

Fearless Feedback Boosts Trust While Replacing Traditional Performance Appraisal at Independent Living, Inc.

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The leaders of Independent Living, Inc., a consumer-directed, cross-disability advocacy and service organization dedicated to enhancing the quality of life for persons with disabilities, recognized the need to enable management and staff to achieve organizational excellence under increasing cost pressures and funding challenges while becoming ever more responsive to the changing and increasingly demanding needs of a growing clientele. Analysis revealed that the organization's performance management system was hampering its effectiveness and that a new process for improving trust and developing capable leaders at every level was needed. Grounded in systems thinking, a fearless feedback approach was implemented to fully engage staff and spur both productivity and innovation. The results after four years show dramatic improvements in the value of workplace conversations, the level of trust, individual and team performance, leadership skills, and the ability of employees and managers to develop work-related skills, accomplish goals, communicate more effectively with each other, and learn. Overwhelmingly, ILI staff members identified fearless feedback as an improvement over the traditional performance appraisal program previously employed. © 2014 Wiley Periodicals, Inc.

How can we deliver vital high-quality services to our clients in the face of enormously challenging conditions and momentous change? How can we help our managers be more effective and become

better leaders? How can we distinguish ourselves from our toughest competitors? How can we improve our performance management system to help answer these questions more quickly and easily? These were among the questions facing the human resources (HR) director at Independent Living, Inc. (ILI), a nonprofit organization based in Newburgh, New York, that assists people with disabilities to achieve their maximum potential by helping them build on their strengths and eliminate physical and attitudinal barriers that impede progress and prevent them from making the transition from system dependency to independence in cost-effective ways. ILI staff help clients with home modification, Americans with Disabilities Act consultation and environmental modification, assistive technology, benefits and employment, personal assistance, deaf and hard-of-hearing services, early childhood direction, family and student services, independent living skills, mental health services, service coordination, and community support services. ILI promotes choice, self-determination, and total participation with and for people with disabilities.

Having worked for a number of different organizations, the HR director at ILI was keenly aware of the challenges that most HR managers face with their performance review processes. For instance, one global performance management survey found that only 3 percent of organizations rated their performance management policies as exceptional

(Mercer-A Marsh & McLennan Company, 2013). Frustrated with the inefficiency of various feedback processes, the HR director asked the ILI management team to participate in designing a new process. Although the management team spent nearly four months on the effort, they ended up with a process that was still nearly identical to most other traditional performance management systems. The HR director knew that merely tweaking some of the organization's feedback forms and/or changing the rating scale would not be enough to help ILI address its daunting challenges. The management team needed something more robust, a completely different process to leverage employee creativity and energy.

Experience shows that when HR managers are frustrated with their performance appraisal system, they tend to blame managers, who are supposed to effectively implement the process, for its failure. One study of performance management concluded that managers do a poor job with difficult performance discussions, and found that 56 percent of respondents focus on manager training to address this dysfunction (Sibson Consulting, 2010).

ILI's HR director was more astute than this, however. She realized that the organization's performance management process was flawed and that the managers were doing the best they could within a dysfunctional system. Aware of the fact that ILI's personnel would respond well to a new system, she implemented fearless feedback, a process in which employees at all levels could speak up without fear of blame or retaliation.

After three and one-half years under the initiative, a survey was conducted to assess the effectiveness of the new approach. Despite technical difficulties in contacting offsite employees, which hampered the polling, 50 percent of the employees were able to respond: 10 managers and 60 employees. The majority of those respondents noted significant improvements in:

Exhibit 1. Fearless Feedback Improves Our Ability To Have Valuable Conversations and Communicate

