

Performance Management In The Age Of Social Distancing

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98% of our employees are working from home - David Solomon, CEO of Goldman Sachs on CNBC, April 2, 2020

Over the last few weeks, I've heard several CEOs say the same thing. Much of the business world is working remotely. No one expected this, and no one knows how long it will last. And if some of the buzz is to be believed, after the current Covid crisis is behind us, working remotely might just become the new normal.

While we've all had some experience with managing some team members remotely, are we prepared and ready to manage a workforce in which a majority work remotely? As a people manager, does this bother you? Are you concerned about losing direct control? Do you worry that without close supervision, your employees might slack off, and overall productivity might suffer?

Well, if you're willing to change your thinking on performance management a little bit, you shouldn't. Let's start with two basics about performance.

The 80% Results Guarantee

Whether closely supervised or not, performance in groups of 100 or more takes a bell-shaped distribution curve where roughly:

- 20% of employees are exceptional performers. They *live to work*.
- 60% are good solid citizens. Work is important to



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them but so is family or other interests. They *live and work*.

- 20% do just enough to keep their jobs. Their main passion may be music, sports or something else. Work for them is just a necessity to pay the bills. They *work to live*.

Most managers think this bell curve is a monster created and enforced by their Human Resources department, but it is not. It is a reality based on the age-old Pareto (80:20) Principle which has not been debunked ever since it was discovered by Wilfredo Pareto in 1916.

According to the principle, the exceptional top 20% are responsible for 80% of the results. This is not to say the remaining 80% of employees are not important – a point we will come back to in more detail a bit later. For now, let's remember that in any work environment – virtual or in-office – there will always be 20% for whom work is everything, and they will produce 80% of results. So, 80% of organizational results are guaranteed.

We Don't Need No Supervision

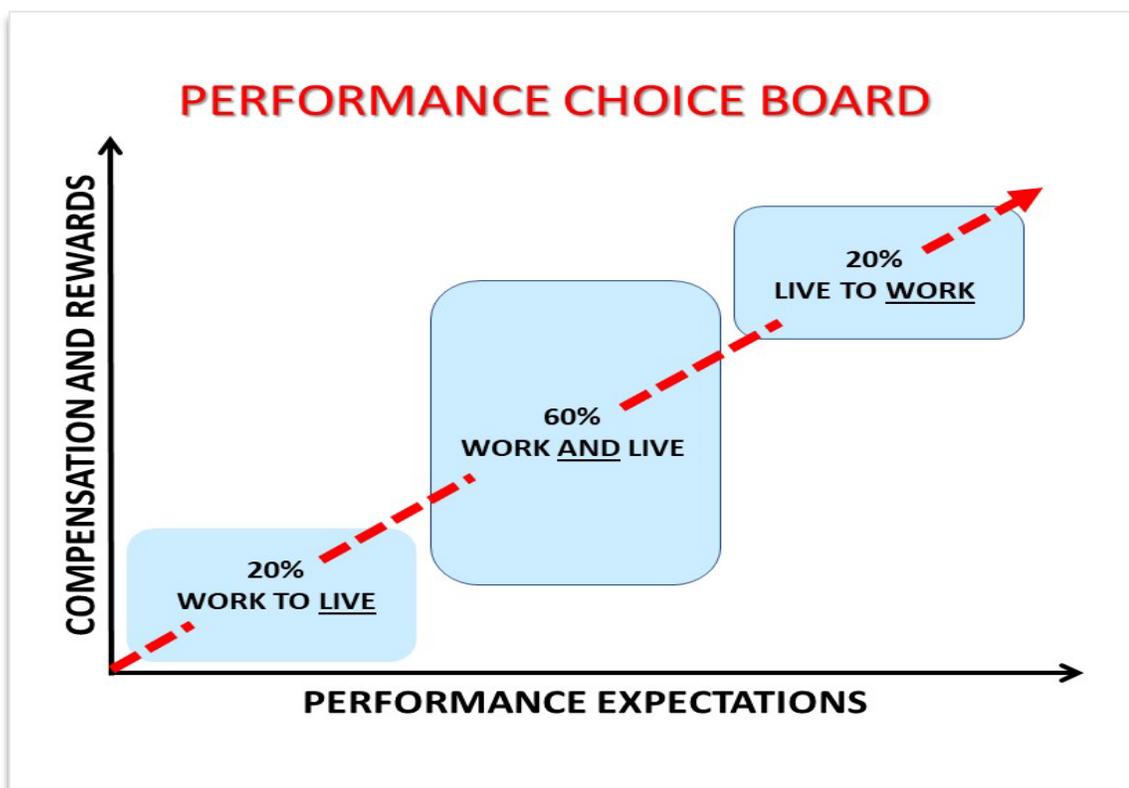
Long before the Covid outbreak, about 36% of the US workforce had already opted for the gig economy where there are no bosses and 9-to-5 schedules. Now, even traditional fulltime employees are demanding the same flexibility and freedom to work as much or as little as they wish. While workers want freedom and flexibility, traditional managers want maximum productivity and performance.

