



Four Essentials of Effective Performance Development

Research Summary



Brandon Hall Group Research Team

Table of Contents

Demographics - 2018 Performance Development Study	3
Performance Development By The Numbers	4
ESSENTIAL #1:	10
Align Performance Development with Business Objectives	10
ESSENTIAL #2:	12
Ensure Managers Are Equipped to Succeed in the New Era of Continuous Performance Conversations and Coaching	12
ESSENTIAL #3:	14
Expand Performance Development to Teams and Hold Individuals Accountable for their Performance in Teams	14
ESSENTIAL #4:	15
Continue to Evolve Your Performance-Development Approach through Employee Feedback and Measurement	15
Key Take-Aways	16
Brandon Hall Group Research Methodology	17
About Brandon Hall Group	18
Authors and Contributors	18

Demographics - 2018 Performance Development Study

363 Total Responses



48 Countries

- **68%** US/Canada
- **22%** EMEA
- **8%** APAC
- **2%** Caribbean/South America



47 Industries

Top 5: Technology/Software (12%),
Healthcare (9%), Education (8%),
Manufacturing (8%), Government (7%)

Small, Mid-Size, and
Large Organizations



27%

Less than 500
employees



32%

501-4,999
employees



41%

5,000+
employees

- 22%** Learning/Leadership Development Professional
- 17%** Head of Learning/Leadership Development
- 17%** HR/Talent Management Professional
- 12%** HR/Talent Management Head
- 10%** Non-HR/Individual Contributor
- 10%** Executive/Senior Leadership
- 6%** Other
- 5%** Business Unit Operations Management
- 1%** Talent Acquisition Head or Professional

Performance Development By The Numbers

Highlights of the 2018 Brandon Hall Group Performance Development Study

Organizations Planning Changes to Performance Development, Next 12-18 months

Supplement annual performance appraisals with frequent performance conversations and coaching

54%

Focus performance appraisals more on the future goals of the employee and your expectations

44%

Eliminate formal performance appraisals

13%

Eliminate use of a rating scale

12%

Top Three Reasons to Change Performance Development

High-Performance Organizations*

67%

Employees needed more frequent feedback from managers

43%

We want to reward and recognize employees more often

40%

More alignment needed with business objectives

All Other Organizations

70%

Employees needed more frequent feedback from managers

52%

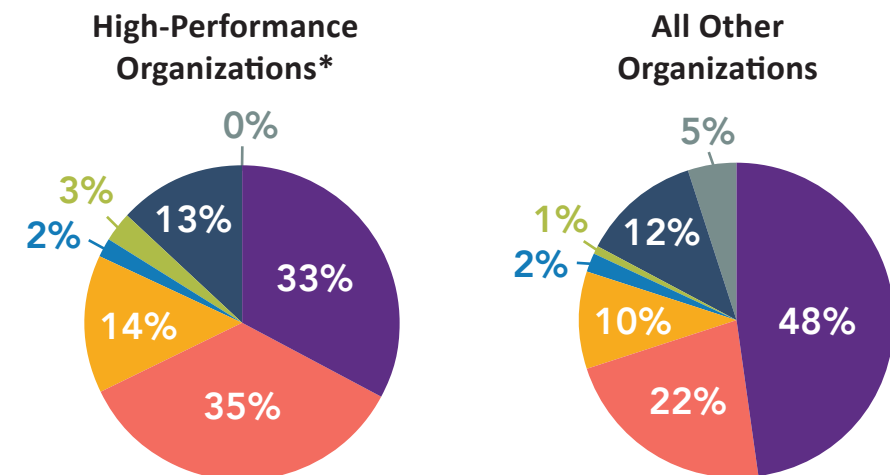
More alignment needed with business objectives

40%

Performance Development was not delivering a good ROI

*High-performance organizations have experienced year-over-year increases in Key Performance Indicators, including revenue, market share, employee engagement and retention, customer satisfaction and retention, and quality of hire.

