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The Missing Piece in Employee Development

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BY NIK KINLEY AND SHLOMO BEN-HUR

A QUIET REVOLUTION is underway in how companies manage employee performance. In recent years, organizations have begun to prioritize processes for improving future performance over evaluating employees' past efforts. Yearly development objectives, annual reviews, and formal feedback tools, long championed by human resource departments, are being replaced by real-time feedback delivered directly by line managers.

Although this shift holds much promise, it risks bumping up against some hard realities — namely, the ability of line managers to help employees develop. We surveyed more than 500 managers around the world. About three-quarters of the managers said they had no trouble helping employees identify and understand which behaviors they needed to change to improve performance, and roughly the same percentage said they knew how to deliver feedback. Yet only about one-third said they knew what to do to help people change, and less than 10% had confidence about making behavior change stick over time. Little wonder, then, that less than half of the managers we surveyed believed that efforts to change behavior actually work. If line managers are the linchpin of the new performance management process, a 50% success rate is not good enough.

A possible explanation of these findings is that change is tough. Yet research shows that people can and do change. The frustration expressed by managers was not that development was difficult, but that it was unpredictable — that sometimes it happened and other times it didn't.

It turns out that psychologists and behavioral economists know a lot about how behavior change works. The trouble is that their insights are rarely presented in a way that managers can apply. During the past five years, we sorted through decades of psychological research in an effort to help managers become more effective in fostering change and development.

Conventional approaches to change involve a simple, two-step process: First, identify what needs to change, and then resolve the issue, usually by providing information about what new behaviors are needed through advice, feedback, or training. Interventions using this model are straightforward, but largely ineffective. Recognizing the limitations, many organizations have recently moved to coaching by managers. Coaching conversations have a different — more collaborative — tone than the more instructional "identify and resolve" approach, but at their core they are still primarily about identifying what people need to change and what they must do about it.

This approach is fine as far as it goes, but it doesn't go far enough. It neglects what goes on around the development activity. This is critical, because many studies have shown that contextual factors — the environment and the conditions in which development happens — are more important in determining whether change and development happen than the content and quality of the development activity itself.

The Role of Context

We usually think of context as what lies outside people — the circumstances and environment they are in. Yet there is another type of context that researchers have found to be just as important: what's going on inside people and their efforts to change their behavior. One factor, of course, is a person's capability, what he or she is able to do. Another is how confident people are that they can change and their commitment to the change.

To identify which of these contextual factors are most important for change, we reviewed evidence from four very different schools of psychological research: behaviorism, cognitive psychology, systemic psychotherapy, and behavioral economics. Then, we isolated four key factors that can make a real difference to people's attempts to change and that managers can use as levers to help employees perform and develop effectively. The four factors are:

- **Motivation:** Do the individuals want to develop?
- **Ability:** Do they know what they need to do to change, and do they have the skills required to develop?
- **Psychological Capital:** Do they have the inner resources (such as confidence, willpower, and resilience) needed to sustain change?
- **Supporting Environment:** Do key elements in the working environment, such as social support, situational cues, and social norms, support personal development?

Motivation The research on motivation is pretty clear. If people don't want to change, then the likelihood is that they won't. When people are motivated to make a specific change, they are far more likely to achieve it. While managers may understand this, how to motivate employees is not always apparent. Indeed, our survey found that only 28% of managers felt confident about their ability to motivate people to change. This may seem odd, given the enormous attention and resources that organizations dedicate to incentive systems. Most of the time, however, companies use rewards or penalties, often referred to as extrinsic motivation. Although there is evidence that rewards and penalties can work to promote behavior change, they are only half of the picture. Intrinsic motivation — motivation that is fueled not by external rewards but by internal feelings of finding something fulfilling or enjoyable — tends to be a more powerful and durable type of motivation.

Ability Of all the factors in the model, ability is probably the most commonplace for business managers to consider. For development to be successful, leaders need to ensure three elements: (1) whether someone's role provides the opportunity to perform the new, desired behavior; (2) whether he or she has the necessary skills and knowledge to perform the behavior; and (3) whether the individual has the physical resources (such as equipment, time, or money) required to learn and perform the new behavior.

Psychological Capital Psychologists have been studying psychological capital for many years. Through this research, they have identified two factors that significantly impact whether people can sustain behavior change: whether the person believes he or she can succeed, and whether he or she has the willpower and resilience to see things through. Research shows that those who are more confident they can change and are better able to persevere and cope with setbacks are also more likely to be successful in changing their behavior. Interestingly, the biggest predictor of how much psychological capital people have in the workplace is not their own life history or previous experience but their manager's behavior and the type of work environment he or she creates.

Supporting Environment The final element is the external supporting environment. This includes elements such as the physical work environment, team dynamics, and organizational culture, all of which can affect an individual's ability to change. Yet there are three levers in particular that managers can use to promote change and development. They are social support; nudges (in the form of suggestions, incentives, and targeted information); and habit structure. All three of these can be used to support development initiatives such as coaching and training, and all three can make a drastic difference in whether these initiatives succeed.

Managing for Performance Development

This may all sound like too much for an overloaded manager to contemplate. Yet the factors described above can be addressed through relatively simple techniques. Deloitte at one point estimated that it was spending almost 2 million hours of organizational time every year on annual performance ratings for its employees. Clearly, there are opportunities to redirect managerial time and effort to supporting behavior change and development.

Before this can happen, however, organizations need to look beyond their simple two-step instructional models of change and development. They need to ensure that every development initiative includes a plan for ensuring that the working context supports change. This is why the shift in how companies approach performance management — focusing more on development and less on evaluation — is so important. Without change, managers won't be able to play the supporting role required in order to make development activities more effective.

The headlines in recent years about the changes to performance management have focused on how evaluation ratings are disappearing. The real news — and the real revolution — is in how managers can use performance management to improve the performance of their people.

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