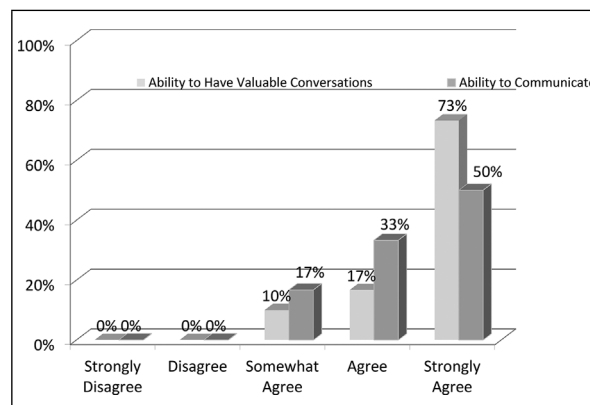
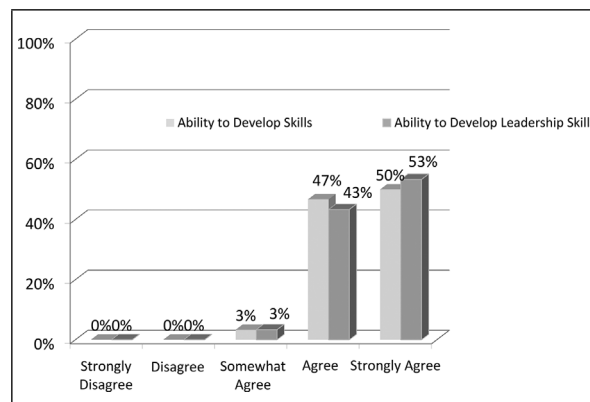


Exhibit 2. Fearless Feedback Improves My Ability to Develop My Skills and Develop Leadership Skills



- The value of workplace conversations and the ability to communicate more effectively with each other (see Exhibit 1),
- The ability of all employees to develop skills and improve their leadership abilities (see Exhibit 2),
- The ability to accomplish goals and learn (see Exhibit 3 on page 52),
- Individual and team performance (see Exhibit 4 on page 52), and
- The level of trust (see Exhibit 5 on page 52).

Exhibit 3. Fearless Feedback Improves My Ability to Accomplish Goals and Ability to Learn

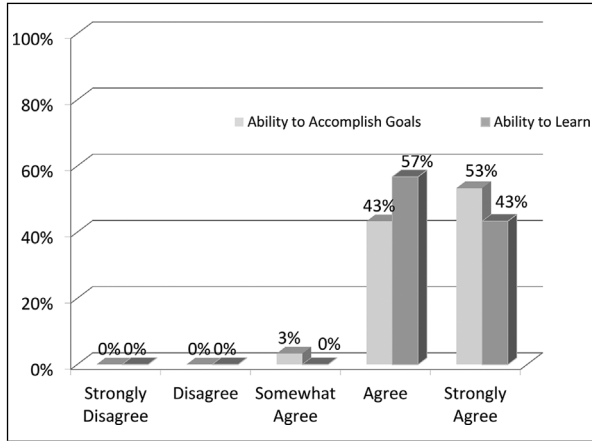


Exhibit 5. Fearless Feedback Improves Trust

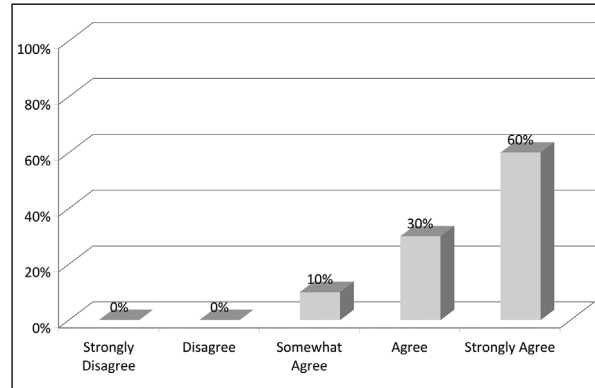


Exhibit 4. Fearless Feedback Improves Individual Performance and Team Performance