Frequency of Performance Discussions

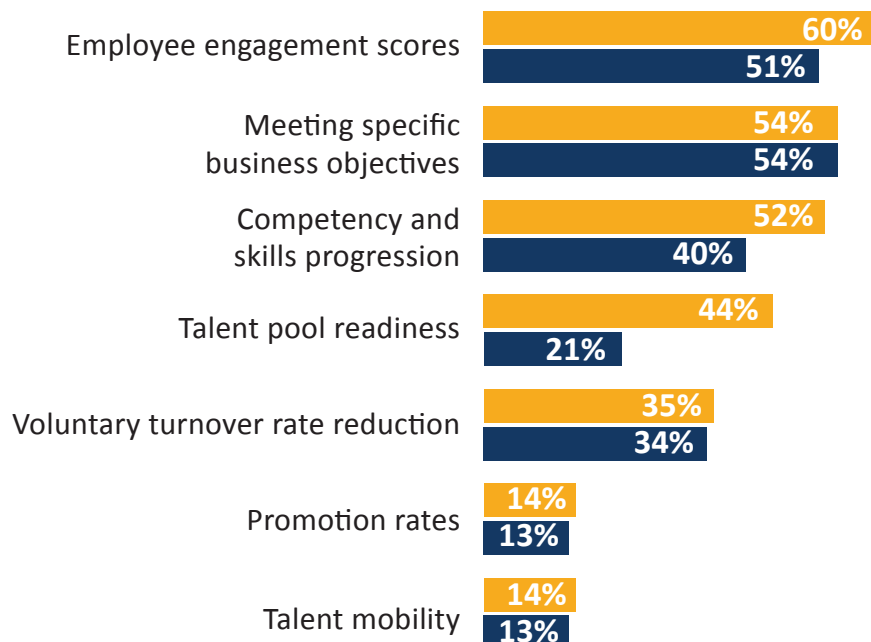


- Annually
- Quarterly
- Monthly
- Weekly
- Daily
- As frequently as needed
- Less than annually

INSIGHT

High-Performance organizations do a better job of providing feedback to employees. More than half (54%) of high-performance organizations provide feedback at least quarterly, compared to 35% of other organizations.

How Performance-Development Effectiveness is Measured

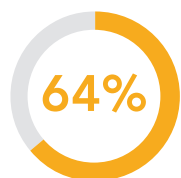


- High-Performance Organizations*
- All Other Organizations

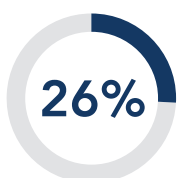
*High-performance organizations have experienced year-over-year increases in Key Performance Indicators, including revenue, market share, employee engagement and retention, customer satisfaction and retention, and quality of hire.

