Transforming **Performance Management** with a **Growth Mindset** Approach

Andrea Derler
Emily Sanders
Barbara Steel

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Transforming
Performance Management with a
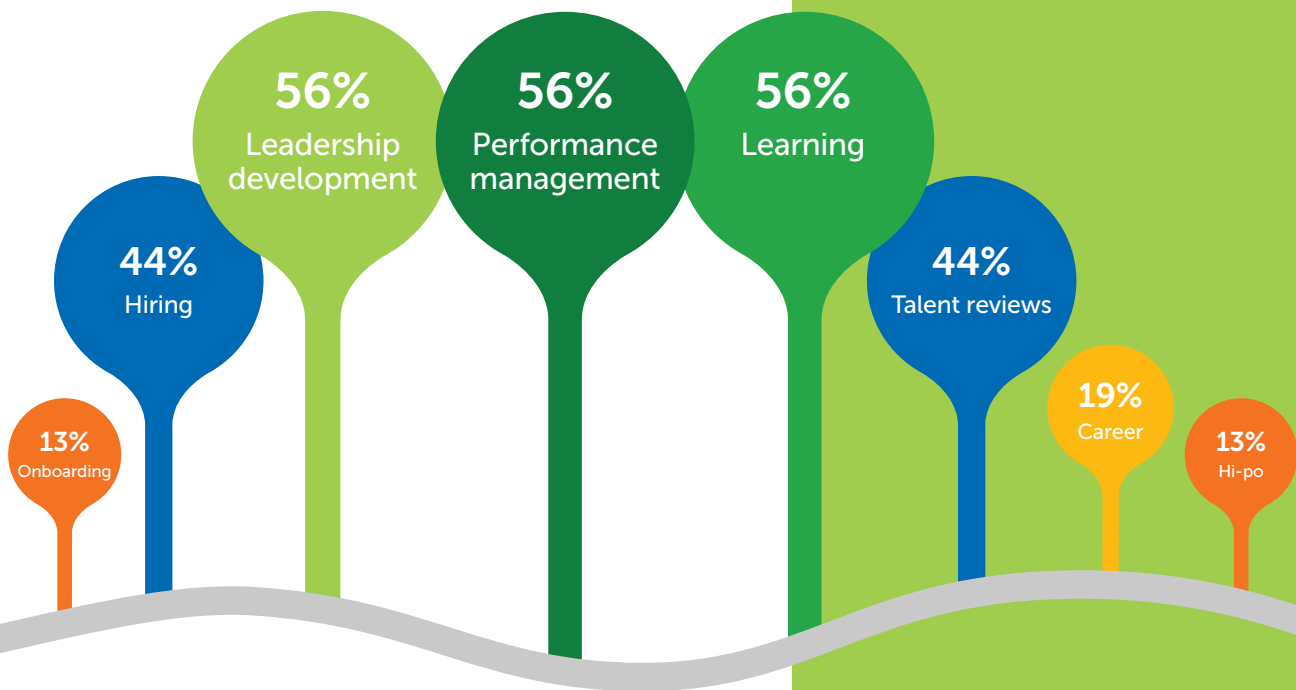# **Growth Mindset** Approach

Figure 1: Growth mindset in talent processes.
Source: NeuroLeadership Institute, 2018.

Growth mindset[1] has become an invaluable capability to enable change efforts in organizations,[2] and our recent industry research[3] showed that 56% of companies use the concept of growth mindset specifically to improve performance management transformation efforts.

Creating sustainable performance management transformation

The majority of organizations have begun to move away from traditional, annual performance reviews[4] — and with good reason. Roughly 90% of performance management redesigns experience a direct improvement of employee engagement.[5] However, transforming performance management can also bring new challenges, especially if companies underestimate the cultural components that accompany such change efforts.

