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CATALYTIC COACHING: THE END OF THE PERFORMANCE REVIEW*

By Garold L. Markle

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PREFACE: DEMING'S RIDDLE

I had been harboring doubts about the utility of my company's highly touted performance evaluation system for several months before I heard him speak. It wasn't until I stopped to listen to Dr. W. Edwards Deming, however, that the wheels fell completely off my wagon.

During the 1980's Dr. Deming began receiving long-overdue international recognition and acclaim for his lead role in fathering the modern Quality movement. His famous "Fourteen Points for Organizational Transformation" were being used by my prestigious Fortune 100 company to help it come to grips with wonderful concepts like "functional interdependence," "process reengineering" and the "elimination of waste." The work of Phillip Crosby, Joseph Juran, Bill Conway and other Deming disciples was being used to drive a new spirit of empowerment and teamwork throughout the corporation.



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These were exciting times. They helped free all of us from our traditional mental shackles and begin to look at the way we did work from a totally different perspective. We examined everything that Dr. Deming said for wisdom and insight. It was as if his famous Fourteen Points had been etched in stone during a private visit on the highest mountain. All except one, that is. At my company, point number twelve was taboo.

Point number twelve ran in direct opposition to our highly prized performance management system. For this corporation, challenging any aspect of the annual rating and ranking process was tantamount to treason. After all, the top executives were chosen and cultivated this way. To suggest that the evaluation system was logically flawed seemed to be questioning our whole strategy for "separating the grain from the chaff" in addition to the mission-critical "pay for performance" philosophy that served as the glue holding our entire system together.

Point number twelve was discretely eliminated from all postings and discussions. The rest of Deming was great. Apparently he had just one big blind spot. We learned to fast-forward the instructional videos past this portion of his agenda. Senior management didn't contest his ideas on the subject. They just elected to pay them no heed.

It made me curious. What exactly was Deming trying to say with point number twelve? And why did it make everybody so uptight and nervous?

In point number twelve Deming states that an organization wishing to transform itself must:

Remove barriers that rob people in management and in engineering of their right to pride of workmanship. That means, inter alia, abolishment of the annual or merit rating....

If that assault on the status quo was not direct enough, in the accompanying material labeled "Seven Deadly Diseases" he added more fuel to the fire. He lists Deadly Disease number three as the:

Personal review system, or evaluation of performance, merit rating, annual review, or annual appraisal, by whatever name, for people in management, the effects of which are devastating.

Deming stated that these common organizational practices are destructive and prevent companies from achieving the ultimate goal of transformation. It is a testament to the unique power of Deming's other ideas that senior management even considered using his material at all.



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It exposed the executives to countless unwanted discussions, which they did their best to quickly silence.

When I first gained exposure to these radical new concepts I was on the “fast track.” I had received a succession of good ratings and rankings and was promoted rapidly and repeatedly because of it. I was clearly a net beneficiary of the company's rigorous evaluation process. It was working well for me.

Over time, however, I became more and more conscious of the damage these systems seemed to be doing to the people and organizations around me. I began noticing how much the majority of employees and supervisors seemed to dislike the annual review process. Even those who did well seemed to have contempt for the conflicting messages being sent. The reward system clearly encouraged internal competition and gamesmanship while management was openly preaching the critical need for teamwork. The more I studied and learned, the more dissatisfied I became with the status quo.

Perhaps the worst part of the situation was that I, by being in the Human Resources function, had to serve as an “enabler” of the process. I was a “pusher.” As an HR manager I had to *sell* this practice to others. I couldn't just participate as an individual and gripe about it with colleagues. I had to try to convince employees and supervisors that the evaluation system was a good idea. Some I literally had to force to participate.

The problem, once discovered, seemed to be everywhere. Not only with my organization, but also with every other company in my industry. Indeed, it appeared that literally every large company I was aware of was utilizing some form of performance evaluation process. Everyone seemed to give people grades. Some used forced ranking and some did not, but all tied ratings to pay. Bottom line, we were all singing from the same hymnal and the Human Resources function was leading the choir.