Four Essentials of Effective Performance Development

Performance Development is Aligned/ Highly Aligned with Business Objectives

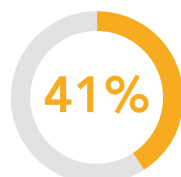


High-Performance
Organizations*



All Other
Organizations

Managers Effectively Discuss Growth Opportunities with Employees



High-Performance
Organizations*



All Other
Organizations



Formally Train Managers to be Coaches and Mentors to Employees

61%

High-Performance
Organizations*

43%

All Other
Organizations



Coaching/Mentoring Program is Effective/ Highly Effective

52%

High-Performance
Organizations*

30%

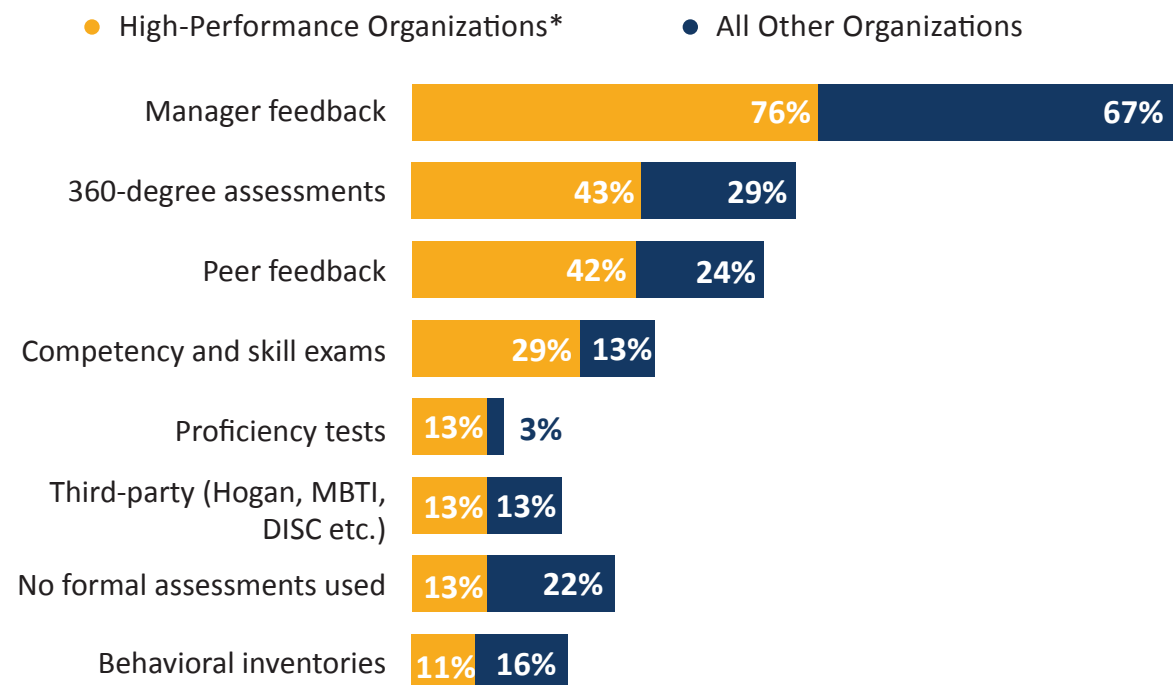
All Other
Organizations

INSIGHT

High-performance organizations do a better job of aligning performance management with business objectives, training managers in performance development, and actively participating in their employees' development.

*High-performance organizations have experienced year-over-year increases in Key Performance Indicators, including revenue, market share, employee engagement and retention, customer satisfaction and retention, and quality of hire.

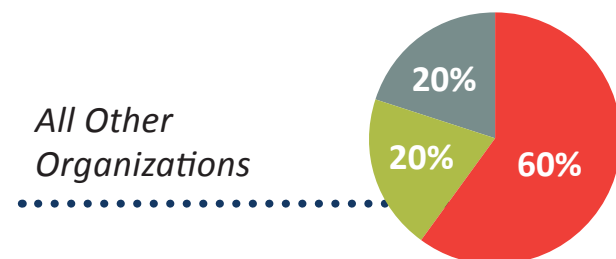
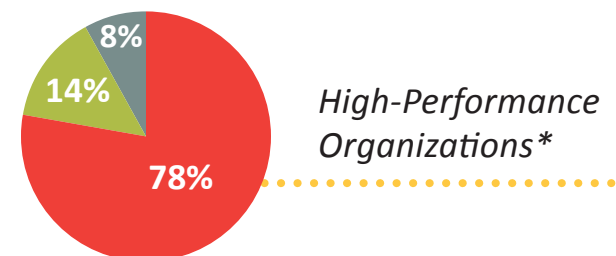
Formal Assessments Used in Performance Development



Solicit Feedback from Employees on Performance Development Process



Performance Development Enabled through Technology



- Technology in use
- No technology, but plan to add soon
- No technology, no plan to add

*High-performance organizations have experienced year-over-year increases in Key Performance Indicators, including revenue, market share, employee engagement and retention, customer satisfaction and retention, and quality of hire.

