback process and take the burden of remembering off the colleague.
- The process drives a mentoring culture, to the degree that colleagues take the feedback they receive seriously and colleagues freely deliver feedback that is specific, timely and tactful. This process will facilitate and augment any organizational onboarding, training and mentoring processes.
- This process facilitates internal Customer/Supplier Agreements. To the extent that internal customers and suppliers are included in a colleague's expectations evaluation cluster, that colleague can define performance expectations for that internal customer or supplier and hold them accountable at regular intervals for performance—in effect, defining Service Level Agreements (SLAs) for those customers and suppliers.
- This process supports and encourages self-management by virtue of being continuous (not time-bound), peer-based, and information-rich.
- Since the process is forward-looking rather than backward-looking, it reinforces a culture of continuous improvement and potentially higher levels of colleague engagement and job satisfaction.

The author welcomes feedback from interested colleagues.

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