

The State of Performance Management 2021



Improve performance
management practices
while adapting them to
a fast-changing world



Sponsored by



CONTENTS



3	Executive Summary
7	The Prevalence of Performance Management
8	Performance Management Responses to the Pandemic
10	The Effectiveness of Performance Management
15	Goal Setting and Assessments
19	The Roles of Managers and Leaders
24	Is Continuous Performance Management Being Adopted?
26	What Is the Role of Technology?
32	The Future of Performance Management
36	How PM Leaders Differ from PM Laggards
46	Key Takeaways

Executive Summary

Performance management (PM) remains one of the most highly scrutinized processes in HR. It affects every employee and involves a good deal of time and emotion—not to mention real consequences for individuals’ careers and organizational performance.

This study seeks to ground decisions about performance management in data. We look at what organizations are doing, what they think is important, and what is working. We also detail how performance management has changed in response to the Covid-19 pandemic.

Below are major findings from the study:

Major Finding **1**

Most HR professionals report that the Covid-19 pandemic changed performance management in their organizations.

- Fully 84% say that performance management has changed in some way.
- The most common change, cited by 47%, is that PM discussions often occur remotely rather than face-to-face.
- At the same time, PM has become more digital and technology-driven, a development cited by 44%.
- More than a third (37%) say managers have needed new performance management skill sets for remote work.
- In 33% of organizations, managers more often touch on issues aside from performance, such as well-being.

About this Survey

The State of Performance Management survey ran in the second quarter of 2021. We gathered 493 complete and partial responses from HR professionals in virtually every industry vertical. Respondents are located all over the world, but most of them reside in North America, especially the United States.

The survey was conducted using two different survey panels: one made up of HR.com members and one from an external panel organization. The participants represent a broad cross section of employers by number of employees, ranging from small businesses with fewer than 50 employees to enterprises with 20,000+ employees. Most, however, represent organizations with 500 or more employees.

Questions for the survey were guided by an independent advisory board of performance management experts who we thank for their invaluable insights.

Major Finding **2**

Performance management tends to be directed at multiple goals.

- The most common goal of performance management is to help employees learn and grow (cited by 69%), and nearly as many (68%) say the goal is to help the organization improve overall performance.
- Only about half (49%) say PM is used to facilitate performance-related changes in pay, and just 38% say one objective is to have a legal record of interactions with employees.

Major Finding **3**

Manager ratings and “goals met” remain at the heart of PM, but other metrics and assessments are also becoming more widely used.

- Manager ratings (72%) and employee self-assessments (63%) are the two most commonly used metrics associated with performance management, but about a third of organizations also incorporate metrics/analytics from other technology systems.
- Although “goals met” is the most common employee-related factor used in ratings (86%), a significant number of respondents (78%) also use “behaviors displayed,” indicating that *how* work is accomplished matters in most organizations.
- As a means of setting and tracking goals, organizations are most likely to use SMART (specific, measurable, achievable, relevant, and time bound) goals and Key Performance Indicators (KPIs) (54%) to assess employee performance.



Major Finding **4**

Top leaders have divergent views on the value of performance management.

- Most respondents (76%) say top leaders have a positive view of performance management. The top-rated reasons being that it's an effective way to make employee-related decisions and it is crucial for overall business performance.
- However, almost a quarter (24%) say leaders believe performance management is a waste of time (6%) or a necessary evil (18%).

Major Finding **5**

Managers tend to have higher capabilities in some areas than others, but they generally need better performance management skills and training.

- Only 27% of HR professionals agree that the managers of their organizations are skilled at overall performance management. However, nearly half say that managers are good at recognizing employees (46%) and helping them set goals (45%).
- PM-related skills deficits among managers may be partly due to a lack of training. Only 37% say managers have received sufficient training in PM.

Major Finding **6**

Performance management has become a more frequent affair in many organizations.

- In more than two-thirds of organizations managers have performance check-ins with employees four or more times a year.
- In half of the organizations, managers and employees have conversations about career goals four or more times a year.