This article describes how three well-known companies utilize growth mindset to facilitate their transition towards a more continuous performance development system. We also provide scientific explanations as to how growth mindset enables performance management transformation across three domains:

- ▶ Enabling employees to be open to feedback
- ▶ Preparing managers to recognize and evaluate performance fairly
- ▶ Creating a more collaborative and less competitive team culture

Insight 1: Employees with a growth mindset are more open to feedback

Increasingly, modern approaches to performance management identify feedback as a critical element. Regular "check-ins" provide a dedicated time for managers and employees to discuss any number of things related to performance or development. These one-on-one discussions provide important feedback for the employee and ultimately serve as a form of learning in which the employee is able to gain insight and reflect on areas that can continue to be leveraged and those that may need course correction. In addition, many organizations are moving to peer-based and crowdsourced feedback, supporting the idea that continuous, real-time feedback can come from anyone in the organization.
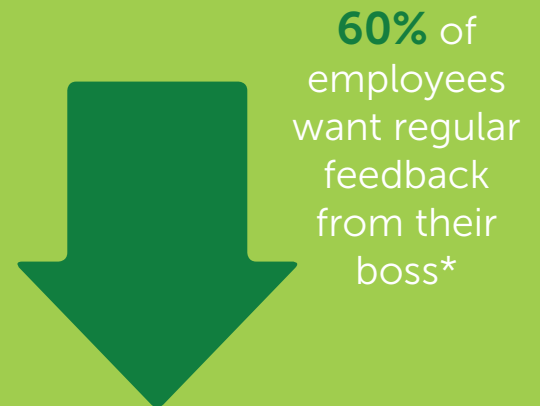
60% of employees want regular feedback from their boss*

Only **50%** of managers give constructive feedback**

*Figure 2: *Shaoolian, G. (2018). This Is The Right Way To Ask Your Boss For Feedback. **How to Set and Achieve Your Goals. Workboard.*

**Fixed mindset
=
Threat**

What if I'm not good?
Maybe I don't have the skills
I could make mistakes
Others may do it better

**Growth mindset
=
Challenge**

I can get better
I can always improve
A great chance to develop skills
A year ago, I wouldn't have
done this well

*Figure 3: Reacting to challenges with a fixed or growth mindset.
Source: NeuroLeadership Institute, 2018.*

The challenge: Managers worry about negative reactions to coaching feedback

Constructive feedback can be a catalyst for growth, and 60% of employees actually want regular feedback from their bosses.[6] However, many managers are worried about negative reactions from coached employees,[7] or lack an understanding of how to make the right behaviors stick,[8] which is why only 50% actually provide constructive feedback.[9] (See Figure 2.)

Growth mindset enables openness to feedback

Growth mindset can lead to more meaningful performance development conversations by changing how employees and managers alike perceive feedback. Research shows that the human brain reacts differently to feedback when in a state of growth mindset compared to a fixed mindset. Individuals in a state of fixed mindset tend to avoid constructive feedback that may help them learn and develop, while a growth mindset primes people to pay more attention to mistakes.[10][11]

The reason for these different responses to feedback lies in the human brain: Issues such as criticism or perceived failures that may be brought up by feedback conversations can cause a person to feel threatened, which can block their ability to listen and learn from the situation. The above figure shows the varying thinking patterns a person may have when in a fixed mindset state versus a growth one. (See Figure 3.)

Individuals with a growth mindset are:

▶ More open to and able to integrate feedback, thereby increasing their intrinsic motivation to learn and perform[12]

▶ Better able to learn from corrective feedback because the region of the brain used to process this type of information is more active — allowing individuals to interrupt their current processing and attend to novel and salient information[13]

▶ Better equipped to recover from setbacks, and recalibrate their thinking and behavior in line with the feedback[14]

Key point:

The human brain reacts differently to feedback when in a state of growth mindset, because it encourages a person's openness to and integration of feedback and increases their intrinsic motivation to learn and perform.

How to give feedback with a growth mindset approach:

Managers and peers who are asked to provide feedback can help boost the effect of feedback by:

- Praising the person's effort, persistence, or other strategies that led to success, rather than emphasizing their talent or innate qualities
- Incentivizing improvement and learning moments, rather than a stringent focus on results and outcomes
- Using a growth-oriented language such as rephrasing "negative" to "developmental" feedback, or asking employees about ways they are planning to move beyond challenges.

▼ Company spotlight

Bristol-Myers Squibb, a 130-year-old American pharmaceutical company, piloted growth mindset adoption to boost its business performance innovation initiative with 1,300 employees. The growth mindset concept underpins every piece of the company's performance management approach, and feedback is at the core of the company's effort to drive behavior change through coaching conversations. For example, managers — considered critical drivers of the performance management transformation — use a "Growth Mindset Discussion Guide" that helps address the improvement of the feedback process and enables conversations in which employees learn to utilize feedback, criticism, or setbacks as learning opportunities rather than obstacles and to take a growth-minded approach to goal setting and career conversations.