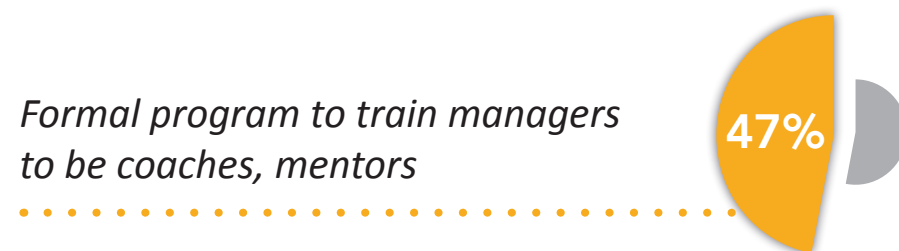
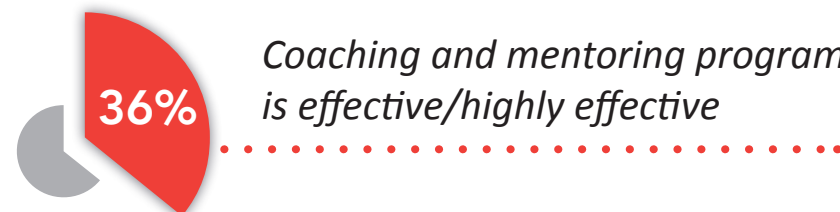
Analysis Overview

The widely predicted revolution in performance development, which was supposed to largely eliminate the use of annual performance appraisals and rating scales, has not materialized. Instead, a majority of organizations are migrating to a culture of frequent performance conversations and coaching to supplement formal appraisals, according to Brandon Hall Group's 2018 Performance Development Study.

The study revealed that only a small fraction of organizations (13%) plan to scrap formal performance appraisals and rating scales, while a majority (54%) plan to supplement annual appraisals with frequent performance conversations and coaching, and 44% are focusing performance appraisals on future expectations rather than reviewing past performance.



The challenge for organizations now is to avoid the same systemic failures in this new era of continuous conversations and coaching that plagued traditional performance development to the point that employees and managers abhorred the entire process. The data shows that almost two-thirds of organizations struggle to coach effectively, and less than half have formal programs that train managers to coach and mentor their employees.



The struggle to coach and provide feedback is ironic considering the overwhelming reason for changing performance development, cited by 70% of respondents, is that employees need more frequent feedback and coaching from their managers.

Reasons for Changing Performance Development



Another critical issue is that only 35% of organizations said their performance development process is aligned with business objectives. About half (48%) cited the need for better alignment as a driver for changing performance development process.

Organizations with performance development-business alignment reported better results in several areas, particularly in having formal coaching/mentoring training for managers and the effectiveness of managers discussing specific growth opportunities with employees.

	Performance Development and Business Objectives ✓ ALIGNED	Performance Development and Business Objectives ✗ NOT ALIGNED
Effective in coaching and mentoring	64%	37%
Managers are effective in discussing growth opportunities with employees based on their performance	36%	7%

In reviewing and analyzing the data from the research, Brandon Hall Group arrived at four essential strategies to make the performance development evolution successful and a contributor to business growth. The remainder of this report provides that analysis.

ESSENTIAL #1:

Align Performance Development with Business Objectives

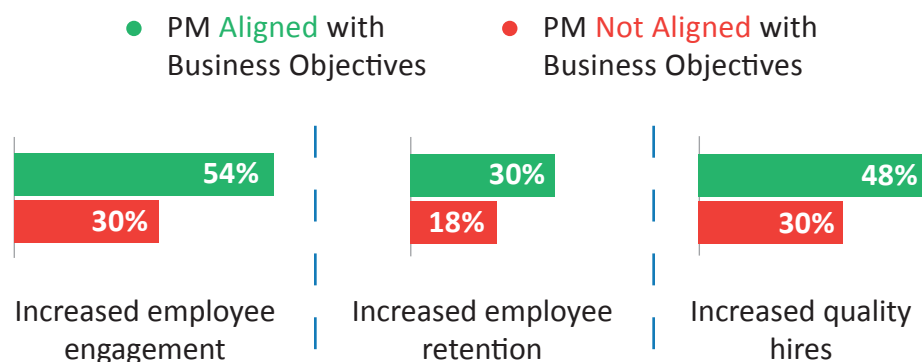
This may seem obvious but only 35% of organizations said their performance development process is aligned with their organization's business objectives.