Major Finding **7**

Performance management technologies are common, but even basic capabilities are often missing.

- Three-quarters of organizations use technology to support performance management.
- Fewer than 60% of respondents have technology solutions that include basics such as workflow approvals, facilitation of employee performance review or appraisal process, and the ability to integrate with third-party solutions.

Major
Finding **8**

Compared with PM laggard organizations, PM leader organizations are:¹

- twice as likely to use technology rather than manual processes to a high degree for PM
- much more likely to have important manager-employee conversations four or more times a year
- more than twice as likely to have a performance management process that is easy to use
- more than twice as likely to use upward ratings of supervisors
- more than twice as likely to say managers have received sufficient training in PM
- much more likely to hold managers accountable for performance management activities
- more likely to see a role for artificial intelligence in future performance management processes



¹ PM leader organizations are represented by respondents who say their organizations' PM processes result in them achieving all performance management goals to a high or very degree: PM laggard organizations are those that achieve all PM goals to a only a moderate, low or very low degree.

The Prevalence of Performance Management

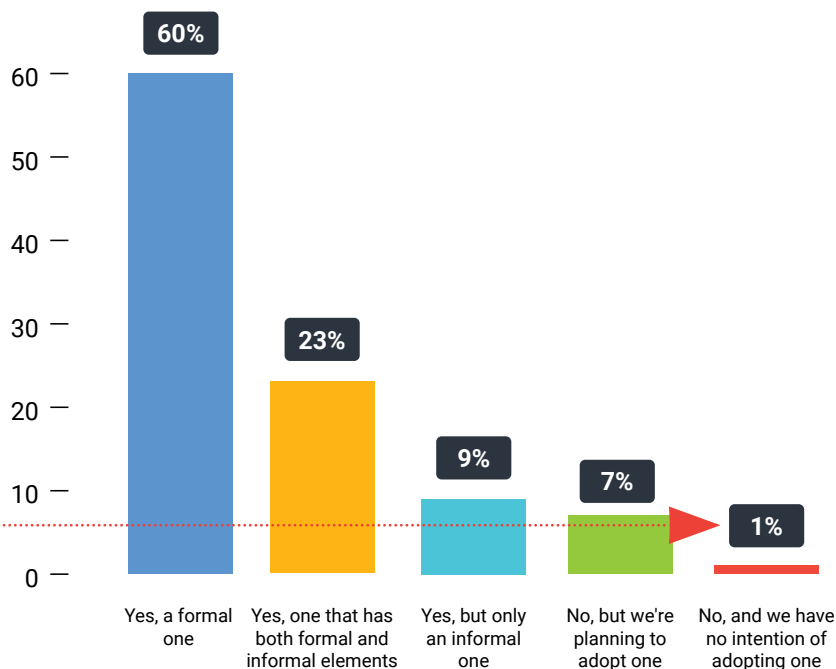


Finding: Ninety-two percent of organizations have a formal or informal performance management system

Performance management is a core process in the large majority of organizations, with 92% of respondents saying their organizations have a formal (60%) or informal system (9%), or some combination of the two (23%). Furthermore, of those who said their organizations do not have a system, most are planning to adopt one (7%).

In this study, we exclude those few companies that do not have have performance management systems, except for questions about the future of performance management.

Survey Question: Does your organization have a performance management process? (select the one that best applies)



Only 1% of surveyed organizations have no intention of adopting a performance management system

Performance Management Responses to the Pandemic



Finding: Fully 84% of respondents say their organizations have made changes to performance management due to the Covid-19 pandemic

Most organizations adjusted their performance management processes due to changed work arrangements that stemmed from the Covid-19 pandemic. It is still uncertain how many of those changes will be permanent as the pandemic recedes.