The effort to build growth mindset into performance conversations has paid off: After a well-received pilot with 1,300 employees, BMS rolled out the growth mindset approach to performance management to its 24,000 employees worldwide. According to a recent worldwide pulse survey, 93% of employees say that "feedback from colleagues helps improve their performance," and 88% of employees and 97% of managers think that "one-on-one conversations helps to improve performance."

What managers can do:

- Encourage team members to ask for feedback. Rather than proactively provide feedback to team members, teach employees to own their own learning by reaching out to you for feedback.[15]
- Recognize effort and progress. Whilst rewarding positive performance outcomes is important, always acknowledge the effort that led to success, as well as the progress that has been made on the way.
- Create your growth minded language. Tailor your team's terminology and language to communicate continuous development. For example, by adding the term "yet" to self-limiting statements ("I can't do that – yet."), you can help individuals develop a mindset of constant learning.

Insight 2: Managers with a growth mindset are better performance evaluators

As organizations move to more modern, continuous forms of performance management and check-in conversations happen more frequently, managers need to be able to recognize changes in employees' performance and be able to course correct or reward desired behaviors.

Unfortunately, due to the human brain's tendency to fall victim to unconscious biases during performance assessments,[16] many evaluations may be far from accurate.

The challenge: Unconscious bias can render evaluations inaccurate

Conventional wisdom assumes that individuals are able to evaluate performance objectively and fairly. Research, however, suggests that without conscious mitigation strategies, evaluations will invariably be biased — which may be why 77% of HR executives believe that performance reviews don't correctly reflect employees' contributions.[17] (See Figure 4.)

Growth mindset helps change perspectives

Surprisingly, "accurately" evaluating performance is not all that easy to do. One of the reasons for this phenomenon is that the human brain can be stuck on first impressions and assessments of another person's actions and behaviors. If a manager's evaluation anchors on their very initial assessments of an employee, it can be difficult to adjust or re-assess the initial judgment over time, causing evaluations that do not accurately reflect a person's changes in their performance.

However, research shows that managers' mindset affects their ability to accurately evaluate changes in performance, as it helps update the information about the employee's performance. Specifically, a growth mindset enables evaluators to:

- ▶ Take into consideration new data points about the employee's performance
- ▶ Be open to contradicting information about an employee's performance
- ▶ Spot improvements or declining trends in a person's performance
- ▶ Be less likely to attach evaluative labels to team members

"Conventional wisdom"

