



# 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
<b>ESSENTIAL #1:</b>	10
Align Performance Development with Business Objectives	10
<b>ESSENTIAL #2:</b>	12
Ensure Managers Are Equipped to Succeed in the New Era of Continuous Performance Conversations and Coaching	12
<b>ESSENTIAL #3:</b>	14
Expand Performance Development to Teams and Hold Individuals Accountable for their Performance in Teams	14
<b>ESSENTIAL #4:</b>	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%**

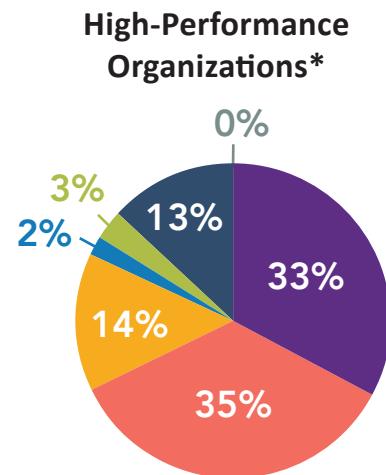
More alignment needed with business objectives

**40%**

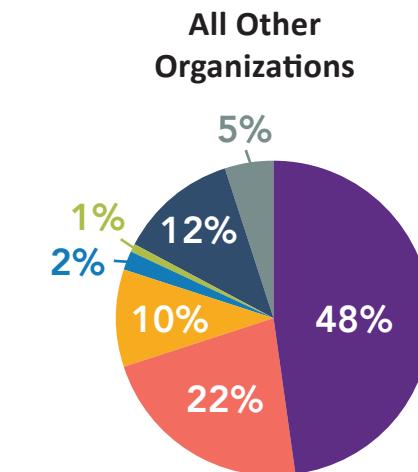
Performance Development was not delivering a good ROI

\*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



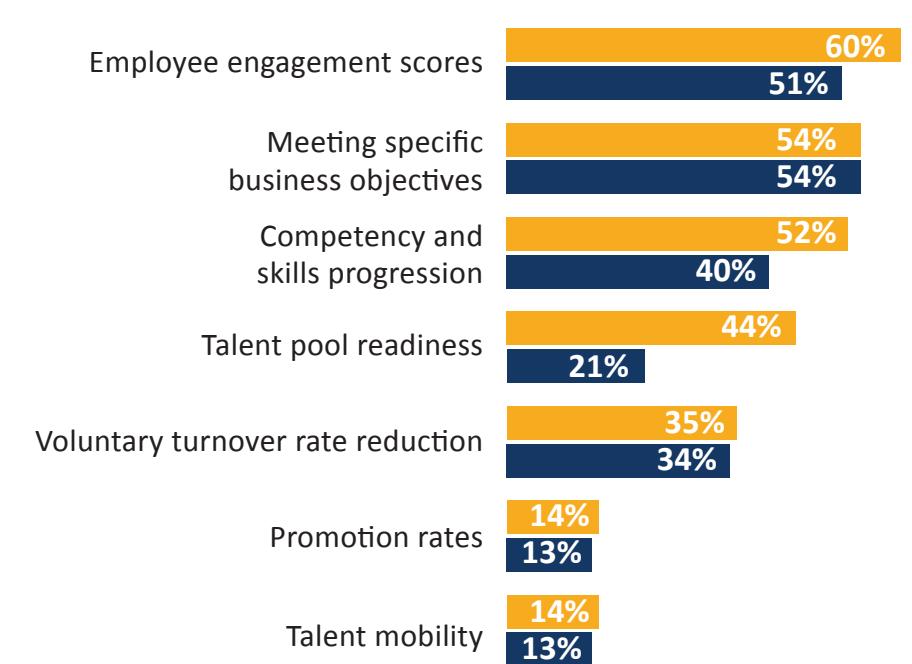
- Annually
- Quarterly
- Monthly
- Weekly
- Daily
- As frequently as needed
- Less than annually