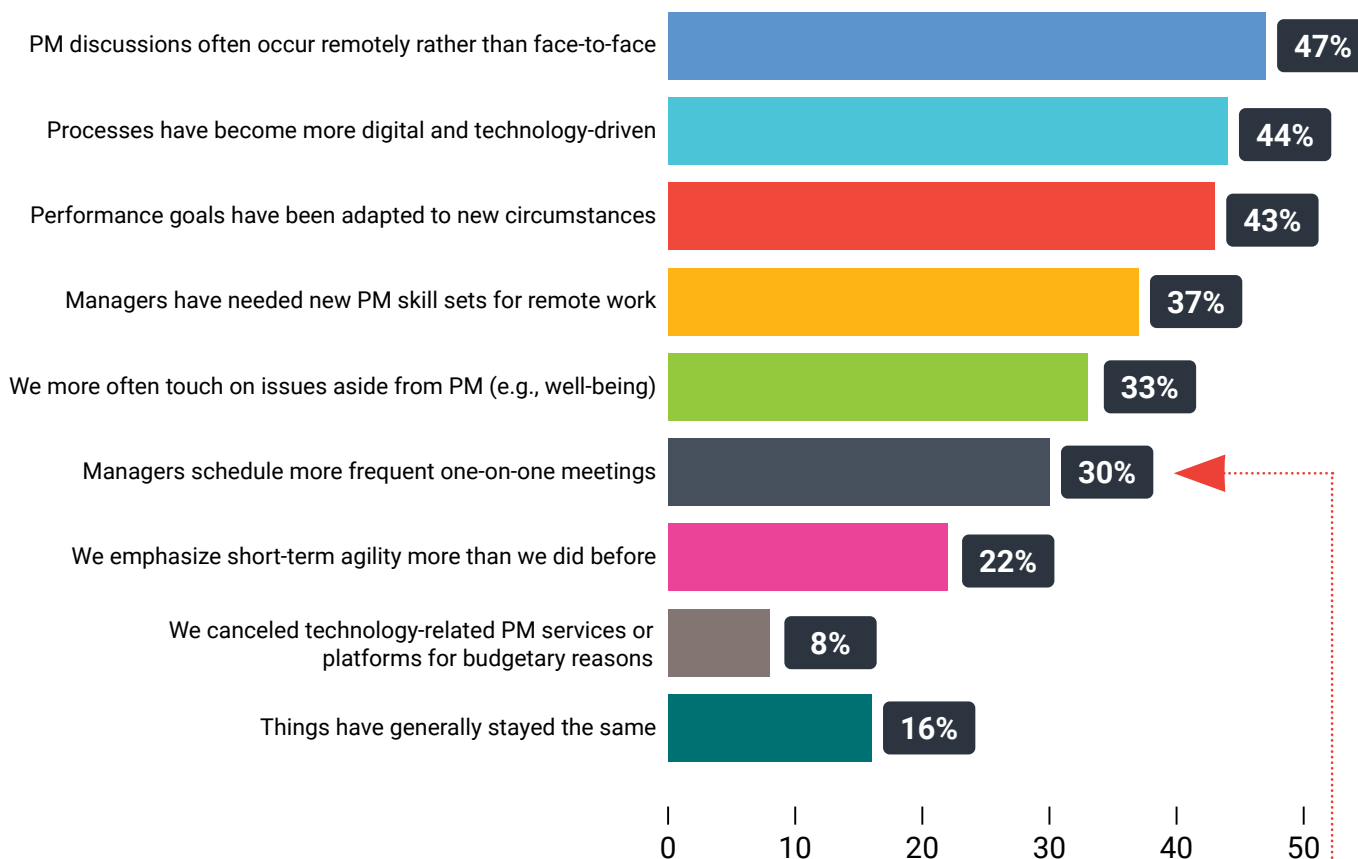
None of the changes have been applied in more than half of respondent organizations. This doesn't mean the changes were unimportant, just that circumstances have differed in different organizations. The most common response, however, is the one that was most logical as a result of social distancing practices: nearly half (47%) say performance management discussions have been occurring remotely rather than face-to-face.

The other most common responses, cited by between two-fifths and one-third of respondents, are the following:

- processes have become more digital and technology-driven
- performance goals have been adapted to new circumstances
- managers have needed new PM skill sets for remote work
- organizations more often touch on issues aside from PM (e.g., well-being)

Although each of these tactics was embraced due to the pandemic, it is interesting to note “touch on issues aside from PM (e.g., well-being)” is more of a cultural change than a technology-related change, one that we hope lasts well beyond the pandemic itself. This may be a sign that the nature of PM is evolving.

