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Performance Management: Time to refresh?

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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?

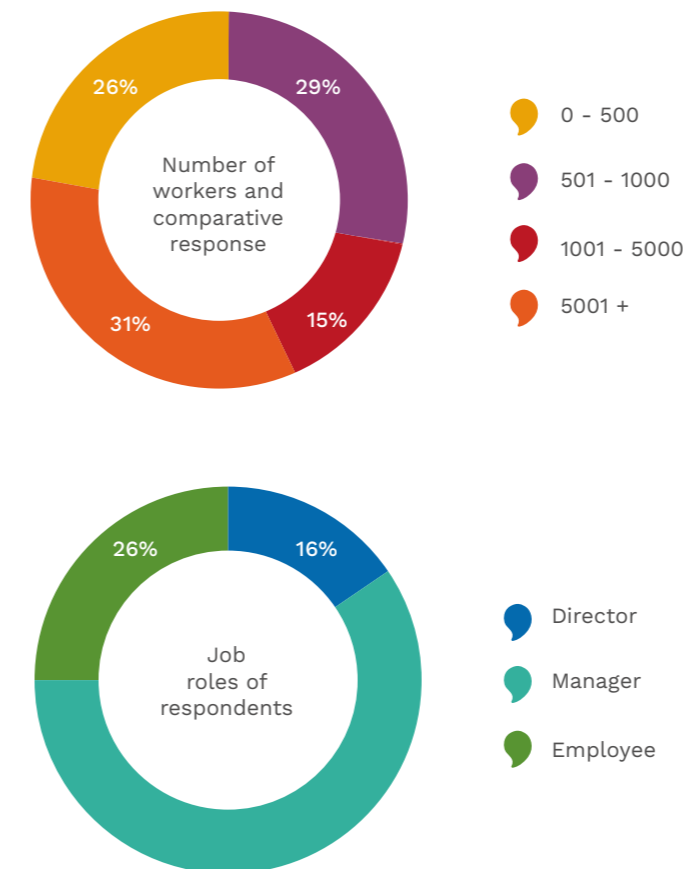


Figure 1: Company size and job roles of respondents

1. Today's workforce wants a more modern approach to performance management

More than three quarters (78%) of respondents said performance management could be improved within their organisation. Similarly, 69% think performance management needs a more modern

approach for today's constantly changing business environment.

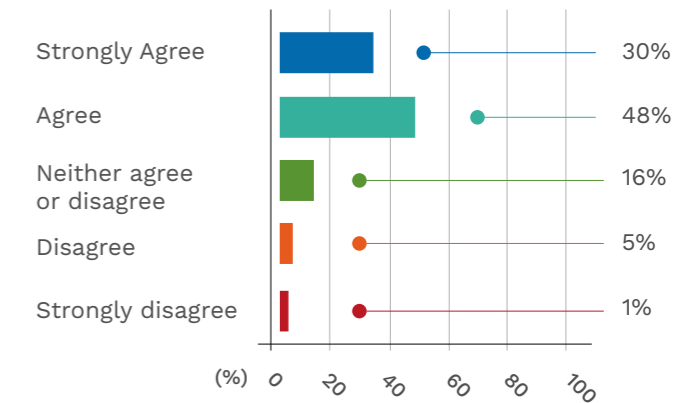


Figure 2: Response to statement "Performance management could be improved within my organisation"

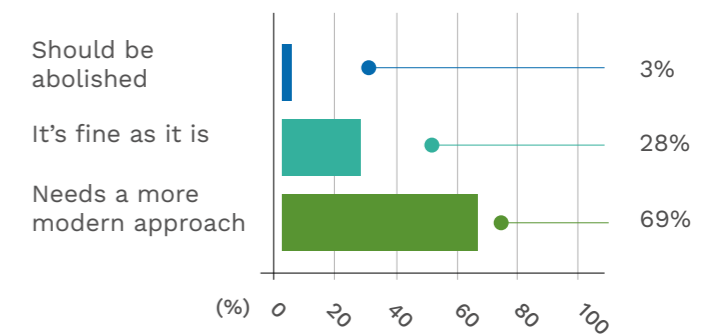


Figure 3: Respondents views on current performance management practice

2. Organisations are yet to realise the full potential of online performance management tools

More than half (58%) of respondents said that their organisation does not currently use an online tool for performance reviews. Among the 42% of respondents who said their organisation does use an online tool for performance management, opinion was divided as to how effective these tools are, most likely reflecting the sophistication and extent of the functionality being used. Half find these tools useful (with a quarter in total finding them very/extremely useful), the other half don't find them very useful at all.