## 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%**

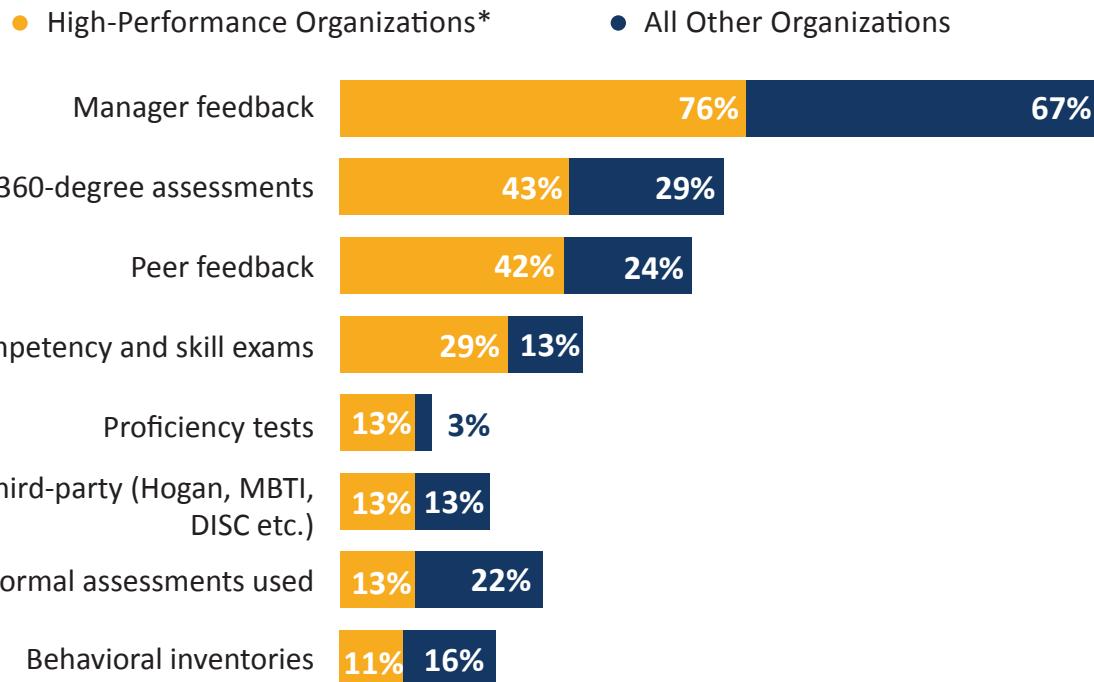
All Other  
Organizations

### INSIGHT

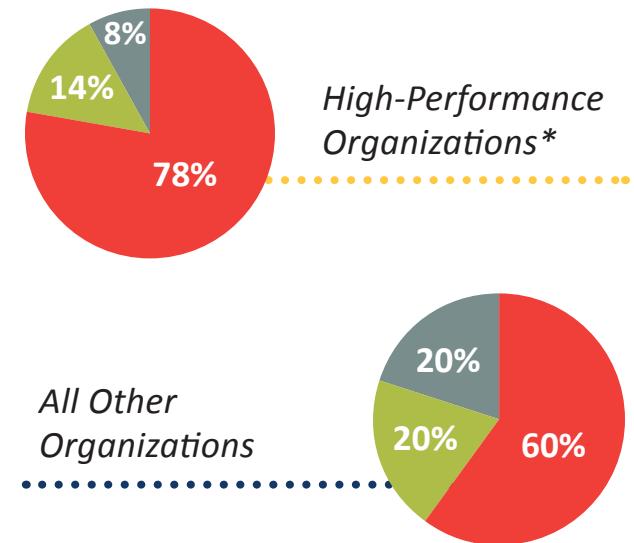
High-performance organizations do a better job of aligning performance management with business objectives, training managers in performance development, and actively participating in their employees' development.

\*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



## Performance Development Enabled through Technology



## Solicit Feedback from Employees on Performance Development Process



- 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.



*Coaching and mentoring program is effective/highly effective*



*Formal program to train managers to be coaches, mentors*

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:

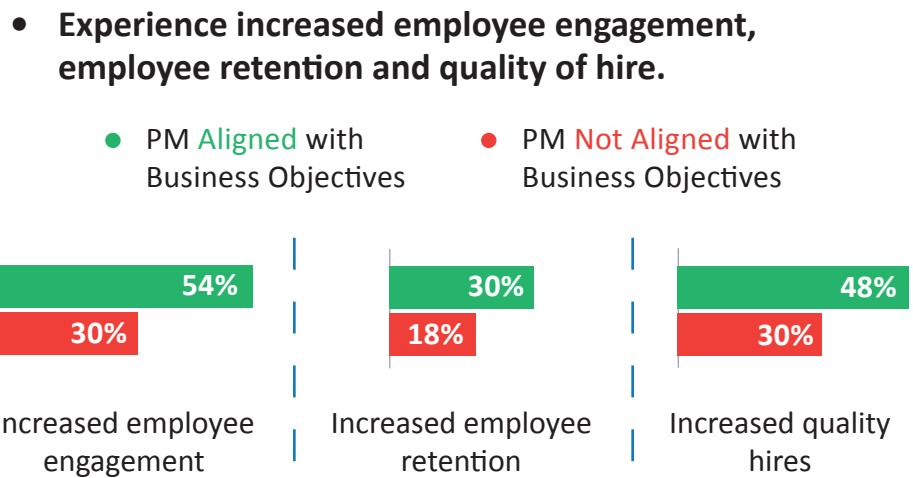
### Align Performance Development with Business Objectives