Despite my company's quick and complete dismissal of Dr. Deming's words of advice, I soon began to feel he might be right. On the other hand, I also learned why those in authority at my company were so reluctant to take his recommendation seriously.

In 1993 I was very fortunate to be able to see Dr. Deming in person and witness his response to a pointed question on this subject. “Dr. Deming,” the seminar participant queried, “It's clear that you're not fond of performance appraisals or performance ratings. What do you propose that we do in place of them?”



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I will never forget Dr. Deming's response to this question, or the way that it made me feel. He said, "If your performance evaluation system does more harm than good, just quit doing it. You don't have to have an alternative to make an improvement."

His logic was impeccable, but as a Human Resources professional it left me feeling very empty. Surely there was something positive about the old system that could be salvaged. Abandoning current practices with no substitute sounded like anarchy. Highly successful companies like mine were conditioned to such discipline over decades. Deming's anarchic prescription gave us visions of chaos and disorder.

In subsequent dialogue, Dr. Deming made it clear that he did not have a solution to all the issues or problems he raised. He thought that there should probably be a better way, but did not view it as his responsibility to tell us all the answers. "That is your job," he would say to a perplexed inquirer searching for a constructive alternative. Dr. Deming was a statistician and management philosopher. He gave logically pure answers, whether they were practical or not. He did not apologize for leaving practical matters to the practitioners.

And so, unconsciously at first and consciously later on, I accepted the challenge. Being a practitioner who now saw the problem, I set off to understand it at a deeper level. I joined others in the search for a constructive alternative.

This book largely chronicles that logical journey. It should prove very useful to those interested in pursuing a similar course. It builds a business case for the complete overhaul of traditional performance management systems conceived in an evaluation paradigm and advocates replacing them with an entirely new method conceived in a coaching paradigm.

"Catalytic Coaching" will be introduced in this book as an integrated system of performance management designed to facilitate a constructive partnership between a manager and employee. It is built around frank, open and constructive feedback and a shared desire for each individual to achieve his or her ultimate potential. When performed properly, it should turn the time invested in this formal activity from a much-dreaded, time-consuming, non-productive, compulsory act into an activity of value, merit and empowerment. By helping the individuals working within a corporation constructively face their performance challenges and live up to their maximum potential, it can help the entire organization in its quest for growth and profitability.

Catalytic Coaching ultimately solves Deming's riddle. It satisfies management's need to have formal dialogue about performance built into the infrastructure of work. At the same time,



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however, it carefully heeds Dr. Deming's warning not to do more harm than good. My hope is that you will find this book to have articulated the problem in a way that is compelling while offering a solution that obtains that delicate balance.

Garold L. Markle

Atlanta, Georgia

May, 1999

Chapter 1: Introduction and Overview

"People are the common denominator of progress. So . . . no improvement is possible with unimproved people, and advance is certain when people are liberated and educated."

Economic Development, 1964

People hate performance reviews. This would appear to be an almost universal law of modern business. Whether you call them evaluations, appraisals, or counseling sessions, employees seem to have developed a great distaste for the ritual of having their yearly contribution summarized and categorized in one ninety-minute meeting. Most managers dread giving this annual dose of medicine almost as much as employees dislike receiving it. Despite these strongly held feelings, the Wall Street Journal recently estimated that more than 70 million U.S. workers receive annual performance reviews. William Mercer Inc., in a 1995 survey of 218 companies, found that almost all managers and technical/knowledge workers were subject to yearly evaluations. Over the last several decades the practice of giving people formal evaluative feedback on their perceived performance has become established as a dominant personnel practice.

The introduction of performance reviews can be traced back to Lord and Taylor Co. in 1914. This appears to be the inception of the "traditional" model that requires managers to fill out forms once a year rating employees on how well each individual accomplished an assigned list of business objectives. A summary of this evaluation or appraisal is then given orally to each



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employee in a face-to-face meeting. The review session customarily ends with communication of the impact of past performance on the individual's base salary.