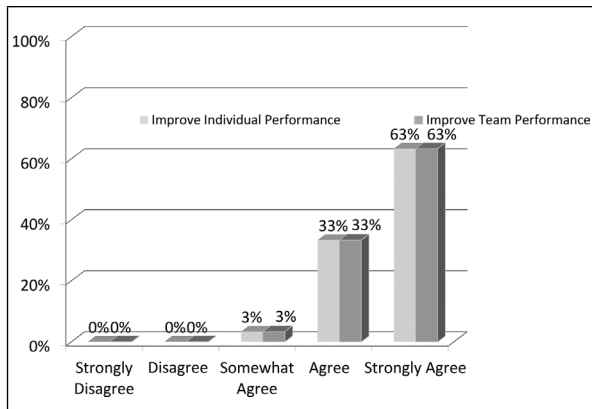
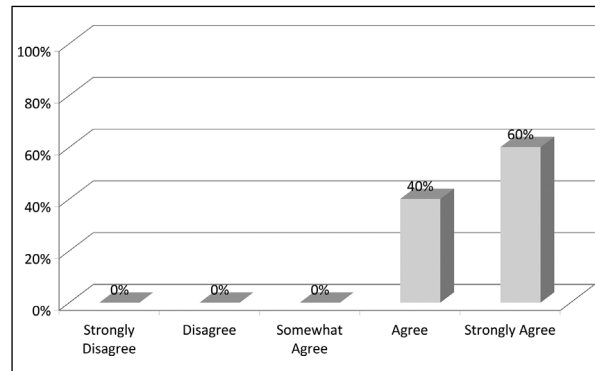


Exhibit 6. Fearless Feedback Is Better Than Typical Performance Appraisals



Overwhelmingly, they identified fearless feedback as better than the type of appraisal process typically employed (see Exhibit 6).

The Role of Fear in Traditional Feedback

Feedback is information for the purpose of learning. Feedback is a safe way to understand how to improve our behaviors, individual performance, skills (personal development), tasks, handoffs, and/or the processes within which we work. Criticism is opin-

ion or judgment. Yet, feedback and criticism are very often confused with each other. That confusion causes all kinds of problems for an organization in terms of distrust and poor communication. People want feedback on a regular basis. They do not, however, usually want criticism—unless they have a trusting relationship with the person providing feedback and/or they specifically ask for it. Criticism can damage trust. Feedback usually improves trust, although it can also be neutral.

Fear is an unpleasant emotional reaction to a situation stemming from the belief that danger, pain, or some other unpleasant feeling or circumstance is

imminent. Feedback is often considered painful because it is related to criticism or judgment of an individual. People do not like being judged, especially if they think the judgment will be unfair.

Moreover, 80 percent of employees believe they are among the top 25 percent of their organization's performers (Coens, 2000). Any rating below that will disappoint and demotivate. Judgment can stifle creativity, reduce productivity, and engender fear—fear of damage to one's reputation, loss of credibility, and embarrassment. Employees who fear a low rating will take fewer risks and make fewer suggestions. This is why fearless feedback is essential.

When a process damages trust, impedes truth, and prevents cooperation between its parts, as a traditional performance appraisal process can do, it damages the performance of that system.

Self-Assessment Leads to a Systems Thinking Approach

The ILI management team reassessed its improvement efforts, and a board member suggested contacting Optimum Leadership, Inc., an organizational quality-consulting firm based in Milford, Connecticut. The Optimum Leadership consultant presented a process consistent with the systems thinking championed by Dr. W. Edwards Deming (1994). He explained that a system is a series of interdependent processes that attempt to achieve an aim or purpose. Because of this interdependence, any attempt to improve an individual part in a system will improve or optimize the overall system. With the help of Optimum Leadership consultants, ILI managers learned that their traditional appraisal approach was actually hampering their efforts to improve the organization.

Traditional performance appraisal systems typically seek to improve:

- Individual performance,
- Organizational performance,
- Communication between employees and supervisors,
- Career and pay decisions regarding employees, and
- Protection from lawsuits, particularly those charging wrongful termination.

Most of these programs fail because they are inconsistent with systems thinking, which requires that a series of interdependent parts cooperate to achieve a common purpose. When a process damages trust, impedes truth, and prevents cooperation between its parts, as a traditional performance appraisal process can do, it damages the performance of that system.

ILI managers asked, Do people come to work wanting to do the right things and to do a good job? They concluded yes. In contrast, three assumptions underlie the typical appraisal system, which contradict this basic belief. The HR director and CEO at ILI realized this was one of the reasons why they were so frustrated with their appraisal process.

- *Flawed Assumption 1: Measuring the performance of the individuals in a system will improve the performance of the organization.* In a system, improving the quality of the interactions between individuals is more important for organizational performance improvement.
- *Flawed Assumption 2: Individuals have control over the results of their work and the factors that allow them to achieve their goals.* All the parts in a system are interdependent. Therefore, many factors contribute to the attainment of a goal. Some of those factors are unknown and unknowable. For example, if a manager is abusive and controlling to employees, that behavior will frequently cause fear, which leads to poor performance. The measurable effect of this fear-filled environment on employees' productivity and the quality of their work is unknown and unknowable.

