COMMENTARY

Performance management in the year of COVID-19: Carpe diem

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As Rudolph et al. (2021) note, there are implications of the pandemic for issues of concern to industrial and organizational (I-O) psychologists that fall outside the 10 focal areas that their paper addresses. We believe that performance management practice is a one of those areas that has been affected by the pandemic. We believe that the pandemic is changing how performance management should be practiced in organizations during the pandemic era and that those changes are likely to be long lasting.

How should performance management processes be adapted to the extraordinary challenges this pandemic and its lasting effects pose to organizations and their employees? We will address questions that, from inquiries we have received, are very much on the minds of organizational practitioners at this point.

Given the tremendous stress managers are under, can organizations continue to demand compliance with existing, deeply entrenched performance management process?

For most, if not all, organizations, the answer is very simply "No." Traditional processes used in 2019 and before are inappropriate to pandemic conditions. There has recently been a groundswell of dissatisfaction with performance management (e.g., Buckingham & Goodall, 2019). In the very first volume of this journal, Murphy (2008) documented and bemoaned the lack of progress in improving performance management design and execution.

Coming out of his and other critiques (Pulakos et al., 2019), various sound ideas have emerged for improving performance management processes. These include radical simplification (Efron & Ort, 2010); incorporating more of a future—rather than past—focus (Buckingham & Goodall, 2015); abandoning forced distributions (Ledford et al., 2016); improving relevant manager training and strengthening managerial accountability for effective performance management (e.g., Mone & London, 2010); collecting performance feedback from multiple sources (Campion et al., 2019); and, perhaps most importantly, stressing ongoing performance conversations as a —perhaps *the* key—element in managing performance (Pulakos et al., 2015; see Pulakos et al., 2019; Aguinis, 2019, for comprehensive scholarly and popular treatments, respectively).

Some organizations have taken steps in the direction of these improvements. For most, these steps have been tentative and partial. Progress has been impeded by organizational inertia, special interests protecting entitlements, a lack of courage, and claimed constraints of human resources technology. I would argue that now is the time to introduce the radical revisions many organizations have been thinking about—but were unable to materially implement—over the past few years, ever since practitioners realized the dysfunctionality of the embedded process. In this crisis, all people processes *are* (or, to any rational leader, certainly *should be*) *unfrozen*, to use a Lewinian term, open to rapid reconfiguration to keep the organization viable in this unprecedented chaos.

Indeed, a survey in June 2020 of human resources leaders in 843 companies globally, reflecting a total employee population of over 10 million, found that 55% are either testing or have implemented new talent processes in response to COVID-19, and this nimbleness is highly correlated with employee perceptions of effective organizational crisis leadership (Adair, 2020). With the stresses and distractions pressing on managers in so many organizations, pare processes down to the bare essentials: as a vehicle for the vivid feedback employees need to determine where they are on or off track and as a stimulant for constructive, future-facing coaching conversations.

What happens to the pay-for-performance philosophy?

Of course, the answer for each organization will depend on its talent philosophy, culture, and perhaps most of all, on how well or poorly the business has weathered the crisis. Will the business have a sufficient pool of money for meaningfully differentiated variable compensation? If so, the limited available funds should go to the stars (say, 5–12% of the population at each organizational level) who have really stood out from the crowd and made extraordinary contributions to sustaining the business during the pandemic. Stars have been found to add disproportional value and, in a meritocratic, pay-for-performance culture, merit the disproportional rewards (Aguinis & O'Boyle, 2014). In addition, if organizations hope to retain these extraordinary people assets, they need to make the stars, whose performance helped sustain the organization through unprecedented crisis, feel super special. Even in these times and to the extent financially feasible, then organizations should adhere to their pay-for-performance philosophy, rooted as it is in sound motivational theory—great performance does deserve to be rewarded.

Do organizations (finally) get rid of performance ratings?

Not exactly. As argued by the team advocating for retaining ratings in the widely followed Society for Industrial and Organizational Psychology Conference debate (Adler et al., 2016), there is no escaping the fact that employees do differ in the level of their performance. However, identifying subsections of employees who vary in their performance does not require organization to use numerical "ratings," at least as that term is traditionally understood. Managers do need to classify colleagues into distinct categories based on the ways that employees differing in performance levels need to be treated differentially. However, the evaluation process should only produce distinctions that matter, those that will result in differential treatment.

One approach is to use a simple three-fold categorization requiring the only two classification decisions that have consequences: (a) identify the stars and reward all of them with whatever cash is available and (b) Identify those who are really struggling (say the 5–8%) and have a specific plan for each of them—transition, accelerated development, remediation.

What do organizations do, then, about the vast majority not at the extremes without whom we would not have a business?

For the vast majority of folks doing a solid job day in and day out (say, the 85%), organizations should not place the burden on the performance management process for the answer to how to nurture their engagement. Introducing differentiation for the vast core in the middle—as most organizations do, by assigning a minority a 4 rating and the rest left with a 3 rating on a typical 5point scale—is likely to only erode engagement for most. Instead organizations should look to all the other levers available to organizations to create a positive employee experience (e.g., Morgan, 2017; Adair, 2020). Gratitude, purpose, cohesiveness, caring, clarity, pride, responsibility, visibility, support, emotional bonding, talented teammates, enhanced physical safety, increased focused on mental health and well-being—all are levers that envelop solid employees in meaningful moments across the life cycle.

