A modern approach to performance management: Building the business case

Propose, justify and make the change
Performance management is crucial to the long-term success of an individual’s progress, and the individual’s input to the growth of the business.

What is the purpose of performance reviews?

Without regular performance reviews, employees can feel lost. With little direction, their achievements throughout the year can be forgotten and their unique triumphs diminished, leaving employees feeling demotivated and off-track.

Managers have noted a frustrating increase in efforts on the approach to the yearly appraisal, and employees feel burnt out trying to prove themselves prior to an uncomfortable conversation regarding a years’ worth of effort.

Successful performance reviews should support talent development, engagement and organisational growth; they can be central in making key business decisions including internal promotions and salary rises.

Performance reviews also ensure that individual objectives are in alignment with overall business goals for a holistic approach in target achievement.

Performance reviews are not only important to the growth of the business, but are also important in relation to employee matters of career progression and personal development.

This is linked to the coaching and development activity of each employee – successful performance management should ensure that individuals are on target of their planned objectives, ultimately contributing to their personal development, their position within the organisation, and the organisation’s goals.
Increasing numbers of organisations object to their current performance management systems; citing them as cumbersome and administratively difficult, many HR teams and line managers limit their use to once a year to reduce the time spent battling the system.

With 32% of managers agreeing that ‘more time is spent on process than meaningful conversations’ [1], it is clear that managers feel that time and resource is spent on either outdated systems, or manual spreadsheet intervention, and not spent on constructively emphasising the importance of regular employee/manager communications.

Part of the concern is that managers are not well practiced in conducting performance reviews; if company culture dictates that a formal performance-related conversation takes place annually, managers are not well-versed in focusing the appraisal with a clear visibility of their team member’s personal development within the business. Only 4% of HR leaders believe that their appraisal process is effective [2], and this needs to change.
This relates to the issue of the frequency of performance-related conversations. When it comes to the frequency of managers providing feedback and recognition on performance, employees are most likely to say just once or twice in the past year (41%).

Just 12% are given feedback once or more a week, with just over a quarter reporting a couple of times a month. [3]

This infrequency means that discussions on performance are not time relevant, and key achievements can be forgotten about with their unique triumphs diminished by time.

89% of employees surveyed by Kallidus believe that their performance would improve significantly if their performance management process was changed. [1]

This is in part due to ongoing objectives being pushed aside for immediate business priorities, and employees recognising a boost in objective efforts during the approach to appraisals. Only 4% of HR leaders believe that their appraisal process is effective.

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What are other organisations doing?

Organisations are recognising that paper-based processes and outdated systems are hindering performance management.

With 78% of our respondents believing that their performance management process could be improved, it is evident that organisations are looking to modernise methods in order to support talent development, engagement and organisational growth.

Organisations are becoming increasingly aware of the benefits of a more regular review process against objectives and personal development plans: these benefits influence the business as a whole; teams’ development and individuals’ job satisfaction as they achieve their personal goals.

By transforming the annual review into ongoing regular reviews, the processes are broken down and made more simple and effective; conversations needn’t be lengthy and can be focused on key events.

However, talented people can only be retained if they are challenged, developed, inspired and involved in the organisation’s shared goals – their productivity increases, alongside their engagement rates and job satisfaction.

By providing feedback soon after actions, employees recognise the direct link between rewards and measured performance, providing them with an understanding of the transparency and incentives that are consistent with a high-performance culture. This empowers team members to give each other regular, in-the-moment feedback which will assist them to agree on high quality performance objectives aligned to the overall goals of the organisation.

Top Tip: Operating margins

Margins can be improved by contributing to an increase in the number of people fully engaged in contributing to the company’s success; similarly, the return to shareholders can be improved greatly by increasing the ability to attract and more critically, keep, the most talented workforce.
How will regular performance reviews benefit the business?

The benefits of updating your performance management system are numerous; it is financially beneficial for the organisation, and can improve staff retention rates across the business.

Effective performance management systems can lead to better performance within an organisation; studies have shown that 64% of top performing companies have performance management systems that are rated as 'effective', compared to only 36% of the bottom performing companies[4].

Financially, organisations can benefit from updating their performance management system. The costs of people churn are reduced by retaining a higher percentage of skilled employees, as are the costs of recruitment, including onboarding, training and getting new joiners up to speed. Therefore, the return on total remuneration investment improves with the increase of operating performance.

Top Tip: Calculating the cost of cloud based software

An online system should be cloud-based so that your organisation needn’t host and maintain software – this removes the administrative burden on your IT teams, with the additional benefit of future systems updating automatically without the requirement of additional cost or resource.
The benefits not only reach the organisation’s financial statements, but also its talent within. With the implementation of a modern performance management system, employees are able to see how their efforts contribute to the organisation’s goals and objectives, therefore understanding their place within the business – this builds a feeling of loyalty, allowing employees to feel emotionally connected to the success of their place of work.