- *Flawed Assumption 3: Managers can evaluate individual performance separately from the contributions of others and the influence of the work tools, environment, etc.* Managers cannot separate any bias they may have, whether positive or negative, from their evaluation.

The fearless feedback system that the consultant proposed to ILI managers was entirely consistent with systems thinking. But before ILI could move forward, its management had to identify what was holding the organization back.

Management transparency suggests open and honest communication in all things, including one-on-one conversations.

Focusing on Trust

An employee engagement survey conducted at ILI in 2009 measured the level of trust at an average of 3.6 on a scale of 1 to 5. The management team felt that this level of trust was inadequate and, therefore, not conducive to achieving organizational objectives. People need to be able to respectfully tell the truth to each other in an organization, without fear of reprisal, in order to correct mistakes and prevent problems. Otherwise, the same problems will recur over and over again.

People also need to feel comfortable in telling the truth to feel fully engaged. They need to tell the truth to protect their own integrity and to manage trust. They need the freedom to speak the truth to innovate. They need to tell the truth to facilitate positive change and to effectively adapt to changes imposed on the organization. To tell the truth, however, they first need to trust.

According to research by TINYPulse, an organization that conducts brief surveys of workplaces around the globe, management transparency is the factor that is most strongly correlated to employee

engagement (Lipman, 2013). Management transparency suggests open and honest communication in all things, including one-on-one conversations. The inability to deliver fearless feedback was contributing to the lack of transparency. Part of the complete performance improvement process (CPIP) management system (Hauck, 2013), it fosters employee engagement by encouraging open and honest communication.

Boosting Performance

The ILI management team also determined that they had to find new ways to be more effective. They were being asked by their funders to do more and more with the same amount of money. Furthermore, their clients were becoming ever more challenging and their number was increasing. Competitors were failing to fully service the client base, so ILI's CEO obtained permission from the organization's funder, New York State, to allow ILI to acquire the competitor's geographic responsibilities.

These factors increased the pressure on ILI managers and staff. They needed a more effective way to manage their additional responsibilities and workload. They needed to improve both individual and overall organizational performance.

Improving Learning and Leadership Skills

The HR staff and the CEO knew that when managers and employees blame each other for organizational problems, engagement and performance suffer. They needed a way to replace blaming with learning, and a process that would encourage leaders at every level of the organization to encourage that learning. Having neither the time nor financial resources to implement a formal training program, they needed a way to develop leaders naturally.

ILI's CEO and HR director knew they could not use pay as an incentive to keep the best people. They had to offer an environment that built loyalty and fostered professional growth. They believed that by offering opportunities to learn and develop

leadership skills, they would encourage their best people to stay and flourish for the benefit of all.

The hope was enhanced leadership skills and opportunities for learning would lead to innovation, which, in turn, would improve not only performance, but also the level of engagement and loyalty. Through their work with Optimum Leadership, they began to realize the need to adopt a new way of thinking and a new performance management process. The following five steps helped ILI with this transformation.

- Step 1: All managers participated in training sessions that explained the importance of feedback and why most performance appraisal systems prevent effective feedback. The training also explained how the lack of effective feedback was preventing ILI from realizing its goals. After the managers were trained, employees received training on why the change was being made, the intended outcomes, and their responsibilities.
- Step 2: Consultants from Optimum Leadership presented the Values and Systems Model of effective leadership, which provides guidance on how to quickly make decisions that will optimize the kind of employee engagement and operational results that lead to customer loyalty. Based on research on the values that create a trusting and effective work environment (LeBow, 1997), this model would help ILI management replace the assumptions and strategies found in typical performance appraisals.
- Step 3: To create a new strategic plan, the consultants introduced hoshin planning (Cowley & Domb, 1997). The hoshin plan is consistent with fearless feedback because it uses the Plan-Do-Check-Act (PDCA) learning process, in which each step requires effective feedback (Deming, 1994).
- Step 4: ILI staff and management received assistance in creating goals that would provide the context for the performance discussions between managers and staff, thereby ensuring the effec-

tiveness of the new fearless feedback process. The feedback was essential to helping staff and management achieve the goals they set.

