



# The ROI of Employee Performance Management Software



High-performing employees are pivotal to a company's success. They are motivated to succeed, engaged in their work, and inspire their team members to new heights.

When applied consistently and judiciously, effective performance management programs and tools **improve retention, increase job satisfaction, and significantly boost organizational performance**, underscoring a strong correlation between investment and results.

Let's dive deeper into the value of performance management software and why it's so critical to success in 2024.

# The Benefits of Automating Performance Management

Performance management is a set of processes and tools to help companies monitor and evaluate their employee's work. The objective of the practice is to establish an environment where people are encouraged and empowered to do their best as they work toward achieving their own career goals.

In the digital age, automation helps HR teams and company leaders manage employee performance, providing stakeholders with data-driven insights while enabling consistency in tracking progress toward business goals.

Digital platforms like [emPerform](#) help employers build performance management into their culture. Leveraging tools like performance reviews, 360 reviews, ongoing feedback, succession planning, [pulse surveys](#), and compensation management, HR teams gain consistency and reduce time spent managing paper processes. Automation makes these processes more efficient and unbiased, ensuring decision-makers have the information they need to move forward.



A Willis Tower Watson study found that **companies using performance management programs are 1.5x as likely to outperform their competitors financially** and 1.25x as likely to see an increase in employee productivity.<sup>1</sup>

Research firm McKinsey found that organizations with good talent management **outperformed their peers by 22%.**<sup>2</sup>

And ZipDo found that similar good practices produce nearly **50% higher revenue per employee.**<sup>3</sup>

All practices involved in performance management are designed to drive value within the organization, which can be substantiated through increased market share, innovation, and, most importantly, happy employees.

Surveys, for example, keep employees engaged and let them know their opinions matter—especially when action is implemented based on that feedback.

Compensation management and reward systems are also critical for talent retention. When automated, it ensures companies never miss an opportunity to nurture and reward the people who matter.

For its part, automation provides the added benefit of taking many of these responsibilities out of people's hands, allowing them to focus on higher-value tasks and putting hours back into their day.



# Cost Savings

Perhaps the most notable and quantifiable benefit of automating employee performance management is cost reduction. There is no better indicator of ROI than the money a company saves on core initiatives like those mentioned above.

Here are a few areas where costs can balloon without adequate performance management.

## 1. The costs of paper/manual processes

Manual processes are cumbersome, tedious, time-consuming, and often inefficient. Additionally manual processes are almost impossible to track how much time and often lead to inconsistencies and errors.

Automating processes allows managers to focus on more critical tasks while ensuring they have the data they need to make decisions. Automation also reduces errors and can save companies hundreds of payroll hours—resources that can be redirected into business-building initiatives.



Recent studies show that even in 2024, upwards of **58% of companies still use paper or spreadsheets**<sup>4</sup> to track performance and according to Gartner, of those HR leaders using traditional performance reviews, **95% were unhappy with the process.**<sup>5</sup>

emPerform conducted a survey in 2021 and found that companies using emPerform to automate performance reviews **saved an average of 2 hours per review compared to traditional manual processes.**

That includes time from managers, employees and HR completing and submitting via manual processes. If you add that up across an organization with 1,000 staff, **the time savings are huge.**



## 2. The costs of replacing star talent

Today's recruiting environment is very competitive, and in many cases, there is no replacing your star players. Doing so could put the organization at risk, as essential tacit knowledge may be lost. Effective performance management enables ongoing talent identification, [compensation management](#), and career development, helping organizations recognize, reward, and promote talent they already have in-house. Furthermore, companies who invest in performance management are more likely to attract better talent and deliver an onboarding experience that creates a culture of clarity, recognition, and success.

### Hard Costs of Losing Talent:

- Administrative work involved in processing departure
- Advertising and recruitment costs
- Time needed for interview and testing
- Orientation and training of new hires

### Soft Costs of Losing Talent:

- Lower productivity of the departing team member
- Lost institutional knowledge
- Lower productivity of the affected team(s)



## Overall, losing key talent is costly:

Retaining talent remains a priority for businesses, with 93% of organizations concerned about retaining key talent. Investing in effective performance management processes and systems can help managers and HR teams proactively identify risks and mitigate issues and costs.



An **entry-level employee** turnover cost is **30% to 50%** of their annual salary to replace.



A **mid-level employee** turnover costs **150% and above** of their annual salary to replace.



A **high-level or highly specialized employee** costs approximately **400%** of their annual salary to replace.<sup>6</sup>

52% of employees who left an organization voluntarily said that their manager or company **could have done something to change their mind about leaving.**<sup>7</sup>

75% of turnover is for **preventable reasons.**<sup>8</sup>



### 3. The costs of not recognizing performance

Beyond retention, companies must always be focused on recognizing performance and talent. Some staggering statistics show that:

**29% of employees haven't received recognition** for good work in over a year, if at all.<sup>9</sup>

**80% of employees would work harder** if they felt better appreciated.<sup>10</sup>

When recognition hits the mark, employees are **5x as likely to be connected** to company culture and **4x as likely to be engage**.<sup>11</sup>

Investing in the proper tools that enable tracking of accomplishments and milestones, [ongoing feedback](#), and regular conversations about performance allows organizations to ensure that employees are frequently and properly recognized for work.