To be sure, performance management systems have increased in sophistication over time. Appraisal forms are much more complicated and involved than they used to be. Standards of measurement have changed to include more categories as they focus on behaviors and competencies in addition to just objective results. Ratings in some systems have been adjusted to include input from teams, peers, direct reports and even customers. Elements of the communication ritual have been refined with additional formal discussions being added at more frequent intervals throughout the year. Form completion has entered the computer age with some companies even putting them online. And countless hours have been spent training managers to be better at giving feedback, conducting interviews and counseling their employees.

As a result of all this modernization, companies are adjusting and supplementing their performance management processes almost continuously these days. William Mercer Inc. conducted a study in 1995 that indicated that more than seventy percent of the 218 companies surveyed had either changed their evaluation process in the last two years or had plans in place to do so. It is not at all uncommon for companies to make wholesale changes in their performance management systems two or three times in a ten-year period.

And yet, in 1996 when Chris Lee assessed the current state this bedrock personnel practice, he still reported that "a performance appraisal can be the single most demoralizing event in an employee's work year." Despite all the attempts to get beyond the traditional model, Lee concluded that performance management, even in its more sophisticated incarnations, appears to be better at reducing surprises than eliminating pain. And, finally, a 1997 survey conducted by Aon Consulting for the Society of Human Resource Management discovered that only 5% of HR professionals were "very satisfied" with their performance management systems.

EXPLANATIONS AND RECOMMENDATIONS

This book will argue that fundamental problems exist with traditional performance reviews and virtually all performance management systems because of the basic paradigm on which they are constructed. Attempts to correct these problems within the existing paradigm have been and always will be ultimately futile. Real progress cannot be made until the paradigm is first understood and then replaced.

In defending this point of view, we will attempt to do five things.

- Define the previous paradigm and pinpoint its root problems



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- Explain why companies struggle trying to improve it
- Establish a clear business case for replacing it
- Introduce a new system based on a more functional paradigm
- Fully explain how to make the new system work

INTENDED AUDIENCE

This book was written for three target audiences. First, are leaders in organizations who have influence over people-development systems. That would include presidents, CEOs and other senior executives, as well as those who control the Human Resource or Personnel function. Members of these groups should find within these pages motivation to change existing systems and a detailed proposal on how to do it.

A second target audience is managers and supervisors who have a need or desire to help their assigned people develop under their guidance. This book should serve to give solid advice on how to effectively function in the role of coach. Even if they are not able to eliminate or change the existing performance management infrastructure within their companies, supervisors and managers who digest this work should be able to use many of its ideas to operate more effectively within whatever system currently exists. Adopting many of these new practices should greatly increase their effectiveness in communicating about performance and development issues with their direct reports.

A third target audience is employees participating in an organization that is using coaching to help them develop. Members of an organization undergoing a change to the method of people-development outlined in this book will find it particularly relevant.

CATALYTIC COACHING DEFINED

The new system as set forth in this book is called "Catalytic Coaching." The term, as we will use it, has both associative and technical meaning.

The idea of coaching, of course, is taken from the field of sports. Coaching is a technique for helping others reach peak performance and ultimate potential. It is usually associated with the



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idea of teaming and fits well with the culture many organizations are trying to create. In *"The Heart of Coaching"* Thomas Cranes describes the use of coaching in a business context as "a healthy, positive enabling process that develops the capacity of people to solve today's business problems."

Many are familiar with the term "catalytic" in connection with chemistry. It also has a more general meaning, however. The dictionary defines "catalytic" as an activity that causes or promotes "a reaction between two or more persons or forces precipitated by an agent." The agent, generally referred to as a "catalyst," is defined as something "that promotes or speeds significant change or action." These ideas effectively combine to convey the image of Catalytic Coaching as a process which purposefully promotes or speeds significant change among people.

More specifically, as it is used here, Catalytic Coaching will be defined as:

a comprehensive, integrated performance management system built on a paradigm of development. Its purpose is to enable individuals to improve their production capabilities and rise to their potential, ultimately causing organizations to generate better business results. It features clearly defined infrastructure, methodology and skill sets. It assigns responsibility for career development to employees and establishes the boss as developmental coach.