- Step 5: The management team members were trained on how to facilitate an effective fearless feedback meeting.

The management team at ILI pinpointed five goals, or areas for improvement, realizing that, just like the clients they serve, they needed guidance and expertise to accomplish their goal. Specifically, they wanted to improve the ability to:

- Enhance employee engagement and, therefore, attract and retain talent in a challenging industry that often does not pay as well as other organizations in the private sector or as well as the state agencies;
- Foster and manage trust, which is the foundation for performance improvement;
- Innovate and continuously improve services and effectiveness, thereby distinguishing ILI from its competition and ensuring stable funding sources;
- Adapt to change and continue to provide the best service to clients, who relied on ILI to live up to its mission statement of enhancing the quality of life for individuals with disabilities; and
- Give and receive the type of essential feedback that was not being obtained through the current performance review process.

The Benefits of Fearless Feedback

There are six major ways in which fearless feedback can improve organizational effectiveness. It helps employees:

- Improve their level of trust, which is essential to boosting performance;
- Accelerate learning;
- Adapt to change more naturally and quickly while minimizing loss of productivity;
- Become accountable for behaviors that optimize trust and learning;

- Improve their level of engagement; and
- Contribute to the creation of a knowledge-based environment.

Boosting Performance With Trust

Most organization development research confirms the fact that creating a culture of trust is essential to achieving organizational goals. High levels of trust can destroy fear or at least neutralize its effects. When there is a high level of trust, people are willing to open up, to allow themselves to be vulnerable because of the presence of integrity, concern, shared objectives, and competence, and high performance follows (Shockley-Zalabak, 2000). “When people trust their manager, they’re willing to undertake a change even if it scares them,” wrote Bridges (2003, p. 109). According to Stephen Covey (1989), trust is the highest form of motivation, and the giving and receiving of feedback is a critical element for building and maintaining trustworthy communication (Reina & Reina, 2006).

Accelerating Learning

The ability to learn faster than your competitor is a huge advantage in the knowledge age, and feedback is a necessary element of any learning cycle—particularly the PDCA cycle popularized by Walter Shewhart and Dr. W. Edwards Deming. Feedback occurs in the “Do” phase of the cycle, where data are collected to best understand how a process is working. Effective feedback helps answer the question, “Is the process delivering the expected outputs and outcomes?” Without such feedback, there can be no learning.

In the Industrial Age, learning was mostly the result of noting how fast managers could solve problems. This led managers to create new policies and procedures that would be implemented by employees—a command-and-control approach to business. In such an environment, feedback often takes the form of corrections to policies and procedures instituted by management. Thus, it is manager dependent, which means that decisions can often be delayed,

slowing down productivity, learning, and problem solving; hampering quality and customer service; and robbing employees of their pride.

Adapting to Change

Feedback is needed to optimize positive change, which cannot be controlled but only detected, anticipated, and adapted to (Wheatley, 2006). People need help to adapt to change.

Most organization development research confirms the fact that creating a culture of trust is essential to achieving organizational goals.

“Feedback is a critical element in the ability to make rapid strategic integrated choices concerning the pace and direction of change,” according to Cloke and Goldsmith (2002, p. 238). The organization that can accelerate change and involve the participation of all its members will create a competitive advantage in today’s fast-paced global economy. Receiving feedback in a fearless environment enables everyone to take positive steps in working with change. Here, too, trust is essential, as it is a building block for working with multiple simultaneous changes (Bridges, 2003).

All change creates disequilibrium, which creates motivation to adapt. Feedback provides the disruption or disequilibrium that can facilitate change (Wheatley, 2006). Therefore, fearless feedback provides a stimulus to prompt change.

Ensuring Accountability

Holding employees accountable to the commitments they make is an effective strategy for achieving high levels of performance. Holding people accountable for results can lead to unintended consequences. Feedback provides the key final step in ensuring accountability. To create trust, managers must expect employees to honor their agreements. They must

expect their workers can be trusted to be people of integrity. They must expect them to do what they say they will do. When they fail to keep their word, managers must remind them of their commitments and their responsibilities in maintaining them. This is the role of feedback. It ensures the honoring of agreements by people of integrity.