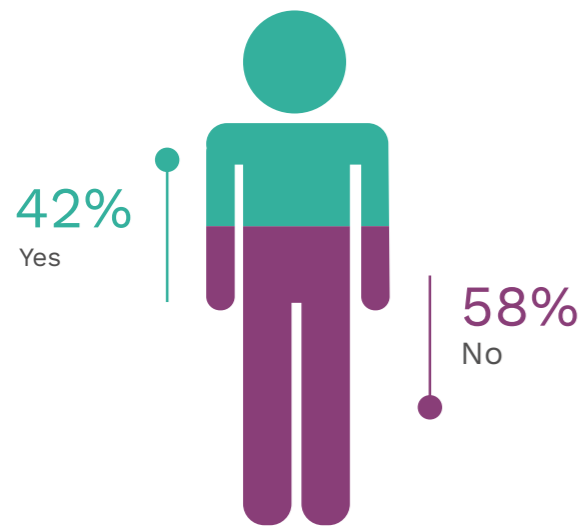


Figure 4: Does your organisation use an online performance management tool?

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.

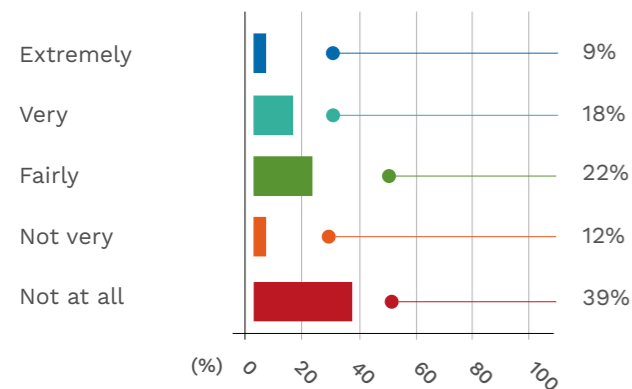


Figure 5: How useful do respondents find their online performance management tool?

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

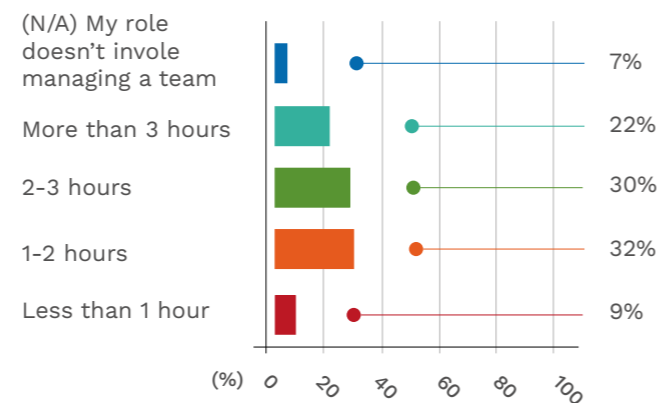


Figure 6: How much time does a manager/director spend on each employee's review?

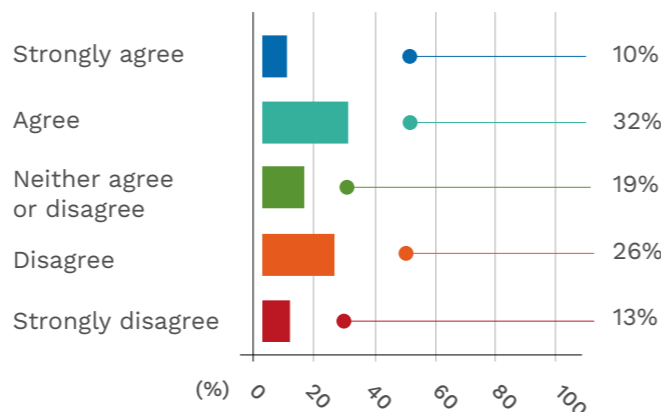


Figure 7: Response to statement "More time is spent on process than meaningful conversations"

The good news is that regular conversations about performance seem to be taking place now across the majority of organisations and one off annual performance reviews are becoming a thing of the past. Nearly three quarters (74%) of respondents said that on average they have conversations about performance with their line manager at least quarterly, with a significant proportion having conversations on a monthly basis (43%) and refreshingly, one in ten on a weekly basis (12%).

For just 13% of respondents, performance related conversations only occur on an annual basis and worryingly, a further 13% of respondents said that they rarely or never have conversations about performance with their line manager.

The data shows that managers and directors are having more frequent conversations about their personal progress and performance with their senior managers than less senior employees are having with their line managers. 57% of managers and directors have performance conversations with their managers on a weekly or monthly basis compared with 49% of employees.