The Catalytic Coaching model will be introduced in Part III of this book wherein the process will be explained in detail. For a quick preview of the model and to get a feel for its flow, please see Figure 1 at the end of this chapter.

As a means of introducing the concept and giving you an initial impression where we are headed, let's quickly discuss how Catalytic Coaching differs from most prevailing performance management methodologies.

WHAT MAKES THIS APPROACH DIFFERENT?

Catalytic Coaching can be distinguished from traditional performance management systems in three fundamental ways. It changes what is done, how it is done and the



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roles of those who do it. Figure 2 provides a summary comparison of design features and clearly highlights ten of the key differences.

CONTENT CHANGES

Catalytic coaching involves no competitive rating or ranking of employees. They are assigned no aggregate labels or grades at the end of the process. Instead, managers, functioning as coaches, provide employees feedback on perceived strengths and areas for improvement in light of stated career aspirations. The coach helps each employee construct a development plan aimed at improving contribution in the current job and increasing potential for other opportunities when those are desired.

Catalytic Coaching breaks the direct connection between salary treatment and an assessment of annual performance. "Pay for performance" practices are explained as having an indirect impact on base pay. Catalytic Coaching sessions focus on performance improvement without trying to justify salary treatment. Financial recognition of superior contributors is dealt with in other ways.

PROCESS CHANGES

A review, by its very nature, is focused on the past. Catalytic Coaching is focused on the future. No attempt is made in coaching sessions to account for all activities that have taken place in a calendar year. Instead, emphasis is placed only on past issues and behaviors that have likelihood of impacting future performance.

Administrative burden is dramatically reduced for most companies converting to the Catalytic Coaching method. In traditional systems, the number of pages a manager must complete on an employee varies widely. Many require the supervisor to provide up to ten or twelve pages of input, with the majority somewhere between four and seven. Catalytic Coaching requires one page to be completed by the supervisor on each employee.

Ownership of the traditional review process is with senior management and the Human Resource department in most companies. In contrast, the employee is defined as the owner of the Catalytic Coaching process. Each employee has ultimate responsibility to



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prepare and implement her own development plan. The manager serves as a resource and facilitator.

ROLE CHANGES

Catalytic Coaching differs markedly from conventional performance management systems in the way it assigns responsibility for behavioral change and career development. Too often in classic systems employees become passive participants in a process designed primarily to rate or rank them in order to try to justify a salary increase.

The approach outlined herein changes responsibilities for almost everyone involved in the performance management process. A boss abandons the futile role of *critic/judge* and becomes a *facilitator in the employee development process*, functioning like a *coach*.

Employees who take the quest for achieving high performance seriously and invest in the process both emotionally and intellectually, are converted from *evaluation subjects* to *empowered craftsmen of their own careers*. The burden of responsibility for career management falls on the shoulders of those with the greatest vested interest. Other aspects of the system are converted to support them.

Human Resource professionals become *coaching consultants* instead of *process policemen*. No longer must they hound managers to make them fill out and submit their forms. By dramatically reducing the burden (to one page) and making the experience both positive and productive, most of the longstanding challenges associated with having to force compliance go away.

Labor attorneys get a *reduction in workload* once a Catalytic Coaching system has been set into place. They also get involved much more in *problem prevention* as sensitive issues surface sooner and the number of discrimination and wrongful discharge suits subside.

CATALYTIC COACHING DELIVERS

Catalytic Coaching is presented as a replacement for, not an addition to, traditional performance evaluations. It will be argued that performance management systems built around the principles of Catalytic Coaching are superior to traditional (evaluation-based) systems in producing five key deliverables:



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- positive behavioral change
- motivation to work hard
- retention of key contributors
- internal promotions and succession
- prevention of and protection against lawsuits

Organizations that have tried this new system claim it reduces both time and cost required by the annual review process at the same time that it greatly increases the outcomes listed above. Implemented correctly, it can help transform both individuals and their corporations.

PHILOSOPHICAL ORIENTATION

Three important philosophies help define the approach taken in this book: an attitude toward people, perspective on Human Resources, and systems orientation. These should be made explicit at the onset of our journey. We will review each briefly before concluding this chapter with a detailed preview of the road ahead.