Survey Question: How has the coronavirus pandemic changed performance management in your organization? (select all that apply)



Nearly one-third say managers responded to the pandemic by scheduling more one-on-one meetings

The Effectiveness of Performance Management



Finding: More than half of respondents (57%) say the performance management process meets all its goals to a high or very high extent

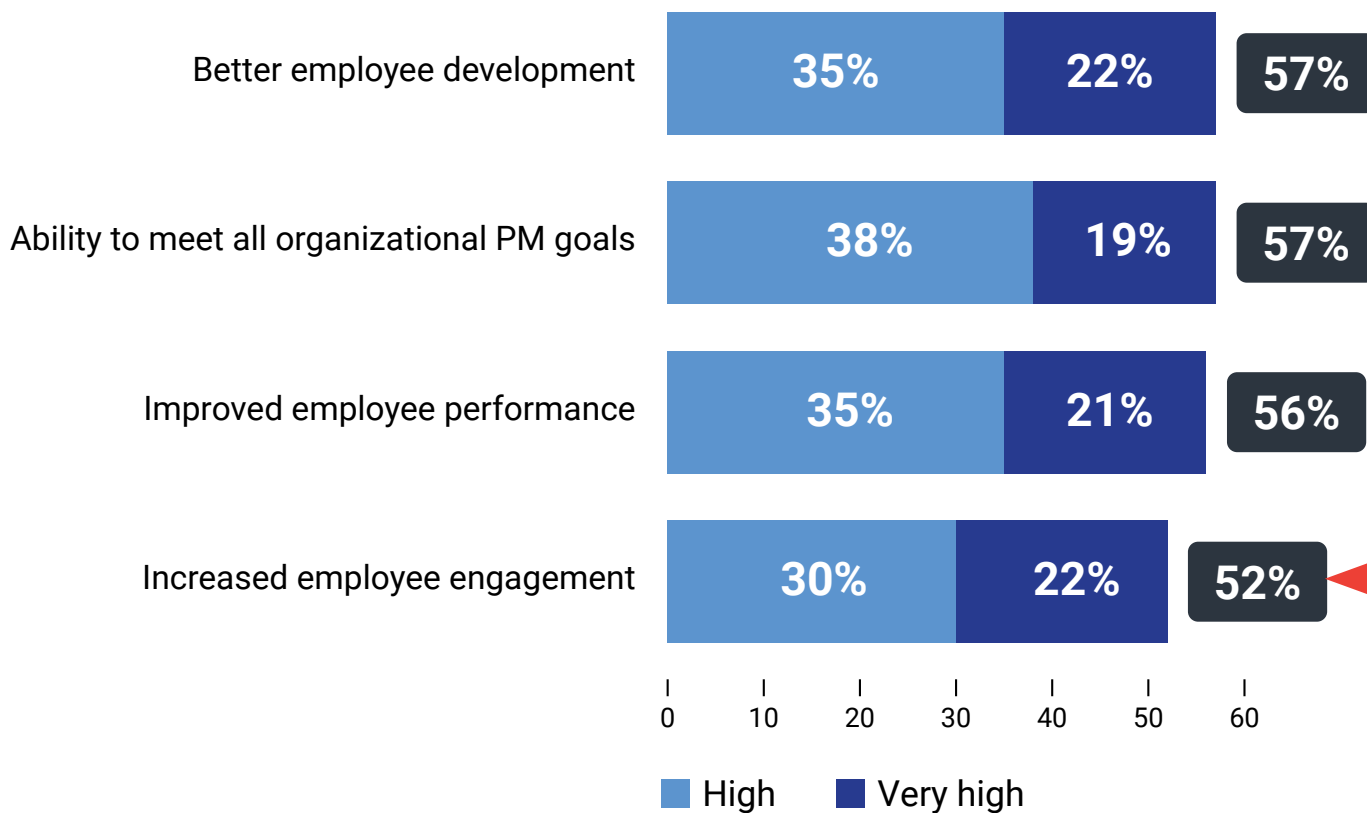
From all the criticism of performance management in the media, you might think that it never works well. The data shows otherwise. More than half of respondents (57%) say the performance management process meets all its goals to a high or very high extent.² More than half also say that to a high or very high extent it leads to:

- better employee development
- improved employee performance
- increased employee engagement

Of course, this still leaves many organizations with only “moderate” or lower success with their performance management system, but the data clearly indicate PM *can* be done well. Organizations with substandard performance management outcomes should look to their peers on how to improve matters. Later in this study, we will highlight the main differences between organizations with good outcomes and those with poorer outcomes.

² This survey was conducted using two different survey panels: one made up of HR.com members and one from an external panel organization. On this question, there was an especially large discrepancy between the two panels. In the HR.com-only version of the survey, to which there were 129 respondents, only 32% of participants say that their organization’s PM management process results in ability to meet all organizational goals to a high or very high extent. The respective numbers for the other items were 31% for employee development, 30% for improved employee experience, and 29% for increased employee engagement.

Survey Question: To what degree does your organization's performance management process result in the following?



Slightly over half of respondents (52%) say performance management increased employee engagement to a high or very high degree



Finding: The most common objective for performance management is to help employees learn and grow, cited by 69% of respondents

The most commonly cited PM objective is to help employees learn and grow. This may reflect the growing need for organizations to focus on learning and the future. Whereas a performance rating tends to be backwards looking, a discussion of future learning and development can help improve individual and overall performance in competitive business environments. Moreover, managers as well as employees will be interested in finding ways for employees to become better at their jobs.

We should note, however, that performance management generally has a variety of objectives. In fact, respondents typically list four or five different objectives. This wide range of differing objectives is one reason performance management is so hard.

Survey Question: Which of the following describes your organization's objective for conducting performance reviews? (select all that apply)



Just over one-third of organizations say that one of the objectives of performance reviews is to force a conversation about poor performance



Finding: One-third of respondents say their performance management process does not include positive feedback and constructive criticism

There were three features of the performance management system cited by around two-thirds of respondents:

- it includes both positive feedback and constructive critique
- it includes a discussion of work goals
- it involves a conversation about developmental goals and activities

These are cited more often than other features such as “improves relationships between managers and employees.” However, what stands out is not how common these first three features are relative to other features but how low the numbers are overall given that in a good performance management process they ought, in our opinion, to be approaching 100%. It’s hard to imagine how to have an effective performance management discussion without positive feedback, a discussion of work goals or a conversation about development.

Another serious concern is that only 40% say the system accurately portrays employee performance. For example, if a PM process is being used by many organizations to facilitate changes in pay and yet the process is not seen as accurate, then organizations could wind up making questionable compensation decisions. If an organization has misgivings about the accuracy of their PM processes, then it may need to look closely at a number of particular cases to determine *why* the portrayal of performance isn’t accurate.

It’s also worth noting that less than half of respondents (45%) say that their process allows continuous feedback. This seems misaligned with a world where change is continuous.

Survey Question: Which of the following statements are features of your organization's PM process? (select all that apply)



One-third of respondents have incorporated peer recognition into their performance management process

Goal Setting and Assessments



Finding: The most common method of setting goals is the “SMART” goal setting (60%)