When managers and employees can predict outcomes, they can reduce frustration and improve quality, productivity, and customer satisfaction.

Most managers forget that there is variation in every process. Employees cannot do everything perfectly every time. Although it is noble to strive for perfection, it can never be achieved; it is a direction, not a destination. Some factors that cause variation in processes and some of them are known; others are not. Variation must be managed in order to achieve optimum quality, cost, and customer satisfaction. The purpose of fearless feedback is to explore ways to manage the factors that cause variation.

Asking employees to be held accountable to living up to their agreements and commitments and then empowering them to uncover how they can minimize variation is one of the best ways to challenge and engage them. If they can receive the proper feedback, they can begin to move toward the pursuit of perfection. If they are held accountable to the achievement of a particular goal, however, they may become frustrated because they cannot know and/or control all the factors needed to achieve that goal. This frustration can cause various levels of disengagement.

Deming (1994) points out that 94 percent of the time, problems stem from the system itself. If this is true, we can conclude that feedback about people's behavior will solve problems only 6 percent of the time. Managers do best by directing their efforts toward improving the system and study-

ing the feedback from it, and enrolling employees to help.

Improving Employee Engagement

Along with creating a culture of trust, retaining talent is among the most important challenges facing leaders over the next ten years, according to a study by the Society for Human Resource Management (2010). A Towers Watson (2012) study found that high levels of employee engagement contribute to operating income and talent retention. Frequent and effective feedback is crucial to creating an environment of employee engagement. An improved ability to give and receive feedback will improve the relationship between supervisors and employees. According to the Gallup Organization (Cherniss & Goleman, 2001), employee retention is directly dependent on the quality of the relationship with the employee's immediate supervisor. Managers and employees who willingly give and receive frequent feedback demonstrate that they are invested and committed to the organization and to their relationships in the workplace (Reina & Reina, 2006).

Creating a Knowledge-Based Environment

Knowledge is the ability to predict. When managers and employees can predict outcomes, they can reduce frustration and improve quality, productivity, and customer satisfaction. If we think about a company we do business with regularly, we might say we trust that company. But why? In part, it is because we can predict the quality of the product and/or service we will receive when we do business with that firm. Without predictability, loyalty is doubtful.

The PDCA cycle discussed earlier requires feedback. Without feedback, there is no learning and no determination of whether actions were successful. Without PDCA, there is no knowledge. The only way to create and sustain a knowledge-based environment is to continuously use the PDCA cycle to gain

more and more knowledge to improve the ability to predict.

One of the major complaints of the typical performance appraisal is that feedback occurs too infrequently.

Addressing the Two Types of Feedback

When tackling an organizational problem, leaders must begin by asking themselves: Does this problem have to do with individual values or behavior, or with a systems issue (Hauck, 2013)? Distinguishing between interpersonal and systems issues, the answer will simplify the search for a solution and help leaders determine which type of feedback is needed.

Feedback on Interpersonal Interactions

Interpersonal interaction is communication in which information, ideas, and emotions are exchanged between people verbally and nonverbally. In most organizations, employees' managers are responsible for giving feedback to the employees. This manager-dependent process can create a sluggish bureaucracy. But interpersonal interactions can occur frequently with anyone. And in fearless feedback, feedback about the quality of interpersonal interactions can, indeed, come from anyone and at any time.

One of the major complaints of the typical performance appraisal is that feedback occurs too infrequently. As already discussed, infrequent feedback damages employee engagement and, by extension, performance; when delivered as criticism, interpersonal feedback can be demotivating.

Every employee needs to behave with respect and integrity at all times, or performance will suffer. Interpersonal interactions enable people to communicate effectively with integrity and respect. When people are disrespectful, they need to realize it and they

need to stop. When they act without integrity, they need to know it and correct their behavior. Employees need to understand how their behavior affects the performance of others. People often communicate ineffectively, with little or no regard for the impact of their messages. They need to be made aware of that effect in real time. Fearless feedback enables staff members to immediately know whether communication was received in a useful way.