ATTITUDE TOWARD PEOPLE

Catalytic Coaching is about helping people grow. It's about bringing out the best in people at work. It sets forth a specific methodology for creating and managing a comprehensive and strategic people-development system to help drive a business toward prosperity.

The term “people” is used quite frequently throughout this book. It implies something quite different than “human resources,” “human assets” or “intellectual capital.” Even the terms “employee” and “associate” convey too much sterility.

It is important to recognize both the joy and complexity of work done by people. Too often we lose sight of the human face of our workforce by using fancy terminology that reminds us of their financial value. It is possible to create development systems at work that both recognize and profit from the humanity that the term “people” implies.



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Before you conclude that the author advocates warm and fuzzy idealism, however, please be aware the terms "strategic" and "business" in the opening paragraph of this section were chosen very deliberately as well. Rest assured that the systems outlined in this book promote activities that are designed to impact the bottom line for a company. The irony is that only by treating human assets as people can we have ultimate impact on profitability.

PHILOSOPHY OF HUMAN RESOURCES

In his book, *HR Champions*, Dave Ulrich conveys a clear message that Human Resource professionals must design and implement systems that are better focused on delivering results and adding value. He observes that HR practitioners normally spend too much time concentrating on what they *do* and not enough on what they *deliver*. In no area is this more apparent than in discussions surrounding performance management systems.

Most HR practitioners, for instance, begin justification for traditional performance management systems by speaking of the critical role they play in providing performance feedback. Process models (when they exist) typically end when the completed and signed evaluation form is placed in the employee's file.

The viewpoint in this book is more utilitarian. A performance management system is defined as useful to the extent it promotes specific desired outcomes that are important to the success of the business. Catalytic Coaching is built on a model that does not end with messages being received or with the implementation of an action plan. The end of the process is with business impact.

In addition to looking at impact, one must also look at cost. The approach taken in this book might be described as a form of "HR Lite." Using the beer analogy, the desired objective is all the taste with fewer calories. Another way to look at it is to regard these, and all people development systems, as if they were burden to an organization. Items carried with the team on a mountain climbing expedition.

Some items are worth bringing on the trip. In fact, some are critical -- a tent, for instance or food, water, dry clothing. Other items make the trip more enjoyable or meaningful, like a camera or a photograph of a loved one. On the other hand, if the trip is long and the mountain is steep, each item needs to be closely examined for its value. Weight must be a consideration.



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Too often Human Resources and Legal functions seem to be forcing an organization to take items on the journey which have dubious value. Most classic performance management systems are the equivalent of a twenty-pound, battery powered TV/VCR. We try to sell the hikers on the idea that a motivational video shown at base camp just below the summit might provide a wonderful psychological lift. All the while they keep looking at us like we're crazy. "Can't we just bring a book or cassette?" query the heavily burdened travelers.

Catalytic Coaching aims to capture more of the positive impact intended by most performance management systems at a substantially reduced level of burden. Bureaucracy is held to an absolute minimum.

SYSTEMS ORIENTATION

Literally dozens of books line the shelves these days dedicated to the topic of coaching. Almost all of them are written about how to acquire coaching skills. Coaching is positioned as a critical competency for the modern organization member. More seem to be arriving every day.

This book was written for a different purpose. The focus is more holistic. It attempts to make a business case for a performance management system that uses developmental coaching principles at its foundation. The challenge taken here is not so much to help create individual competency in coaching skills. Rather it is to assist in the design and implementation of an integrated people-management process in which coaching skills can realistically be expected to operate. Said another way, the emphasis is not on how to teach supervisors to coach. It is on how to create an infrastructure that institutionalizes coaching.

Because of its systemic orientation, this book deals directly with issues that other books fail to address. Those who teach coaching as a skill seldom dwell on critical interface issues with already existing, deeply entrenched performance management systems. They treat coaching as a technology useful to change behavior without regard to the processes used to evaluate performance and determine pay increases. They fail to investigate the inherent overlap and conflict that almost always exists when an organization has an annual performance evaluation process which rates and ranks people to determine promotions and salary treatment.