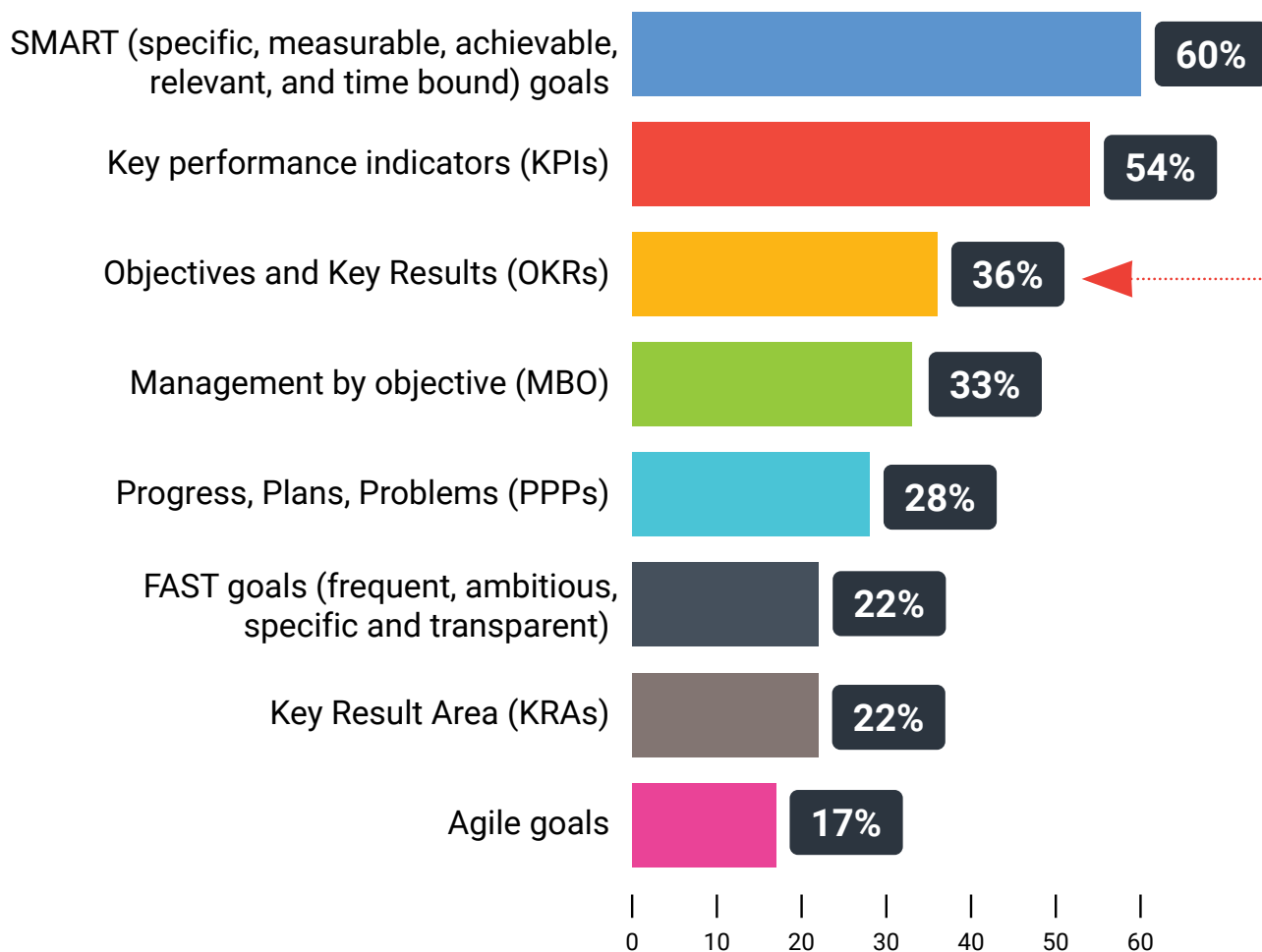
There are many different flavors of goal setting. A classic approach, and one backed with a great deal of research, is the SMART process (specific, measurable, achievable, relevant and time bound goals). It’s used by 60% of respondents, which is more than any of the alternatives. Key performance indicators (KPIs), another classic approach, and the second most common method, is used by 54% of respondents. KPIs are particularly good for jobs with clear objective outputs. (Numbers add to more than 100% because organizations use more than one method.)

The Objectives and Key Results (OKR) method was pioneered by Intel and became especially popular in the technology industry. It is now used by 36% of respondents.

While each method has passionate advocates, the similarities are greater than the differences. What matters most is how well any given method is applied.



