

The ROI of Continuous Performance Management

AN INNOVATIVE APPROACH
TO PERFORMANCE

workhuman^{*}



Traditional performance management – a process during which employees receive an annual performance review and small pay raise – is falling out of favor.

According to “The Future of Work is Human: Findings from the Workhuman® Analytics & Research Institute,” a recent survey of more than 3,500 full-time workers from the United States, Canada, Ireland, and the United Kingdom, more than half of people say the performance management process is not indicative of all the work they do (53%) and that it does not improve their performance (55%).¹ Not only that, but it sucks time and energy from employees and people leaders for negligible payoff.

Luckily, there’s no requirement to take the “traditional” path. For the fourth year in a row, this survey found that the number of companies conducting annual or semiannual reviews has fallen. In 2016, 82% of workers surveyed said their company used an annual review. That number dropped to 65% in 2017, 58% in 2018, and 54% in 2019.



“People were spending a lot of time completing self-evaluations. Managers were filling out the same evaluations for numerous employees and not really making much use of them afterward. We heard loud and clear: ‘We’re tired of feeding the machine’ – just doing it for the sake of doing it. The value wasn’t in the summary rating and written monologue.”

MARINE MESSIN

Director, Leadership & Organizational Development, CAE²

Even organizations that use an annual process are finding ways to weave in continuous performance management (CPM) – or, a consistent stream of feedback, check-ins, and priorities. According to research from Brandon Hall,³ 54% of organizations want to supplement the annual review with more frequent conversations and coaching. A full 13% want to eliminate formal performance appraisals, and another 13% want to get rid of ratings altogether.

This is the path of the future. Embracing continuous performance management backed by analytics⁴ offers ROI in the form of a continuous flow of data rather than just an annual snapshot. This lets you measure changes in employee engagement, culture, and performance management effectiveness – all vital elements to business success.



Employees clearly want more frequent and consistent feedback.

HOW CPM BOOSTS ENGAGEMENT AND RETENTION

According to the “The Future of Work is Human,” encouraging people leaders to check in with each of their employees at least once a week can have a high impact on engagement: 47% of respondents who reported feeling highly engaged at work checked in with their managers at least weekly, while only 2% of highly disengaged employees and 13% of neutral employees said the same.

Employees clearly want more frequent and consistent feedback. Those who check in weekly as opposed to never are:

- More than **2x** as likely to trust their manager
- Nearly **2x** as likely to respect their manager
- Nearly **2x** as likely to believe they can grow in the organization

This is because traditional performance reviews save up six to 12 months’ worth of feedback and give it to employees all at once, which can cause important contributions to be forgotten and more recent events disproportionately emphasized. To be effective, feedback should be given when the behavior occurs. Offered days, weeks, or months later, it becomes limited in scope, less trustworthy, rarely followed up on, and focused on the past. This all contributes to employees feeling overlooked and unappreciated, leading to slow but steady disengagement.

Continuous performance management supported by recognition and gratitude, however, increases engagement and retention. Gallup found employees who’ve had conversations with their manager about goals and successes in the last six months are 2.8x more likely to be engaged.⁵ Employees who get daily feedback⁶ from a manager are 3x more likely to be engaged, and companies that provide regular feedback also have 14.9% lower turnover risk.⁷

Put simply, these are happier employees. As a result, they’re more likely to stay and to perform well – and with the average cost to hire ranging from a little more than \$4,400 up to nearly \$15,000,⁸ giving great employees a reason to leave doesn’t make financial or business sense.

“We decided to roll out recognition and Conversations[®] together as that human application suite because we believed in the full spectrum of feedback.”

MOLLY LEHRSCHE

Former Director of Corporate Communications, First Tech Federal Credit Union⁹



HOW TO MAKE A BUSINESS CASE FOR CPM

If your organization has always used traditional performance management, changing your approach might feel daunting – regardless of the ROI. Making solid business case for CPM will likely take some experimentation, and it's OK to start small.

Try these two steps, both of which require first establishing a culture of trust:

ONE

Embrace peer-to-peer feedback and coaching.

Leadership and motivation can come from any level of the organization – executives, managers, and individual contributors alike – and smart performance management is able to tap into it by empowering every person to coach and provide feedback.

TWO

Redefine the check-in.

A check-in is one of the most critical interactions between a manager and employee. See how check-ins could become more collaborative and more frequent, which will drive engagement and build trust.



From there, monitor your cultural data, engagement scores, and retention levels. Improvements mean CPM is working, whereas a lack of movement could indicate an issue with trust that is preventing employees from being honest. If the latter is the case, see David Horsager's 8-Pillar Trust Edge Framework™¹⁰ for tips on improving trust.

83% of employees who receive recognition of their performance and 80% of those who receive feedback reported a positive employee experience, compared to 38% and 41%, respectively, of employees who didn't.¹¹

The last step of transitioning to CPM is removing annual reviews and employee ratings. For that, turn to advice from Lisa Stedel Smith, manager of leadership and organizational development at CAE, who said: "Think about the employee experience you're trying to create and challenge yourself on what you currently have. What is the value of ratings? Is that value higher than any of the negative that they may also bring? You have to figure out what fits in your company. I don't think we could have kept the way we were doing performance management before and just flipped the switch on the ratings. It was a whole mindset shift from performance management to performance development, and it's about growing, developing people, transparency, and the user experience."¹²

ENDNOTES

- 1 <https://www.workhuman.com/resources/research-reports/the-future-of-work-is-human>
- 2 <https://www.workhuman.com/resources/papers/getting-rid-of-performance-ratings-caes-story>
- 3 <http://www.brandonhall.com/blogs/5-essential-performance-management-strategies/>
- 4 <https://www.workhuman.com/products/conversations/>
- 5 <https://www.gallup.com/workplace/238085/state-american-workplace-report-2017.aspx>
- 6 <https://www.gallup.com/workplace/236450/managers-millennials-feedback-won-ask.aspx>
- 7 <https://www.officevibe.com/blog/infographic-employee-feedback>
- 8 <https://www.shrm.org/hr-today/trends-and-forecasting/research-and-surveys/Documents/2017-Talent-Acquisition-Benchmarking.pdf>
- 9 <https://weworkhuman.wistia.com/medias/dmo2r9unsg>
- 10 <https://www.workhuman.com/resources/globoforce-blog/the-business-value-of-trust-2>
- 11 <https://www.workhuman.com/resources/papers/the-employee-experience-index>
- 12 <https://www.workhuman.com/resources/papers/getting-rid-of-performance-ratings-caes-story>

Contact us to talk more about continuous performance management and take a demo of Workhuman® Cloud – including our powerful Conversations platform.

ABOUT WORKHUMAN

Workhuman® is the world's fastest-growing integrated Social Recognition® and continuous performance management platform. Our human applications are shaping the future of work by helping organizations connect culture to shared purpose. With a consistent stream of gratitude fueling unparalleled, provocative workplace data and human insights, Workhuman® Cloud is a critical software engine for global companies seeking to motivate and empower their people to do the best work of their lives. Workhuman (formerly known as Globoforce) was founded in 1999 and is co-headquartered in Framingham, Mass., and Dublin, Ireland.

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