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

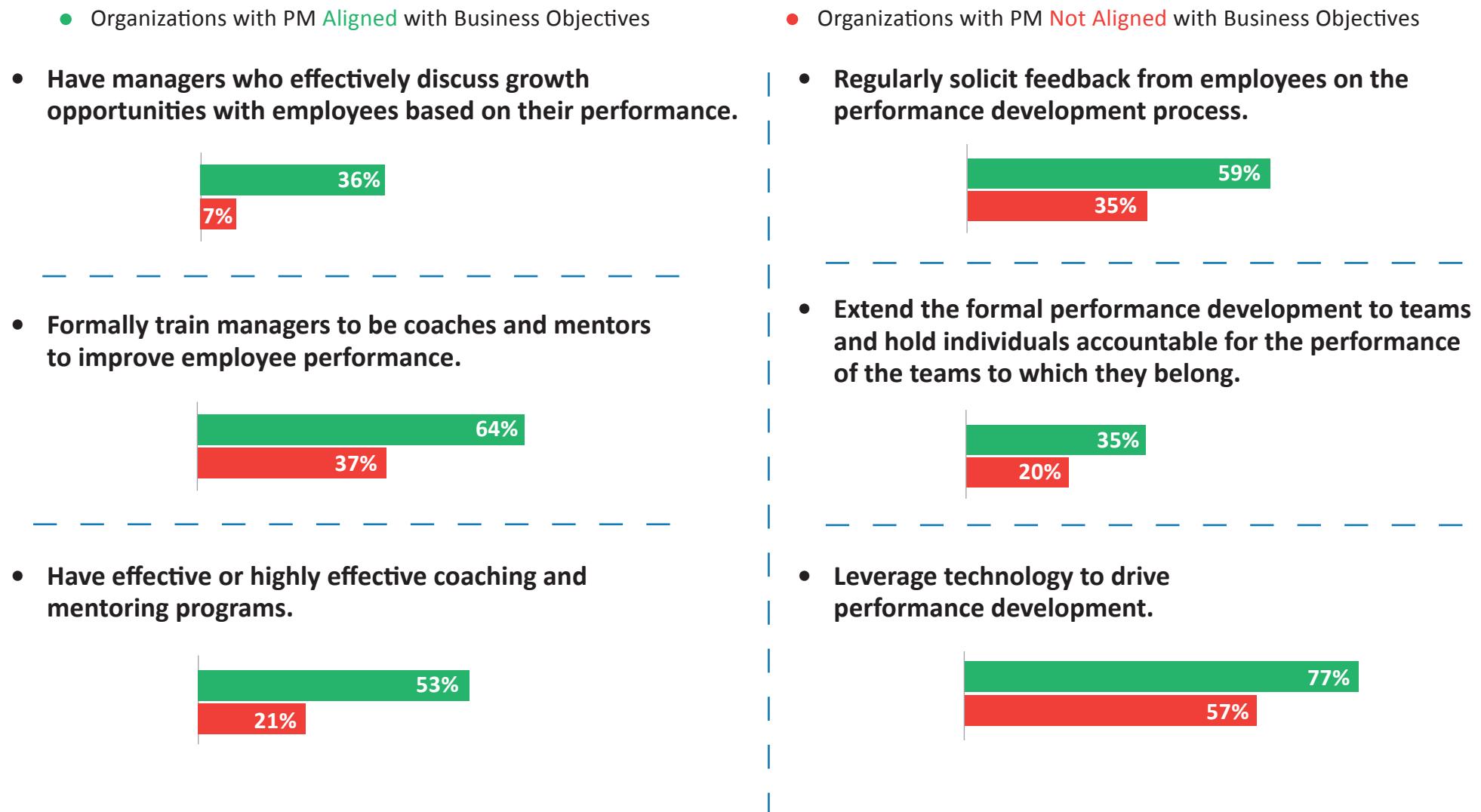
It is a major problem throughout human capital management. In our HCM Outlook 2018 Study, the top priority for responding organizations in all five areas of HCM — learning, talent management, talent acquisition, leadership development and workforce management/HR — was aligning the strategy of that function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