The business impact of coaching activity can be affected dramatically by the presence or absence of evaluation practices that are linked to pay and promotion. From a systems perspective, for coaching to have impact, no formal process affecting distribution of rewards can afford to be ignored. Because of these systemic concerns, the aim of this book is not to



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add coaching on top of traditional responsibilities for performance management. The goal is to *replace* evaluation-based systems with one that is equally structured but coaching and development-based.

THE PATH FORWARD

Part I of this book attempts to put the performance review in perspective. It helps define the prevailing paradigm and clarify the dilemma that we all intuitively know exists. It explains why the practice of rating and ranking undermines the effectiveness of systems designed to develop people. It describes the inherent bankruptcy of attempts to pay for performance. In short, it helps explain why most current systems used to manage human performance do a lousy job.

Part II explores strategies that have been taken by companies to try to improve the effectiveness and efficiency of traditional performance management systems. It reviews strategies that are incremental or evolutionary in nature. It reviews those that are more radical or revolutionary in nature. And it explains why most of these strategies have been ineffective in resolving the true problems posed by the prevailing practice. It introduces the concept of measurement as a way to clear out some of the fog and put systems to a test.

Part III introduces the Catalytic Coaching model. It presents both a bird's eye view of how the process works and then takes the reader through a thorough step-by-step discussion of how to implement it.



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Part IV covers ancillary issues. It defines the infrastructure, competency requirements and commitment needed to make Catalytic Coaching work. It discusses money matters and how to handle salary administration once performance labels are removed. It describes specific programs work in concert with Catalytic Coaching to form an integrated people development system. It describes important skills training and gives specific advice on how to coach a variety of special cases. And finally, it outlines the type of commitment that leaders should embrace to generate maximum benefit from the coaching process.

In addition to the text outlined above, we have also attended to more pragmatic matters. In the various appendices, we have included sample forms that can be used to manage this kind of process. We've also included several examples with forms completed. Many of these run parallel to work discussed in various parts of the text. Our purpose in presenting this material is to give you something to benchmark and pattern other work after. Forms and procedures ideally need to be customized to fit exact circumstances. To the HR practitioner these model forms and completed examples can be invaluable.

One final note before transitioning to Part I. Sprinkled throughout the book are illustrative stories that we will call "tales from the front." In every case these extended examples are based



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on actual incidents involving real people. To preserve the anonymity of the people and companies involved, however, no real names are used and minor facts have been changed.

Likewise, because examples of company programs and practices are sometimes not flattering, a decision was made to not reveal the names of any companies cited. Again, slight modifications of company descriptions were sometimes used to protect both innocent and guilty. In all cases, every effort was taken to preserve the integrity of the data cited.

Without further delay, let us begin our journey. We start our first section in search of an answer to the question: "How bad can it be?" Setting the issue of popularity aside, what's really so wrong with performance evaluation systems as they're being practiced today? With all the pressing issues facing businesses, how can we justify prioritizing the time and energy it takes to change such an omnipresent institution of organizational life? When we do take the time and energy to change one, why do we always seem to end up with the same problems? These questions and more will be addressed in Part I.