People can evaluate performance objectively and fairly

Evaluation will be biased unless you use mitigation strategies

What the research says

Figure 4: Conventional wisdom and what the research says.
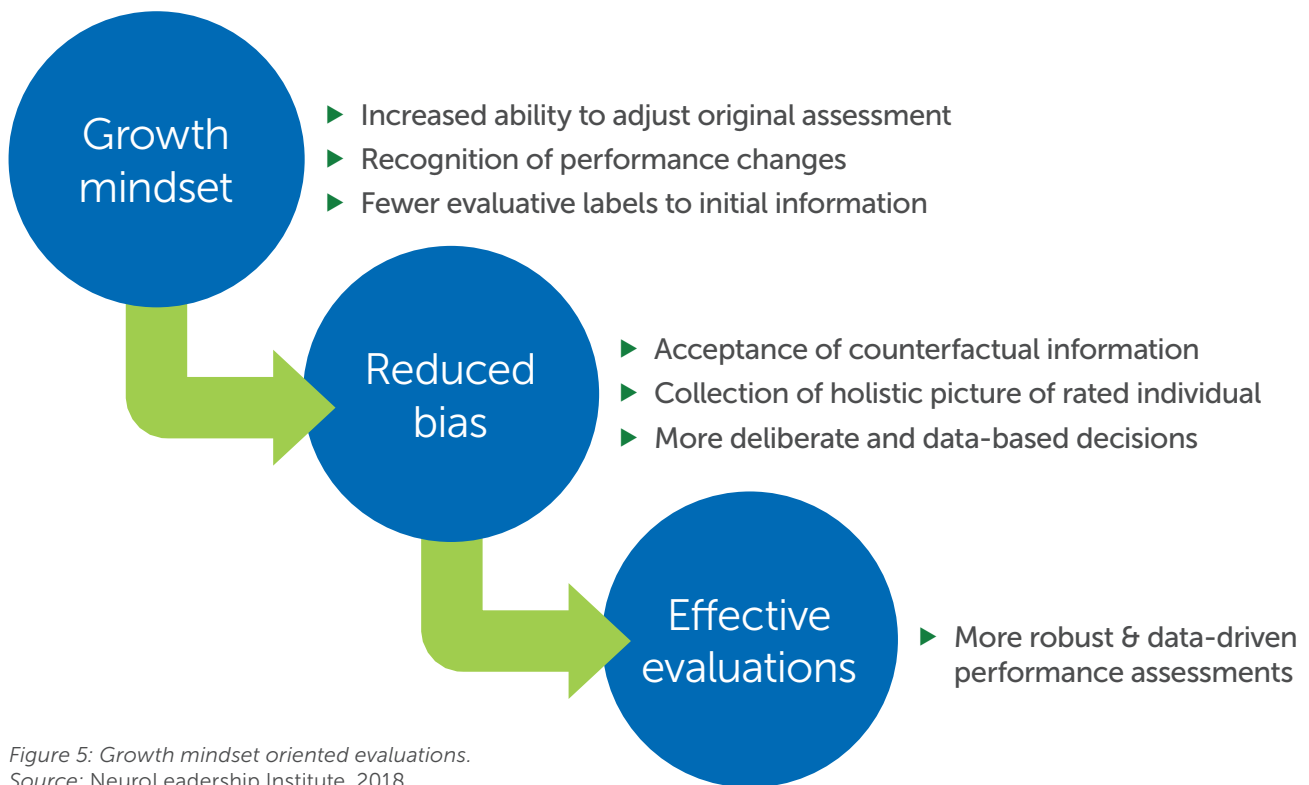*Source:* NeuroLeadership Institute, 2018.

Figure 5: Growth mindset oriented evaluations.
Source: NeuroLeadership Institute, 2018.

▶ Change their perspective and initial judgment about the person
▶ Provide assessments that are more reflective of the employee's current contributions.[18] (See Figure 5.)

Ultimately, when managers are able to recognize changes in performance without fixating on initial evaluations, they reinforce the message of a more data-oriented and development-focused approach to performance management.

Hence, growth minded managers are also less likely to make hasty decisions and instead are interested in gathering more data and information in order to make more accurate final performance determinations.[19]

▼ Company spotlight

Google LLC, one of the world's best-known technology companies, has 85,000 employees around the globe.[20] In 2009, the company embarked on Project Oxygen, a mission to build better leaders and managers in the company.[21] The project, which entailed thorough internal research and people analytics methods, culminated in a list of leadership traits named the Eight Habits of Highly Effective Google Managers. Growth mindset tops

the list of desirable manager capabilities in the framework,[22] and Google managers are asked to learn, challenge themselves, experiment, and eventually boost performance.[23]

In the program, people managers learn to challenge biases and existing assumptions, be more humble in their convictions, and try to reach informed decisions — in their words, to be "less wrong."[24] Paired with a data-oriented approach to all people decisions that includes a system of Objectives and Key Results (OKRs), Google's performance management strategy is rooted in a desire to use data and analytics.[25] In this context, growth mindset is emphasized in the approach to employee coaching, whereby managers learn to focus on being open to the entire potential of the employee and to assume that there is always room for growth.[26]

Google's continued success — the company has been named the "Best Company to Work for" seven times, and employees outrank employees from every other company in terms of monetary value of their productivity — may well be a result of the company's performance management system.[27]

What managers can do:

- ▶ Mind your blind spots. Make it a habit to consult multiple perspectives about an individual's performance to mitigate any bias you may be unable to recognize.

- ▶ Do your research. Make sure to always understand and provide context and examples to support your review and evaluation of a team member.

- ▶ Trick your mind to look at the present. "Hide" or remove previous evaluation information to avoid its impact on current evaluations.

- ▶ Limit your assessment to a certain time frame. When evaluating a person's performance, ensure that you are only taking into consideration a recently specified time window.