It is a major problem throughout human capital management. In our HCM Outlook 2018 Study, the top priority for responding organizations in all five areas of HCM — learning, talent management, talent acquisition, leadership development and workforce management/HR — was aligning the strategy of that function with business objectives.

Alignment is far more complex than it sounds. It requires buy-in from leadership, a culture of collaboration, strong governance, enabling technology, plus the ability to effectively manage change across the organization.

But the benefits are significant. In performance development, organizations that reported their process was aligned with business objectives are far more likely to:

- **Experience increased employee engagement, employee retention and quality of hire.**



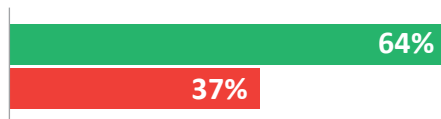
Four Essentials of Effective Performance Development

● Organizations with PM **Aligned** with Business Objectives

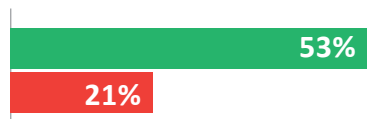
- Have managers who effectively discuss growth opportunities with employees based on their performance.



- Formally train managers to be coaches and mentors to improve employee performance.

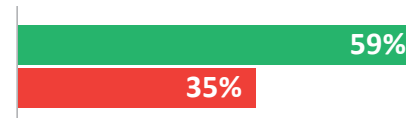


- Have effective or highly effective coaching and mentoring programs.

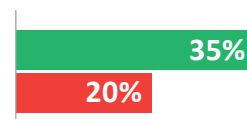


● Organizations with PM **Not Aligned** with Business Objectives

- Regularly solicit feedback from employees on the performance development process.



- Extend the formal performance development to teams and hold individuals accountable for the performance of the teams to which they belong.



- Leverage technology to drive performance development.



In essence, all the major drivers of strong performance development work better when performance development is consistent throughout the organization and aligned with business goals.

ESSENTIAL #2:

Ensure Managers Are Equipped to Succeed in the New Era of Continuous Performance Conversations and Coaching

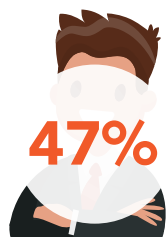
The main driver of change in performance development is providing more feedback to employees so they can continue to develop skills and improve their performance, the research shows. In the traditional system of annual appraisals with scant interim reviews, managers had little incentive to provide that feedback. Managers cannot be expected to magically become better coaches and mentors or have effective performance conversations simply because the new performance development paradigm requires it.

Organizations must invest in developing managers to meet their responsibilities in the new system to prevent it from taking on the same dysfunctionality as the old one.

Right now, there is a disconnect between the top motivation to change performance development (more feedback to employees) and the end product:



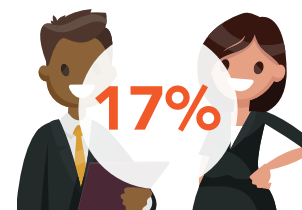
Employees need more feedback from managers



Organizations offering formal training for managers to coach and mentor employees