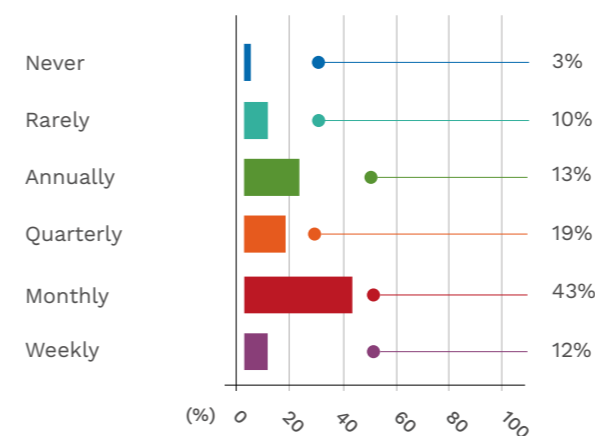


Figure 8: The frequency that all respondents are discussing performance/progress with their line manager

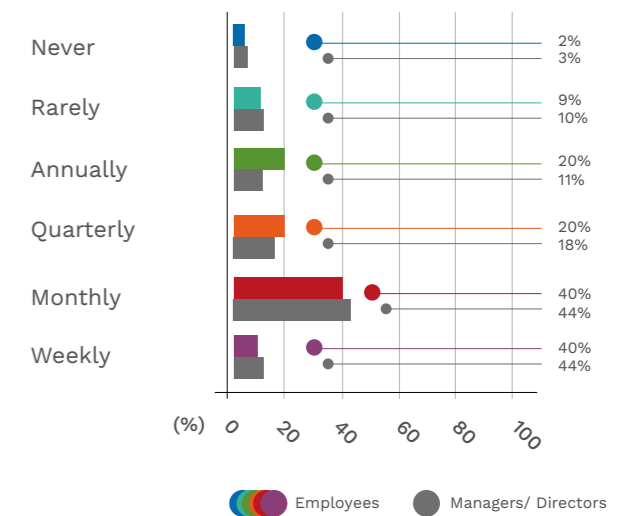


Figure 9: Split of frequencies of performance/progress discussions with line managers

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.

I can't see the value of performance reviews

They help me to identify areas of improvement

The help me to see how I am contributing to business performance

They help me to obtain valuable feedback on my progress

They help to make me feel more motivated/engaged

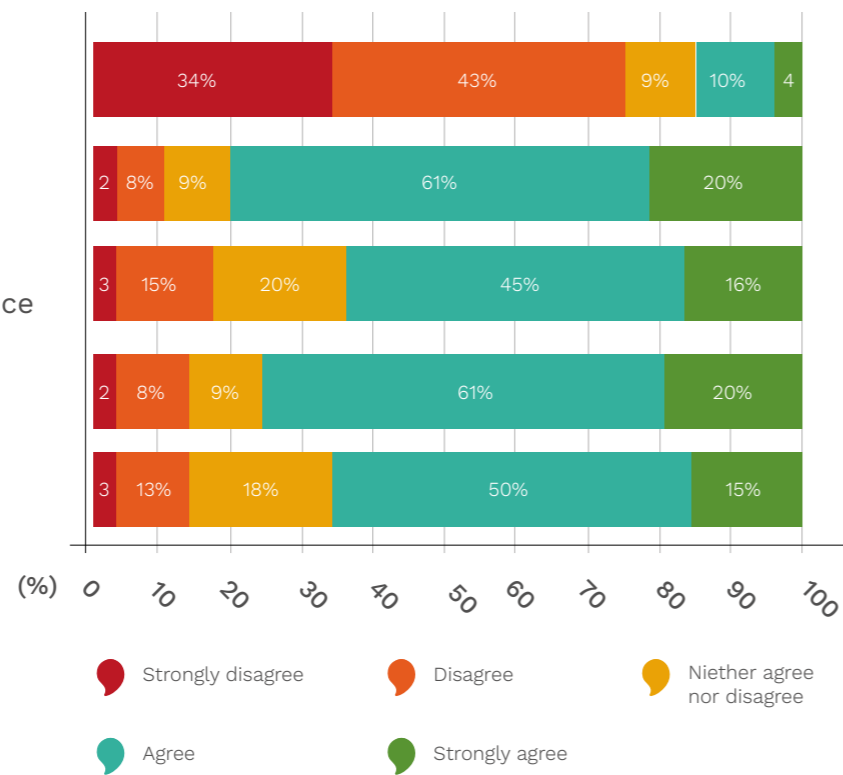


Figure 10: Respondents' views on performance management within their organisation

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.



1

Avoid a one - size - fits all approach

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

TOP TIPS:

5 guiding principles to modernise performance management

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**.

3

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**.

4

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.

5

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.