This looks like a zero-sum game in which for one party to win, the other must lose; but it can be turned into a huge win-win for both sides.

Here's how:

Imagine telling your fulltime employees that they can choose to work as much or as little as they want, that there will be minimum supervision, but their compensation and rewards will be in line with their choices. In such an environment, there will be honest contracts between managers and employees. 20% will come forward and say they want to be challenged to the maximum because work is their main priority. 60% will opt to do great support work, but they need some flexibility for other priorities as well. The remaining 20% will want to do minimum work just to keep their job and pay the bills.

Let's turn our bell curve into a performance choice board (PCB) as shown below:



For decades, companies all over the world have tried to enforce the one-size-fits-all (*everyone must stretch themselves to the maximum at their job*) performance management philosophy, but it hasn't worked. Much to their frustration, the 20:60:20 bell curve has prevailed.

Why not accept this reality and replace it with individualized PCB contracts for each employee; and pay accordingly? Managers will now be able to pay their highest performers much more than the rest, and the rest will not feel cheated because they will be paid according to their own choice. Instead of feeling unduly stressed about having to stretch themselves beyond their wishes, now the *live-and-work* 60% and the *work-to-live* 20% can go about their contracted work with less stress and more happiness.



80% of organizational results were already guaranteed by the 20% work-to-live types. Now with their stress/stigma removed, the quality of work produced by the remaining 80% employees will also improve. *Hey Managers, leave the kids alone!*

Let's now come back to the current crisis, and to the question of managing a largely remote workforce. If most of your employees are working remotely, like it or not, close supervision is not even an option. Hopefully after reading the above paragraphs you are not as worried about it anymore. As it turns out, giving freedom is a good thing. However, to protect performance and productivity in a PCB (rather than control-based) management system, managers must keep the following in mind.

1. Clearly communicate performance expectations at each level of the PCB. Make it crystal clear what performance at the top 20%, the middle 60% and the bottom 20% looks like. Performance goals must be as objective and measurable as possible. And no, there is no work area where it is not possible to have measurable objectives.
2. After performance expectations at each level are clearly articulated, now invite employees to make their choices with full knowledge of the fact that their rewards and consequences will be commensurate with how they choose to work.
3. Those choosing the 20% work-to-live contract must be told clearly that if their performance falls below the minimum expectation, they will be let go.
4. Make clear that in case there is a difference of opinion about performance, the manager's word will be final. If they want freedom, this is the price they need to pay. Of course, managers must work hard to make sure such a difference of opinion does not occur in the first place. This can be done first by doing a very good job at 1 above, then by keeping up regular and honest communication.
5. Be available to support employees who need and ask for help. Leaving them alone means not breathing down their necks, it does not mean disappearing. Conduct 1:1 progress review meetings at least once a month. Be a coach as needed.
6. Make compensation and rewards as transparent as possible. In a PCB management system, there is no need to be secretive about pay. Managers can now use the PCB to explain that compensation is commensurate with individual choices.
7. Make sure the top 20% club is not closed to new entrants. The message to employees should be clear: anyone that wants to succeed more is welcome to step up from their current level on the PCB. Similarly, if someone wants more flexibility (temporarily or otherwise) they can opt to move to a lower level.
8. Make sure there is no stigma attached to choosing the *work-to-live* 20% or the *work-and-live* 60% of the PCB. Those that chose these levels are not bad or lazy employees, and their contribution is much needed to complete the picture. Their personal preferences or circumstances determine how they choose to work, and that should be perfectly OK.

In today's times of social distancing, and if remote working becomes the norm rather than the exception in the future, an open source PCB management system as described here is worth considering. I've been practicing it myself as CEO for the last decade; and can vouch that it works in managing both, a remote as well as an in-office workforce. While most managers seek to maximize control, my experience has shown me that freedom produces better results.