Performance Management: Time to refresh?
kallidus.com/perform
Executive Summary
For the past few decades organisations have used the same parameters and processes to monitor the performance of their employees, the value of their contribution to the business and to support career development and promotion. But with globalisation, the rise of technology and five generations in the workplace all challenging the rules of engagement and driving new working practices and business success, how can traditional methods of performance management possibly cope with the modern workplace?

Given that a number of high-profile successful companies have ditched annual performance appraisals, a key aim of this study has been to understand whether traditional performance management has become redundant and to what degree organisations are embracing a more agile and continuous approach, supported by online performance management systems.

This research clearly shows that performance management is not dead but requires a rethink for today’s workforce. Organisations have begun to embrace a more continuous approach to performance management and once-a-year annual appraisals are no longer the norm. Reassuringly, directors, managers and employees all have a positive attitude towards performance management and value performance reviews. However, there is a need to streamline and modernise current practices so that time spent on performance management is time spent on people rather than endless process.

In our study of 329 directors, managers and employees:
- 78% of respondents said performance management could be improved within their organisation.
- 69% think that performance management needs a more modern approach.
- 58% don’t use an online tool for performance reviews. For those that do, only around half find them useful.
- Only 13% of respondents have once-a-year annual appraisals. Nearly three quarters (74%) of respondents have conversations about performance with their line manager at least quarterly.
- 52% of managers/directors are spending more than two hours on each employee’s review. 22% are spending three hours or more per review.
- 42% of all respondents feel more time is spent on process than on meaningful appraisal conversations.
- Encouragingly, 77% of those surveyed see the value of performance reviews; 65% find them motivating and engaging; 81% helpful for identifying areas of improvement and getting valuable feedback on their progress; and 60% agree they help them as an individual to see how they are contributing to business performance.

The Research
The purpose of the research was to gain a better understanding of how people feel about their organisation’s current performance management practices and where performance management can be improved to support talent development, engagement and organisational growth.

Our thanks go to the 329 directors, managers and employees who participated in our online study undertaken during May/June 2016. Respondents were relatively evenly represented across all sizes of companies and business sectors.

So, what did our survey respondents tell us about performance management practices in their organisation?

Our thanks go to the 329 directors, managers and employees who participated in our online study undertaken during May/June 2016. Respondents were relatively evenly represented across all sizes of companies and business sectors.

So, what did our survey respondents tell us about performance management practices in their organisation?

Our thanks go to the 329 directors, managers and employees who participated in our online study undertaken during May/June 2016. Respondents were relatively evenly represented across all sizes of companies and business sectors.

So, what did our survey respondents tell us about performance management practices in their organisation?

Our thanks go to the 329 directors, managers and employees who participated in our online study undertaken during May/June 2016. Respondents were relatively evenly represented across all sizes of companies and business sectors.

So, what did our survey respondents tell us about performance management practices in their organisation?

Our thanks go to the 329 directors, managers and employees who participated in our online study undertaken during May/June 2016. Respondents were relatively evenly represented across all sizes of companies and business sectors.

So, what did our survey respondents tell us about performance management practices in their organisation?
3. Managers need online performance management tools so that they can focus on people rather than endless process

Completing performance reviews is a cumbersome, labour intensive process for some managers and directors. Around half (52%) of all managers and directors surveyed are spending more than 2 hours on each employee's review. 22% are spending three hours or more per review. This includes time spent planning, conducting and writing up the review, as well as any administration. For a manager responsible for a team of 12 employees, for example, quarterly reviews taking 2-3 hours each to complete, could easily add up to the bulk of an entire working week every quarter.

So are managers and directors spending time wisely and effectively on performance reviews? Is time being spent on valuable feedback and on helping to develop the right behaviours that are required to improve individual and company performance? The data clearly highlights that many managers are getting weighed down by administrative processes and as a result 42% of all respondents feel more time is spent on process than on meaningful appraisal conversations.