This is important as modern employees are passive job seekers. Employees are always on the lookout for the next opportunity, with the average millennial only staying with an employer for a maximum of three years [5].

A modern performance management system also benefits senior management and HR. It provides a means to clear visibility of performance across the organisation, reducing the amount of administrative paperwork requiring completion, and increases the quality and completion rate of performance reviews.

With 52% of managers and directors surveyed claiming to have spent more than two hours on each employee’s review, it is clear that any reduction in this time is advantageous. Depending on the size of the team, the time spent on reviews could equate to as much as the bulk of an entire working week [1].

How will regular performance reviews benefit my workforce?

Top Tip: Improve staff retention

Talent growth comes from on-the-job experiences and achievements, not formal training [6]. It is the ability to apply knowledge, experience, training and advice to deliver outcomes that are measurable to the organisation’s shared goal. However, this ability can only be strengthened with regular one-to-ones and constructive feedback.
Will regular performance reviews benefit employees as individuals?

Whilst there are clear benefits to the business in implementing a modern performance management system, this is due to the *change in mindset* from the organisation’s employees. By engaging employees in the ownership of their performance, employees feel empowered in their development and feelings of belonging within the business. They feel better connected to the organisation as shown by their willingness and ability to do more to help it to succeed and prosper.

Indeed, increasing employee engagement by just 15% increases the organisation’s operating margin by 1.9% - the highest levels of employee engagement positively affected operating margins by 3.7% [7].

By enabling performance conversations to be held regularly throughout the year, employees *continue to work on their goals* rather than reflecting on their performance, perhaps negatively, when it is too late to make a change.

This is thanks to online performance management systems’ capabilities:

- Constant access to personal objectives
- The ability for reviews and development plans to instantly update with managerial changes
- The ability to edit to add comments and keep managers informed of any activity and process.

In doing so, 65% of respondents agreed that one of the benefits of performance management is that they feel more motivated and engaged in their personal roles [1].
How will an online tool help my organisation?

An online performance management system is an enabling tool that helps to provide a platform for information to be recorded in real-time, tracking process and any issues as they occur.

An online tool allows performance reviews to be based on recorded information rather than memories, and encourages year-round performance management and genuine improvements rather than encouraging employees to boost their efforts for their upcoming annual appraisal.

Furthermore, an online performance management system should be accessible on any modern web browser, alongside mobile devices such as tablets and phones.

This means that all successes, or otherwise, can be registered as they happen, ensuring the preservation and clarity on all events.

Online systems allow managers to coach, mentor, inspire, challenge and agree actions with their teams and individuals, rather than being bogged down with administrative burden.

This is in part due to the 'dashboard' appearance of an online performance management system – managers can access and extract information on their team and individuals in seconds, sharing this information with HR teams as necessary, allowing performance-related decisions to be made on facts rather than opinion.

Top Tip: Consider the user experience

If designed with the user-experience at the forefront of consideration, the online system will be easy and intuitive for all users to use, requiring no training. This ensures that employees and managers can sit down and jointly plan and agree on targets for deliverance across the year, ensuring that these are consistently in mind regardless of any business or competitive environmental changes.
Building a business case

If you require a modern performance system, you may need a business case to present to your organisation’s board. This will need to demonstrate the organisation’s need for such a system, including an evaluation of the pros and cons of implementing a modern system. You should be able to argue the rationale behind your requirement, accounting for the return of investment.

By presenting your business case with all aspects deliberated and any potential negatives understood and justified.

Considerations you should be prepared to present include:

- What is performance management?
- What’s wrong with our current process?
- What are other people doing in our industry?
- Why does our organisation need a modern system?
- What benefits will it bring to us?
- What are the costs, and will we see a return of investment?
- Why have we recommended a specific potential vendor – what do they offer that other providers do not?

In building a business case, you can ensure that you have constructed a reasonable request for a necessary piece of software that will enable greater performance throughout the organisation. You will need to convince your key decision makers, so ensure that your business case is simply stated, well thought out and structured to your specific organisation’s goals and long-term strategic planning for development and succession.

This will help the evaluate process, giving you the opportunity to assess and research current industry trends and competitors’ processes and how this relates to your organisation. In doing so, you will show proactiveness and dedication to your organisation’s success, and the long-term success of its people.
Conclusion

Online performance management systems remove the pressure from managers and employees, allowing the formal annual review to be transformed to a quick reflection on past performance, with more emphasis of what can be achieved in the future. This removes the unpleasant element of surprise. If completed successfully, 77% of employers, managers and directors saw the overall value in performance reviews [1].

For ultimate performance management success, remember that you’ll need to:
- Record and monitor ongoing targets in real-time
- Access anywhere, anytime
- Remove the necessity of training
- Free managers from administrative burden
- Extract reports based on individual and team progress

[2] People Management
[4] Sibson and WorldatWork
To receive a **free sample** business case builder, contact our team of performance management experts who will be happy to discuss and provide recommendations based on your specific needs.

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