## 4. The costs of not achieving company goals

When performance management is lacking, companies pay a massive price for not achieving their business goals. Inefficient processes, lack of clarity, poor oversight, or focusing on the wrong things can lead to instability in the workforce, underperformance, reputational damage, and loss of market share. Underperforming companies will have trouble attracting talent and will be challenged to maintain any kind of long-term stability.

**Economist Impact** reports that **90% of businesses fail to reach strategic goals.**

According to **Dynamics Achievement**, one of the top reasons companies don't meet their goals are:

1. Unclear goals
2. Lack of communication
3. Lack of clarity and roles and accountability
4. Lack of processes
5. Poor employee development



**Only 51% of companies even attempt to develop aligned goals,** and among the companies surveyed, only 6% regularly revisit them.<sup>12</sup>

**80% of organizations fail to track their business goals.**<sup>12</sup>

Performance management software allows for one, centralized point of alignment for all company and individuals goals and enables HR and leaders to cascade objectives into meaningful and clear action for staff. Additionally, performance management system reporting allows for real-time tracking of progress and equips organizations with the ability to proactively shift focus and priority to achieve goals.

Having tools for effective goal management makes an impact! According to *BiWorld*,

**Employees with goals** are 3.6 times more likely to be committed to their organization.

**Employees of a goal-oriented organization** are 6.7 times more likely to feel proud of their organization and 6.5 times more likely to recommend the organization as a great place to work.

**Workers who create goals** are 6.5 times more likely to say their workplace allows them to master the necessary skills to do their job. Additionally, they are 7.7 times more likely to say their employer provides them opportunities to develop their skills.

**Workers who know how their goals connect to the larger mission** are more inspired and are 10 times more likely to feel motivated.<sup>13</sup>



# Better Employee Engagement and Business Outcomes

Performance management keeps employees engaged with their work, helping them align what they do each day with company goals. When employees understand how their contribution factors into the organization's success, they work harder to excel in their roles.

According to Gallup, disengaged employees have **37% higher absenteeism, 18% lower productivity and 15% lower profitability.**<sup>14</sup>

Translated into dollars, you're looking at the cost of 34% of a disengaged employee's annual salary, or \$3,400 for every \$10,000 they make.

Employee engagement is one of the most critical aspects of a high-performing workforce, as it reduces turnover, aids retention, and promotes communication, collaboration, and overall employee happiness. When employees are happy and engaged, companies enjoy more stability, productivity, innovation, and a strong employer brand.

Companies/organizations with greater-than-average levels of employee engagement reported **27% higher earnings and 38% higher productivity.**<sup>15</sup>



Performance management software allows organizations to put clarity and feedback at the forefront, improving employee experiences and overall engagement. Systems like [emPerform](#), that allow for real-time feedback, proper clarity in expectations, and ongoing recognition of progress, helps to create a culture of performance and engagement with big impacts.

### The importance of feedback on employee engagement:

Regular feedback makes employees nearly **three times more likely to be engaged in their work.**<sup>16</sup>

**Four out of 10 workers are actively disengaged** when they get little to no feedback.<sup>18</sup>

60% of respondents said they want **feedback on a daily or weekly basis.**<sup>20</sup>

76% of employees want at least **monthly performance reviews and feedback.**<sup>17</sup>

**Almost all (97%) of Gen Z is open to receiving feedback**, and 67% want it in a timely manner throughout the year.<sup>19</sup>

More than 75% of respondents said **feedback is valuable to their work.**<sup>20</sup>

Software like emPerform, that facilitates frequent and quality [feedback and check-ins](#) with staff, along with mechanisms to collect pulse and sentiment data, increases engagement and company results.

# Informing Data-Based Decisions

Automating performance management delivers the robust data leaders need to maintain, improve, and evolve the organizational culture. Without these insights, management and the C-suite would be flying blind, relying on instinct and opinions over data-driven business intelligence. Data collected helps track progress toward company goals and highlights deviations so they can be corrected quickly.

Performance management software allows for streamline [reporting and insights](#) that can lead to reduced costs and better talent decision-making.

- **Analyze** skill gaps to plan development funds
- **Identify** future leaders to close succession gaps
- **Compare** manager and team results to coach leadership
- **Track** objectives in real-time to better achieve goals
- **Analyze** peer input to identify and address performance gaps



# Get a Return on Your Investment in Performance Management Software

Performance management is critical to a company's success. Investment in performance management software and processes pays dividends in talent retention, reduction in turnover, improved engagement, productivity, and bottom-line profits.

But to achieve the greatest return, it is critical to choose the right software for your needs.



**Get your buyer's guide** outlining the questions and considerations you need to choose the best software.

Learn how emPerform can engage your talent and enhance ROI.

**Book your demo today!**

# Value with emPerform

“

*Our employees love that development and career planning are part of the process in emPerform. They feel heard and seen. This change has boosted employee morale and engagement levels.”*

City Director, Texas city

“

*emPerform has made performance reviews quick and easy and helped us make strides towards ensuring our valuable staff have the feedback and coaching needed to grow and thrive in their roles.”*

Julie Kovencz  
HR Manager, Watson Clinic

“

*The shift from manual processes to emPerform has been a game changer. emPerform has significantly reduced the time and effort needed to track reviews and generate reports— that’s time our HR team can put into other valuable organizational initiatives.”*

Wes Horne  
HR Business Partner, Mortgage Banker’s Association

“

*Using emPerform, HR teams have cut administrative time by 50% or more, and are better equipped to address any performance issues in a timelier manner.”*

Jill Keinsley  
EVP, HR & Administration, First Harrison Bank



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