4. Employers, managers and directors all value performance reviews

Despite some of the negative press that performance appraisals receive, it is encouraging to see that most members of the workforce that took part in this study have a positive attitude towards performance reviews, despite feeling there is a need for a more modern approach:

- 77% of respondents can see the value of performance reviews.
- 81% agree that they help them to identify areas for personal improvement.
- 65% agree they help them feel more motivated and engaged in their personal roles.
- 81% agree they help them to obtain valuable feedback on their personal progress.
- 60% agree they help them as an individual to see how they are contributing to business performance.
What can we learn from this study?
Most organisations are evolving their performance management practices beyond the traditional annual performance review with discussions around performance and progress taking place on a much more regular basis. While there is a general consensus that there is room for improvement and a more modern approach to performance management, most people are positive about the value and benefit of appraisals.

While organisations have begun to embrace a more continuous approach to performance management reflecting the pace of business today, many are still yet to capitalise on the benefits that innovative performance management tools offer. Today’s tools can help ease the administrative burden so that more time can be spent on people and having valuable career conversations, than on process.

Clearly in a rapidly changing workplace, one-sized performance management no longer fits all, yet completely ditching performance reviews could mean throwing the baby out with the bathwater. Instead, to support engagement and high performance, there needs to be a more agile approach underpinned by regular dialogue to help individuals achieve their full potential and deliver real value to the company.

Figure 10: Respondents’ views on performance management within their organisation

<table>
<thead>
<tr>
<th>Statement</th>
<th>Strongly Disagree</th>
<th>Disagree</th>
<th>Agree</th>
<th>Strongly Agree</th>
</tr>
</thead>
<tbody>
<tr>
<td>I can’t see the value of performance reviews</td>
<td>34%</td>
<td>45%</td>
<td>15%</td>
<td>6%</td>
</tr>
<tr>
<td>They help me identify areas of improvement</td>
<td>15%</td>
<td>16%</td>
<td>50%</td>
<td>20%</td>
</tr>
<tr>
<td>The help me to see how I am contributing to business performance</td>
<td>8%</td>
<td>9%</td>
<td>45%</td>
<td>20%</td>
</tr>
<tr>
<td>They help me to obtain valuable feedback on my progress</td>
<td>3%</td>
<td>4%</td>
<td>61%</td>
<td>20%</td>
</tr>
<tr>
<td>They help me feel more motivated/engaged</td>
<td>13%</td>
<td>15%</td>
<td>50%</td>
<td>15%</td>
</tr>
</tbody>
</table>

Figure 10: Respondents’ views on performance management within their organisation

TOP TIPS: 5 guiding principles to modernise performance management

1. Make sure you use the right approach and tools for your organisation and for people in different roles and that everyone knows what they specifically need to do to deliver your organisation’s goals.

2. Avoid a one-size-fits-all approach

3. Make it personal
Managers who make time to listen to their team members’ individual desires and aspirations have much more open, engaging and supportive career conversations.

4. Make it continuous
Regular conversations provide timely feedback to employees and shift the focus from dwelling on past actions to improving success for the future, enabling any barriers to performance to be solved much more quickly and collaboratively.

5. Leverage the power of online systems
Today’s innovative systems connect people wherever they are and reduce the administrative burden of performance reviews so that managers can focus their time on people rather than process and make sure they are working on the things that matter the most.

6. Culture is king
Modern performance management requires a shift in mindset to ongoing, frequent, forward-looking dialogue between leaders, managers and their teams supported by a culture focused on driving employee engagement and the types of behaviour that will boost performance.
What does the future hold?
Organisations appear to have begun to make their performance management practices more dynamic and agile, with conversations taking place between managers and their team members on a more regular basis, rather than being a once-a-year event. It’s encouraging that this survey shows that leaders, managers and employees all see the value of performance management, particularly in light of Deloitte’s 2014 report which highlighted that 58% of companies surveyed did not think performance management was an effective use of time.

As organisations continue to explore how they can enhance the performance of their teams in new and more effective ways, the workplace will no doubt see a greater adoption of innovative online performance systems driving the modernisation of performance management.

About us
Kallidus is a leading provider of integrated learning and talent solutions, with 15 years’ experience in making learning and talent a success for over 200 clients. Our award-winning, cost-effective solutions support people development within public and private sector organisations of all sizes, in all sectors. With a passion for delivering outstanding customer service, we work in partnership with many leading brands, including McDonald’s, O2, AstraZeneca, Transport for London and Eurostar, to help achieve business transformation and drive long-term performance success.