# Four Essentials of Effective 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



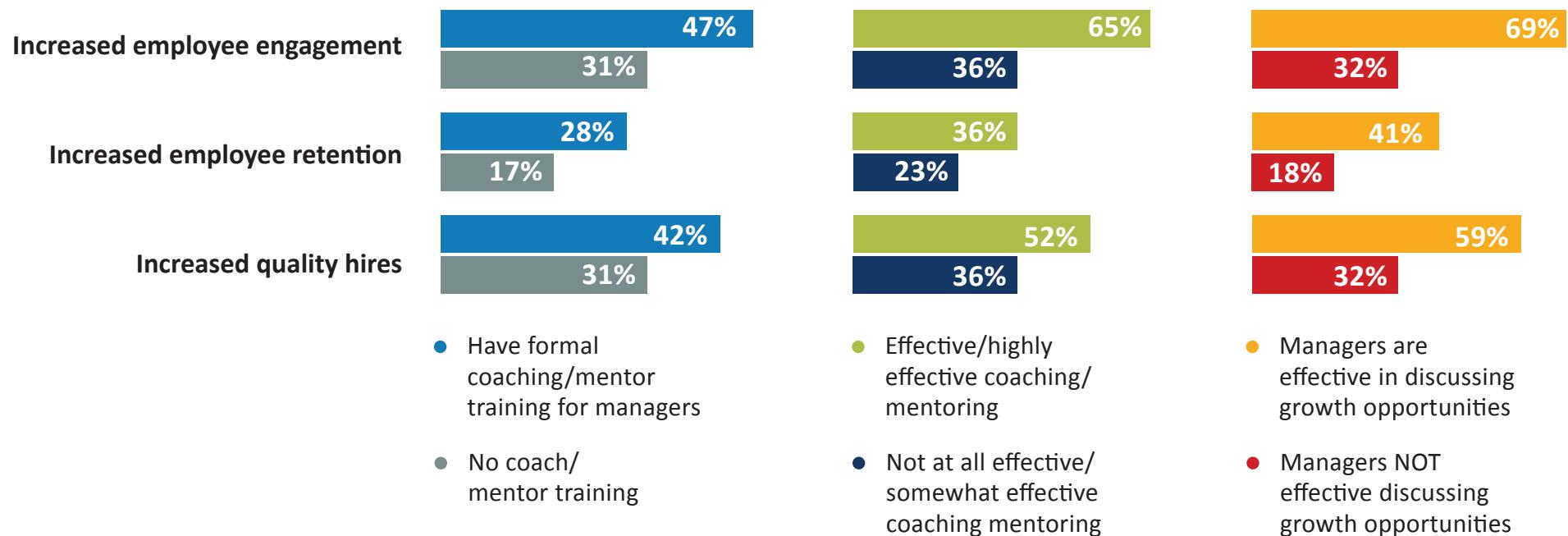
Effective coaching and mentoring program



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

## Four Essentials of Effective Performance Development

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



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:

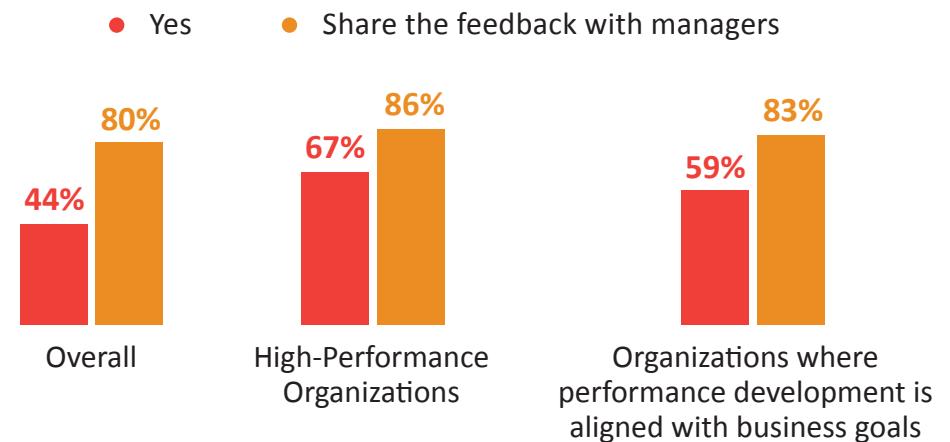
### Continue to Evolve Your Performance-Development Approach Through Employee Feedback and Measurement

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.