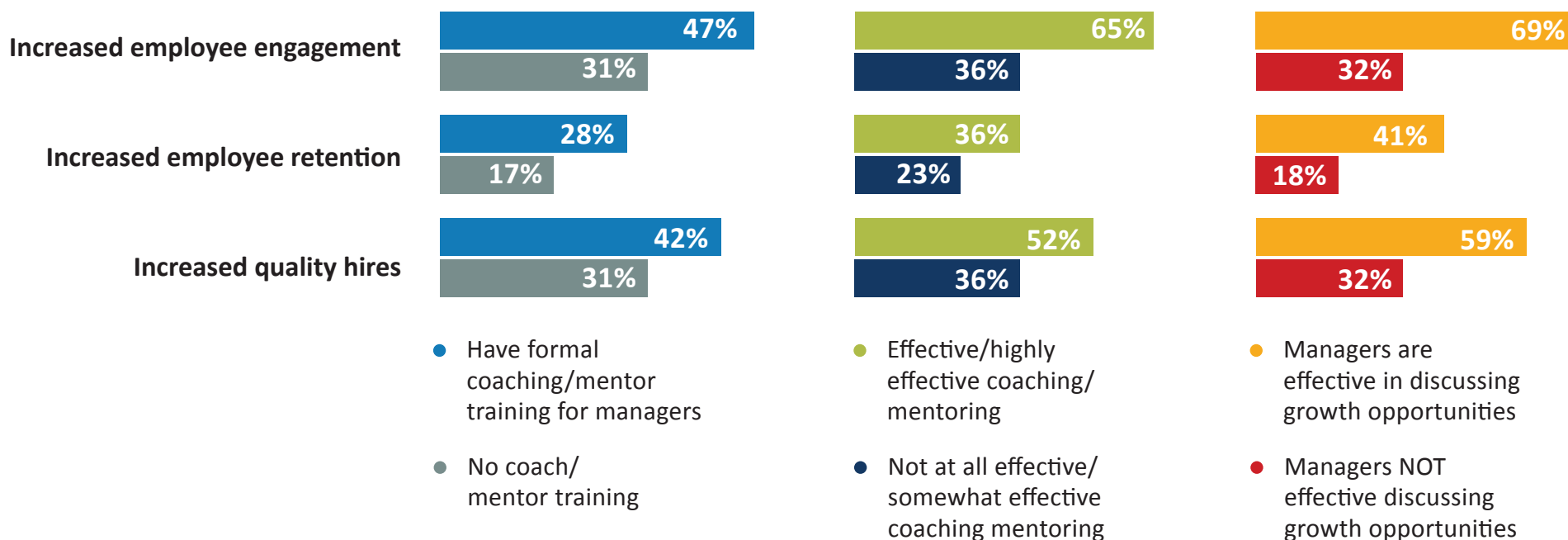


Effective coaching and mentoring program



Managers are effective/highly effective in discussing growth opportunities with employees based on their performance

Organizations that train managers and are more effective in coaching, mentoring and discussing growth opportunities with employees also are far more likely to see increases in employee engagement, retention and quality of hires:



There is no right way to train managers to improve their performance-development abilities. Specifically targeted programs or existing high-potential and leadership-development programs might be a good choice, or whatever works best within your organization's culture. But we believe there should be a sense of urgency in narrowing the gap between the intention of enhancing performance development and the execution.

When change is introduced in organizations, as has been the case with performance development, employees are both apprehensive and hopeful. Management has a window of opportunity to match reality to intention. If the advent of more employee feedback and better performance development is to be successful, organizations must act decisively to make it happen.

ESSENTIAL #3:

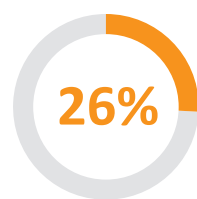
Expand Performance Development to Teams and Hold Individuals Accountable for their Performance in Teams

Team-focused performance development is the next plateau in the evolution of performance development.

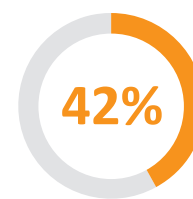
As organizations become flatter, more dispersed and more collaborative, cross-functional teams are increasingly used to complete projects and initiatives that transcend department or geographic boundaries. Team performance must be evaluated along with individual contributions within those teams. Furthermore, team members should be accountable as individuals for their performance within teams. This is not a new concept, but due to the complexity of hierarchies, processes, goals and technologies needed, it has been more theory than practice. But it is beginning to change.

Overall, about one in four organizations have a formal performance-development process in place for teams. That increases among high-performance organizations and those where performance development is aligned with business goals.

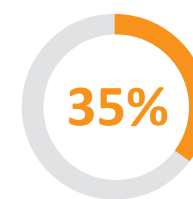
Percentage of Organizations with a Formal Performance Development Process for Teams



Overall



High-Performance
Organizations



Organizations
where performance
development
is aligned with
business goals

The data does not yet show any specific benefit to formal performance development for teams, such as increased KPIs. But our work with clients indicates that many organizations are aware they need to do a better job of understanding the quality of work in teams and that team members must be evaluated and developed.