Figure 1

Catalytic Coaching Process

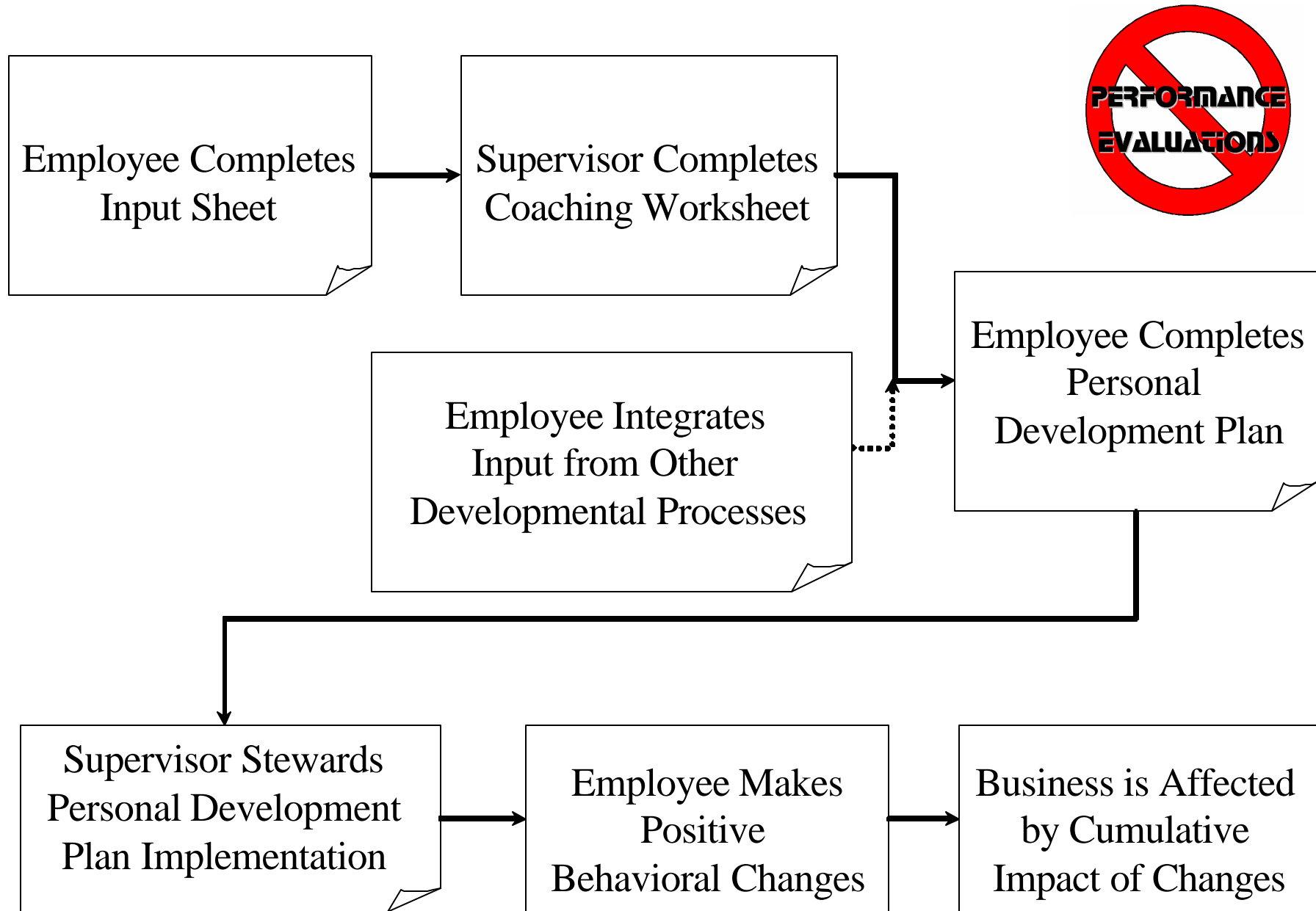


Figure 2

COMPARISSON OF FEATURES:
TRADITIONAL PERFORMANCE REVIEW VS. CATALYTIC COACHING

	<u>PERFORMANCE REVIEW</u>	<u>CATALYTIC COACHING</u>
<u>PROCESS</u>		
Time Focus	Past	Future
Average Length of Feedback Form	4-7 Pages	1 Page
Responsibility for Development Plan	Management / HR	Employee
<u>CONTENT</u>		
Use of Summary Grade or Label	Yes	No
Use of Competitive Ranking	Sometimes	Never
Tie to Salary Treatment	Direct	Indirect
Emphasis on Employee Input	Incidental	Pivotal
<u>ROLES</u>		
Primary "Customer" of Process	"The File"	The Employee
Role of Boss	Evaluator / Judge	Coach
Role of Employee	Recipient of Feedback	Empowered Career Craftsman
Role of Human Resource	Process Policeman	Coach² (Coach of Coaches)