## Authors and Contributors



**Claude Werder** ([claude.werder@brandonhall.com](mailto:claude.werder@brandonhall.com)) co-wrote this report. He is the Vice President of Research Operations and Principal HCM Analyst at Brandon Hall Group. His responsibilities include overseeing Brandon Hall Group's team of analysts, directing research priorities, content quality assurance, and producing the annual HCM Excellence Conference. He also leads the Talent Management practice and specializes in competency and career development, performance management and leadership development.



**Cliff Stevenson** ([cliff.stevenson@brandonhall.com](mailto:cliff.stevenson@brandonhall.com)) co-wrote this report. He is Principal Analyst, Workforce Management Practice. His expertise includes data and analytics, performance management, recruitment, acquisition, retention, and attrition. He also served as the HR leader for a Boston consulting firm.

**Richard Pachter** ([richard.pachter@brandonhall.com](mailto:richard.pachter@brandonhall.com)) edited this report. He is the Content Manager at Brandon Hall Group and is responsible for editing all types of content related to research. He has experience as a journalist, copywriter, editor, marketer, blogger, and social media marketing manager. He also served as the business books columnist for the Miami Herald for more than a decade.

**Emma Bui** ([emma.bui@brandonhall.com](mailto:emma.bui@brandonhall.com)) is the Graphic Design Associate at Brandon Hall Group and created the graphics and layout for this report.

## Subscribe To Our Interactive Data-Benchmarking Tool: DataNow®

All the data from our studies is available by subscription to [DataNow®](#). DataNow® is Brandon Hall Group's interactive data-benchmarking tool. Organizations use it to make data-based decisions, find leading practices, benchmark, and more. You can also filter the data by company size, revenues, and industry segments to give you a fully customized view.

---

## Our Services

### GET HELP TO DRIVE RESULTS FOR YOUR TALENT

In today's volatile and global business climate, managing talent for high-performance plays an increasingly crucial role in an organization's growth and future success. Effective talent management is a top priority in organizations everywhere because, while organizations recognize the need to obtain and retain people with the very best skills, they continue to struggle to implement effective strategies to do so. HR and Learning professionals need to be able to successfully define organizational talents needs and skills, identify talent strengths and career goals, and align organizational needs to individual needs. Rethink your strategy, validate your assumptions, transform your business, and optimize your time with the use of reliable data, tools, and guidance.



PLAN



ATTRACT



DEVELOP



PERFORM



RETAIN



OPTIMIZE

---

### GET HELP WITH YOUR HR SERVICES MANAGEMENT & DELIVERY

As described in the employee lifecycle, processes are linked to employee transactional processes (e.g., compensation, benefits, compliance, contingent workforce management, etc.) via workforce planning and analytics.

- Policies/Process/Procedure
- Payroll
- Expense Management
- Benefits & Compensation
- Contingent Workforce Management
- Compliance
- Time & Labor Management

## Our Services (Continued)

### GET CONSULTING HELP WITH...

- Strategy and Planning
- Governance & Business Alignment
- Executive Management
- Team Development
- Measurement & Analytics
- Program Design & Deployment
- Technology Selection, Management & Integration
- Organizational Structure
- Measurement & Analytics
- Change Management
- Budgeting & Forecasting

---

## Membership Offers Tailored Support

At the core of our offerings is a Membership Program that combines research, benchmarking and unlimited access to data and analysts. The Membership Program offers insights and best practices to enable executives and practitioners to make the right decisions about people, processes, and systems, coalesced with analyst advisory services which aim to put the research into action in a way that is practical and efficient. Membership also provides you direct access to our seasoned team of thought leaders dedicated to your success, backed by a rich member community, and proactive support from our client services team.

### RESEARCH ACCESS & EVENTS

- Reports
- Case Studies, Frameworks & Tools
- DataNow® & TotalTech®
- Webinars and Research Spotlights
- Annual HCM Conference

### ADVISORY SUPPORT

- Ask the Expert
- 1 on 1 Consultations
- Research Briefings
- Benchmarking

### CLIENT SUCCESS PLAN

- Your Priorities
- Executive Sponsor
- Client Associate
- Monthly Meetings

[CLICK HERE TO LEARN MORE](#)