System Interactions

System interactions are the effects that the working environment and processes have on employees' performance. Employees, in turn, influence those processes. How well employees interact with those processes will, to a great extent, determine the quality and speed of their work.

To optimize engagement, employees must be given frequent feedback on their performance in their processes. Although managers may need to provide their employees with feedback on the quality of their interpersonal interactions, feedback regarding how well they fulfill the requirements of their processes should not be left entirely to management. If employees understand how to study a process, they can collect their own data and manage their own processes. They will realize that their performance is interdependent with that of other employees, and that the quality of the handoff of information, products, or services between employees will have a significant impact on the final results.

How Fearless Feedback Works

Fearless feedback is a set of assumptions and tools to monitor and improve the quality and speed of interpersonal and system interactions. The feedback is instantaneous, direct, and nonthreatening. Ultimately, such feedback about the quality of interactions can replace the typical performance review.

Fearless feedback begins with clear and frequent communication of strategic initiatives to all

employees. Once they understand the organization's strategy, they can begin to discuss and appreciate how their jobs can positively influence those objectives. The members of each functional team can then work together to create goals that are SMART: specific, measurable, aligned with strategy, realistic, and time sensitive. They can then identify one or more processes to accomplish each of those goals and the agreements that must be fulfilled to follow the processes. An agreement is a specific measurable and predictable task, a factor that is under control of the person entering into an agreement. For example, coming to work on time is an agreement. Completing a report on time is an agreement. When an agreement is broken, employees can receive immediate feedback about it and be asked to make a new agreement. Feedback on agreements can be delivered without criticism. Fearless feedback, therefore, helps create a high-trust environment in which everyone is empowered to managing his or her own agreements. This feature especially attracted the interest of ILI's HR director and CEO.

Instead of having a manager grade an employee, the two become partners in quickly achieving SMART goals with higher-quality agreements. They work as a team to adapt to ever changing conditions, both internal and external. They avoid blame and criticism and innovate to optimize energy and resources—especially time resources—because their focus is on the quality of the interactions and agreements. The manager is no longer a judge of performance. And when people no longer feel as though they are being judged, they feel free to innovate toward better service for internal and external customers. This autonomy and cooperation is engaging and motivating.

Like traditional performance appraisal systems, fearless feedback calls for one-on-one meetings between managers and those they supervise, with at least one formal meeting per year. At this meeting, the manager generates a summary of agreements and the employee completes a self-assessment form, which is discussed. This is not, however, a list of top-

down demands dictated by the manager. Instead, it is a list of action steps negotiated between the manager and employee. They are mutual commitments, which they both own and which they both predict will lead to improvement for the employee, the manager, the department, and the organization. There are several other significant differences between the two approaches.

First, under fearless feedback, a new set of observable operational values that clearly defines integrity, respect, and customer focus is created for the purpose of managing the variation in behavior of both employees and managers.

When an agreement is broken, employees can receive immediate feedback about it and be asked to make a new agreement.

Second, the rating of the employee is eliminated. The focus is shifted away from the quality of the individual and toward to the quality of that individual's interactions with others. Therefore, it is no longer necessary for the manager to formally evaluate employees on teamwork, leadership, customer focus, continuous improvement, or personal learning. The manager now can facilitate agreements for improvement in each of those areas. The evaluation of those interactions is highly proactive and fosters a partnership between the manager and employee. It is no longer necessary to provide opinions about employee characteristics, behaviors, or traits. The manager does not complete a report with opinions about the employee. The only written document is a list of agreements that the manager and the employee state are to be completed by a certain time.

For example, if the employee and the manager both conclude that a particular job requires improved project management skills, the manager might agree to research possible training programs and the

employee might then agree to attend. The manager agrees to research the options within one week. The employee agrees to choose an option the following week and then to attend as soon as the work schedule allows.

Third, the manager must play an active role in improving trust and cultivating a working relationship with the employee. The manager also must complete a self-assessment, and it, too, is discussed with the employee to improve the level of trust between them. In such a system, managers take responsibility for improving their behavior and performance at the same time that employees improve theirs.

Fourth, any discipline that is required must be documented with data proving that agreements were broken. Such data could include observations, memos, or e-mails detailing breaks in agreements.