The good news, as this trend develops, is that of the relatively few organizations that do formally evaluate team performance, almost two-thirds (65%) address team performance in individual team members' performance appraisals. This is a strong indication that, while organizations are still growing into team performance development, they understand the importance of holding individuals accountable.



ESSENTIAL #4:

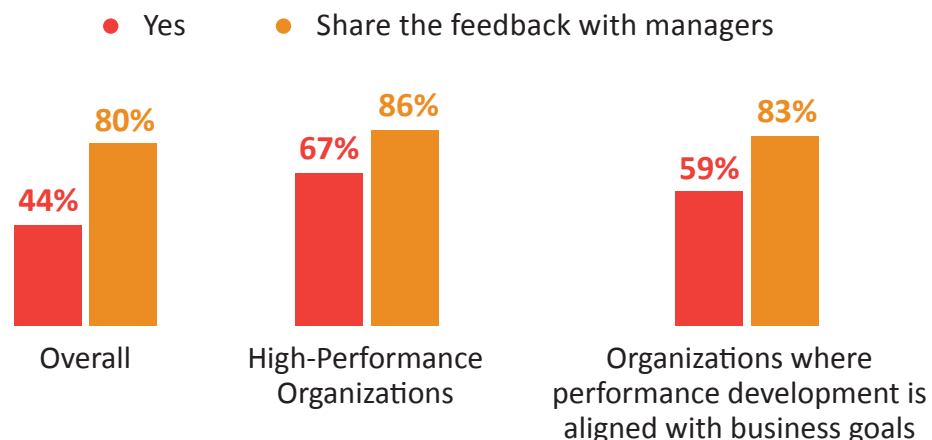
Continue to Evolve Your Performance-Development Approach Through Employee Feedback and Measurement

Many organizations clearly perceive a need to revamp their PM processes, otherwise we would not see such large-scale changes taking place. However, less than half of these organizations overall are gathering opinions and ideas from their employees on exactly what needs more improvement.

The percentages are significantly better, however, among high-performance organizations and those in which performance-development and business objectives are aligned. These organizations understand the importance of feedback as a driver of continuous improvement and found a way to make it happen.

The good news is that 80% or more of organizations that do get employee feedback on performance development share it with their managers.

Organizations Soliciting Feedback from Employees on Performance-Development Process



Key Take-Aways



Twelve Actions to Drive Your Performance-Development Journey

1. Replace or supplement annual performance appraisals and discussions with periodic, informal performance discussions and check-ins. Ensure they are meaningful, human interactions.
2. Managers and, if possible, peers should deliver frequent and in-the-moment feedback to each direct report.
3. Replace annual performance goal-setting with near-term goal-setting.
4. Allow employees to update performance goals as the need arises.
5. Separate performance discussions from merit pay discussions.
6. Eliminate the use of a forced distribution.
7. Create free-form self-assessments that provide employees with the freedom to express themselves as they see fit, including personal and professional goals, plus items that should be considered but may not be part of the formal performance-appraisal process.
8. Allow for ongoing transparent feedback shared among peers, managers and team leaders. Promote transparency and remove as much anonymity as your culture can support.
9. If a 360-degree assessment is used, allow the employee to choose some of the colleagues who will participate.
10. Allow managers and peers to recognize employees for meaningful contributions, especially those tied to their performance goals. In other words, offer frequent recognition for good work, not just blockbuster achievements.
11. Establish formal peer-to-peer rewards and recognition programs.
12. Create a process where in-the-moment coaching content is readily accessible. Ensure managers are regularly trained on coaching and mentoring.

Brandon Hall Group Research Methodology



About Brandon Hall Group

Brandon Hall Group is a HCM research and advisory services firm that provides insights around key performance areas, including Learning and Development, Talent Management, Leadership Development, Talent Acquisition, and HR/Workforce Management.

With more than 10,000 clients globally and almost 25 years of delivering world-class research and advisory services, Brandon Hall Group is focused on developing research that drives performance in emerging and large organizations, and provides strategic insights for executives and practitioners responsible for growth and business results.

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