With original 2020 performance goals out the window, how should individual performance be evaluated?

This is the year to pivot to an emphasis on the *how* over the *what* in performance evaluation. For a great many, 2020 goals set and assigned in December 2019 or January 2020 were wholly irrelevant by March or April. Or worse, they guaranteed feelings of failure as business conditions made those goals unattainable. The uncertainties of economic recovery will linger for some industries for years.

What matters most in a crisis is *how* people are responding on the behavioral dimensions that will be critical both to recovery and to success in the future. Who is showing amazing agility and nimbleness? Who is demonstrating intense focus and the fanatical prioritization required to deliver in the face of chaos and distraction? Who is reaching out and forging deep and enduring relationships with customers, peers, direct reports? Who is showing the extraordinary courage and commitment to the mission to act boldly in the face of extraordinary risk? Who is using whatever downtime is available to take the initiative to invest in upskilling, building future-facing capability for themselves and for teammates? These are the behaviors that ought to receive disproportionate weight in evaluating overall individual performance in the pandemic and its aftermath.

Should performance evaluations still inform talent reviews?

This crisis has pulled oft-hidden leadership talent capabilities—or their lack—right out in the open. People who were thought to have all the makings of great potential in last year's talent review have instead collapsed under the strain and vicious uncertainties of the pandemic environment. Some of these "hi-pos" have been reluctant to give up on the tried-and-true formula that heretofore drove their success. For some, responses have been too slow or have zigzagged wildly as conditions changed. Perhaps designated "hi-pos" projected smug self-assurance and certainty in the face of unprecedented unknowns. In marked contrast, we have seen other leaders, assessed at the last talent review as quite ordinary, shift strategy nimbly, energize their teams, demonstrate caring in open and genuine ways, and act with creativity and boldness. They have successfully connected with, and helped stabilize the world for, their teams.

These are precisely the leadership characteristics that the post-COVID-19 world will most require: leading nimbly and boldly, with heart (e.g., Adair, 2020). The recent and overdue increased sensitivity to racial justice in organizations also has cast a spotlight on the relevance of embedded competency models and raised questions on whether our models adequately address a cluster of behaviors reflecting the How of inclusive leadership. So, this may well be the time to redefine the leadership model for 2021 and beyond, and systematically harness this unique moment to accurately capture a holistic profile of genuine future-facing leadership potential.

Moreover, there is genuine urgency to make sure that our models are updated as we assess performance and potential in the next few years, given the likely increase in the predicted early retirement of senior leadership once the dust settles. The insights collected now on who is demonstrating the right future-facing talents will enable organizations to strengthen the leadership pipeline needed to fill the coming void.

The weak link in performance management has always been the inability of managers to have effective performance conversations with their employees. Won't counting on managers' communication skills more just make the situation worse?

Surveys conducted by and across a wide range of organizations over the first half of 2020 have shown that leadership has actually mutated in the face of COVID-19 (e.g., Adair, 2020). Most leaders today are touching base one-on-one with individuals on their teams more frequently, more deeply, more emotionally, more holistically. Bosses and direct reports are virtually in each other's

homes or meeting in situations where they are both essential and therefore both facing potential life-threatening pressures. A stronger foundation of caring and trust exists for most leaders than ever before for effective, meaningful coaching and mentoring. There is evidence from employee pulse surveys that indicates that meaningful conversations are occurring at an unprecedented level (Adair, 2020).

Of course, organizations still may need to nudge managers to remember to ask how things are going, inquire about the obstacles and distractions they are facing in getting work done, and share ideas about how to address those challenges. For those managers who are not yet comfortable initiating constructive conversations, technology providers have created smart device applications and toolkits that provide such nudges to those managers, often in a just-in-time fashion.

> *Many organizations continue to contemplate RIFs or extended furloughs. Wouldn't accelerating the performance evaluation cycle be helpful as input to downsizing decisions?*

Organizations should not try to collect performance ratings if there is a pending Reduction in Force (RIF) or selective furlough. The process will be so corrupted by the full range of motives—most of them unrelated to an effort to get an accurate read—that the appraisals will be worthless (Murphy, 2008). Further, these corrupted evaluations are a dangerous basis for making decisions on who to release and who to retain for recovery. Unlike performance appraisals, painful downsizing decisions should be based on a *prospective*, not retrospective, view. The organization's talent *strategy* should guide the capabilities needed to execute the business strategy in 2022 and 2023. A holistic, fact-based readiness assessment against these strategic requirements should guide selection of the go-forward team (e.g., Cascio, 2009).

Final thoughts

For many years human resources leaders have been working on visualizing more efficient and effective ways to manage performance. Although I-O practitioners may differ on the nuances, there is today a strong consensus on what good practice looks like: Simpler administration; regular, supportive, helpful, motivating performance conversations all year long; evaluations that don't rest solely on the retrospective view over an entire year's performance of the manager alone; greater clarity for employees on expectations and greater corresponding commitment from employees to exceed those expectations (Aguinis, 2019; Pulakos et al. 2019).

This pandemic has brought us great tragedy. But, as the focal article suggests, it has also brought organizations the opportunity to use this moment of unfreezing to improve people practices, at least for now. Organizations should carpe diem, seize the day, and perhaps these changes, initiated due to today's emergency conditions, will actually turn out to introduce long-lasting material improvements in how performance is managed in our organizations.

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