Insight 3: A culture of growth mindset improves team collaboration

In many modern organizations, a large amount of work is done in teams and siloed structures give way to more agile forms of collaboration. This makes business impact and work performance increasingly difficult to be assessed on an individual basis, and organizations are beginning to implement performance management to foster collaboration and remove incentives for unhealthy competition (See company spotlight: The Gap).

Key point:

A growth mindset approach enables evaluators to consider new data points, and to change their perspective and initial judgment about an employee's performance over time.

The challenge: The level of team collaboration depends heavily on its culture.

For example, almost 36% of companies include peer reviews in their performance evaluation processes,[28] and 65% consider coaching by peers as important or very important activities.[29] The caveat is, however, that the degree to which a team's performance is enabled by collaboration, peer feedback, and coaching depends heavily on an organization's culture. (See Figure 6.)

36%
use peer reviews for evaluations

65%
consider peer coaching very important

Figure 6: Organizations are increasingly using peer feedback and coaching. Sources: Reflektive 2018/ATD 2017.

Growth mindset creates collaborative performance cultures

Recent research studying the attributes of growth and fixed mindset cultures found that fixed mindset cultures, also referred to as "cultures of genius," where most people believe that talent is innate and can't be changed, saw team members worship talent and display unethical behaviors to gain advantage over others.

On the other hand, individuals in growth mindset cultures, those who primarily value everyone's learning and growth, tenacity and grit, show higher levels of trust and empowerment.[30] Hence, a culture of growth mindset is essential in fostering effective team functioning and performance. (See Figure 7.)

Culture of development
▸ Value passion for growth
▸ Rewards grit
▸ Collaborate

Culture of genius
▸ Worship talent
▸ Think talent is innate
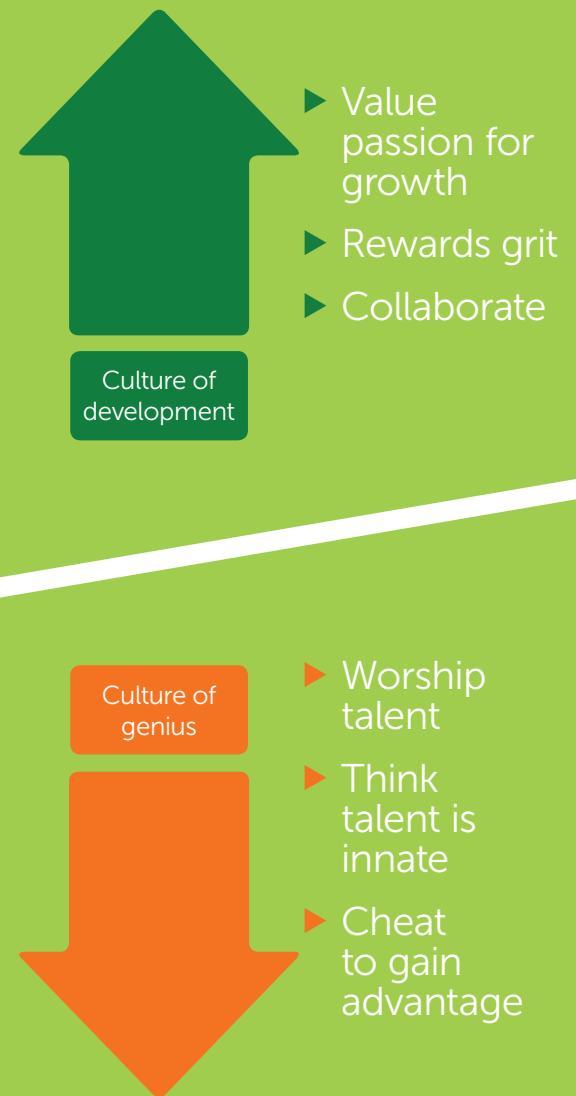▸ Cheat to gain advantage

Figure 7: Attributes of fixed and growth mindset cultures. Source: Delaney, S., & Dweck, C. (2014). *Why fostering a growth mindset in organizations matters.*

> ### Key point:
>
> *Growth mindset team cultures show higher levels of trust, empowerment, and collaboration.*

A growth mindset approach to performance management shapes team performance cultures of either genius or development. For example, traditional performance approaches such as "rank and yank" philosophies shape fixed mindsets, encourage unhealthy levels of competition amongst teams, and, with that, unethical behavior among its members.[31]

In comparison, growth mindset teams are likely:

- ▶ More inclined to share helpful learning strategies with their peers[32]
- ▶ Willing to take poor performance as an opportunity to educate others, rather than punish them[33]
- ▶ Prime individuals to focus on learning and mastering new skills, not on illustrating competence relative to others[34]
- ▶ Likely to not view others as competition they need to beat and instead view challenges as opportunities to learn, reflect, and collaborate

Simply put, fixed mindsets are more likely to breed competition that can hinder effective teamwork.