Finally, managers are just as accountable for honoring their agreements as employees are. If a manager breaks an agreement, the employee is not just permitted but obligated to give that feedback to the manager. Everyone is expected to manage his or her own agreements. Feedback about the agreements can be given to anyone at any time.

Feedback on Values First

As mentioned earlier, ILI management realized if interpersonal interactions between employees were to be improved, they needed a set of operational values or behavioral standards to guide them. A team composed of management and some staff members created these guidelines, which identified the following five success factors needed to ensure the quality of interpersonal interactions:

1. There must be clear observable values/behaviors to enable everyone in the organization to observe and give feedback. This includes statements about managing agreements. For example, employees are expected to make only those agree-

ments that they are willing and able to keep. They are also expected to immediately let those who need to know when they cannot keep those agreements. Doing so helps foster a trusting environment in which everyone understands what kind of behavior is expected.

2. Managers must be aware of how their behavior is interpreted by others in the organization, especially by those in their work team. Managers must live up to the standards of the organization's values/behaviors. Therefore, they need to receive feedback on their behaviors before they can deliver feedback to staff. Managers must be emotionally intelligent (Goleman, 1995).
3. Managers must embrace systems thinking. In other words, they need to stop evaluating people and start evaluating the interactions between people (Hauck, 2013).
4. Managers must have highly developed coaching skills. The ability to be a coach when necessary will facilitate the creation of a culture of trust and performance improvement.
5. Managers must learn to use tools to evaluate the performance of their processes.

If a manager breaks an agreement, the employee is not just permitted but obligated to give that feedback to the manager.

Fearless feedback improves self-awareness because the feedback about specific values and behaviors is immediate. Ryan and Oestreich (1998) found that more than 70 percent of people in the workplace, especially managers, are unaware of how their behavior creates fear in others. Such self-awareness is one of the competencies of emotional intelligence (Goleman, 1995). A report by the Korn Ferry Institute confirms that higher self-awareness in employees improves leadership competencies and boosts the profitability and performance of the organization (Landis, 2014).

Feedback on Processes Second

Improving trust between people is like putting grease on ball bearings: It allows the “wheels of improvement” to begin to turn more easily. Therefore, once interpersonal interactions are working well, trust and truth will flow more freely. This new level of trust will provide even greater opportunities for improving processes.

Employees in a system are interdependent. They rely on each other to provide complete and accurate information, products, or services to each other to do their work. When such handoffs go smoothly, people are productive. ILI managers and staff began working on improving the quality and flow of their handoffs. Checklists of the items or tasks that would help ensure problem-free handoffs from internal suppliers to internal customers were created to enable everyone to take specific action to improve his or her own handoffs.

Not every employee directly services external customers; however, every employee has internal customers with whom they must interact and to whom they must effectively hand off information, products, and services. By taking responsibility for the quality of their individual handoffs through the use of checklists and frequent and immediate feedback from their internal customers, everyone can be engaged and work toward improvement.

Fearless Feedback Heightens Employee Engagement

By switching to fearless feedback, a performance management process consistent with systems thinking, the ILI management team has been able to effectively mitigate the problems they experienced with the performance appraisal they previously used. Managers have refined their leadership skills. At first, the HR director was concerned at the significant reduction in the daily people issues and performance crises that crossed her desk, thinking she was being left out of the loop. Instead, she discovered

that employees and managers were solving their own issues. She began to hear positive stories of enhanced communication and high-quality decisions made between employees.

Her own inquiry into the quality of the meetings conducted under the new performance management process revealed extremely positive reactions. Immediately, she sensed a reduction in stress in the workplace. Able to focus on more strategic HR issues, she felt her own level of engagement rising.

As ILI saw its scope of responsibility expanding with the opening of two new locations, the HR director was pleasantly surprised to receive a surge in high-quality applicants for the new positions that needed to be filled. In an industry that often struggles to find talent because of the lower-than-average pay scale, she found that the job applicants valued working in the kind of high-trust, engaging environment that ILI now offered.

After nearly five years, ILI remains committed to fearless feedback, and its leaders consider the decision to switch from a traditional performance appraisal system as having been instrumental in improving employee engagement and trust. It has helped workers at every level enhance not only the services that are essential to meeting their clients needs, but also their own skill set and job satisfaction in the process.

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