▼ Company spotlight

The Gap Inc., an American clothing and accessories retailer, has 135,000 employees worldwide and reported $15.855 billion in revenue in 2017. In 2014, the company decided to initiate the transformation of its performance management processes to enable "Growth For All." With full support from the organization's top leaders, including the CEO and head of talent, the revamp was meant to create performance management processes that focused on driving performance rather than just the administrative tasks associated with year-end rewards allocation. A carefully researched and designed growth mindset approach became the foundation to their new process. It included the elimination of ratings and forced rankings, and the introduction of frequent performance conversations that focus on people's individual development.

However, whilst team members are encouraged to define challenging goals for themselves, the focus lies on moving away from a highly internally competitive environment towards one that only compared individuals' performance to their past performance. In this new world, managers'

accountability shifted to providing regular feedback and coaching to their team members without pitting individuals against each other, enabling their employees to learn from successes and failures, to apply these insights in the future, and to communicate the importance of learning for everyone in the company.

In addition to making changes to performance management, Gap also changed its succession planning process to drive a greater focus on development and having a deep bench. Although managers still identify those with high potential, the main focus of the process is to determine who has more capacity now and to act on that quickly. No longer do managers argue about which of the boxes in the nine−box grid an employee should be in; instead they discuss how to maximize current capacity and capability.

The company considers the implementation of a growth mindset powered performance management transformation a success and bases this sentiment in its consistently high employee engagement scores and visible behavior change demonstrated by managers and teams: Teams across business units have begun to adopt a common performance language that emphasizes "getting better, not good," and performance comparisons that focus on self, rather than others.

What managers can do:[35]

▶ Move beyond rewarding pure results. Rather than only emphasizing outcomes, increase the team's focus on continuous learning and development, and by recognizing progress and effort shown in the process.

▶ Reward individuals for team contributions. Ensure that your evaluation of a person's performance always includes a focus on "we," rather than a pure focus on "I." Publicly recognize demonstrated behaviors that foster relevant aspects of team effectiveness such as cohesion, safety, or relatedness.

▶ Create a psychologically safe environment. Membership in a team can help meet our psychological needs. Make sure individuals feel comfortable trying new things and sharing information. When psychological needs are met through team membership, individuals are fulfilled and committed to the team.

Final thoughts from NLI's Performance Practice Lead:

Today's organizations aren't satisfied with the old, one-size-fits-all way of doing performance management. Instead, they want to create performance management approaches that mesh with their existing culture and align with their business strategies, all while adopting new technology that helps assist the initiative.

With so many approaches at their disposal, organizations may feel overwhelmed with where to go. In our work, we help our clients keep the "why" top of mind. This helps leaders focus on what matters most to them in performance management.

At base, however, we must remember the goal of any PM transformation is shifting the energy and focus to the individual employee. New methodologies should promote growth and development for employees through two components: frequent, quality conversations taking place in real time throughout the year, and embedding growth mindset as part of the transformation efforts.

When they take this approach, our clients consistently report increased employee engagement, higher employee retention, and overall improved employee experience. This is extremely rewarding for us. After all, these are the outcomes organizations most look to achieve and sustain. And a successful continuous performance management approach is the best way we know to get there.

For more information

North America
e: northamerica@neuroleadership.com
p: +01 (212) 260 2505

Europe, Middle East, and Africa
e: emea@neuroleadership.com
p: +44 (0) 845 456 3493

Asia Pacific
e: apac@neuroleadership.com
p: +61 2 9300 9878

Footnotes

1   Growth mindset is the belief that skills and abilities can be improved, and in fact, that developing your skills and abilities is the purpose of the work you do. A growth mindset culture is a culture in which all employees are seen as possessing potential, are encouraged to develop, and are acknowledged and rewarded for improvement. © NeuroLeadership Institute, 2018.

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