Survey Question: What methods does your organization use to set goals and track results for the purpose of increasing performance? (select all that apply)



Just over one-third of respondents use the Objective and Key Results (OKR) approach to performance management



Finding: Self-assessments are common, with 63% of organizations incorporating them into their PM process

The single most common type of metric in a performance management system is manager ratings (72%). Not far behind that is self-assessments (63%). Many HR practitioners feel that including self-assessments gives the employee a voice, as well as providing a good basis for discussion. If the manager assessment and employee assessment differ significantly, that is certainly worth flagging and discussing.

More controversial is the use of forced rankings, which is used by 20% of respondents. Forced ranking systems have the advantage of requiring managers to make real distinctions between employees. They have the disadvantage of emphasizing the zero-sum nature of performance management. That is, employees are rated against one another instead of judged against performance standards. There is an argument that forced ranking is useful for a short period of time to address a dysfunctional system where almost everyone is rated the same. In the longer run, the negative effects of inter-employee competition can outweigh any benefits.

Survey Question: What types of metrics are incorporated into your PM process? (select all that apply)





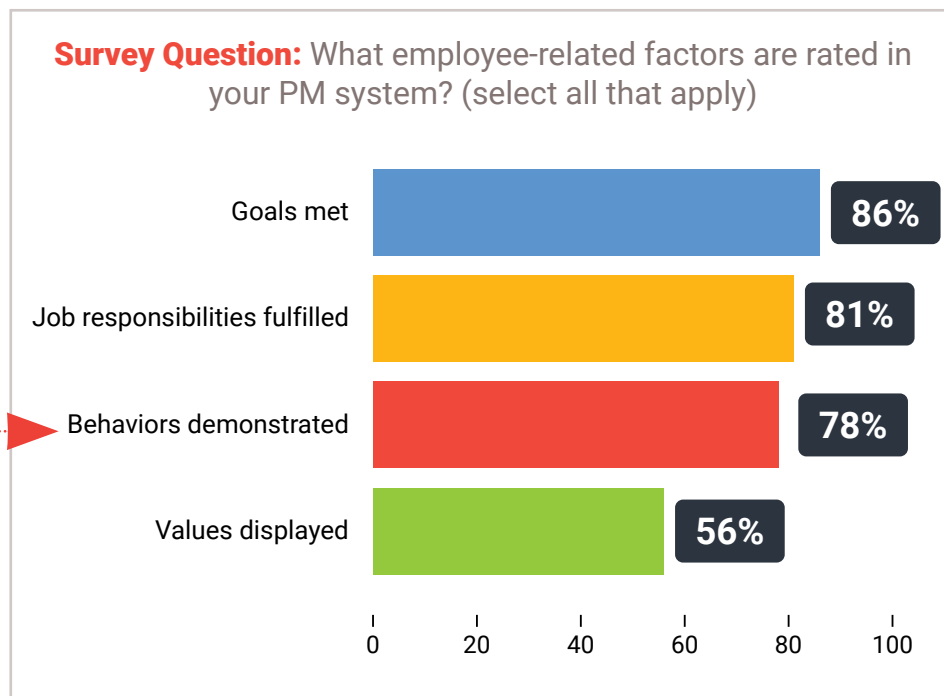
Finding: Employee values are much less commonly assessed than goal achievement (56% vs. 86%)

The two most commonly used employee-related rating factors are goals met (86%) and job responsibilities fulfilled (81%). This makes sense given that it is a *performance* management system. However, more than three-quarters of respondents (78%) also assess behaviors displayed. This adds an important dimension to the assessment because often goal achievement is affected by factors beyond an employee's control. It's also the case that if an employee gets the right results with the wrong behavior (such as not being collaborative), then you want the fact noted in the performance management system.

Displaying the right values is used less often (56%). This may be because values are not observable the way behaviors are. Also, it may seem harsher to tell an underperforming employee that their values are poor rather than that some behaviors need to be changed.



More than two-thirds of respondents (78%) assess behaviors displayed



The Roles of Managers and Leaders



Finding: Most HR professionals have a low opinion of the PM skills of managers in their organizations

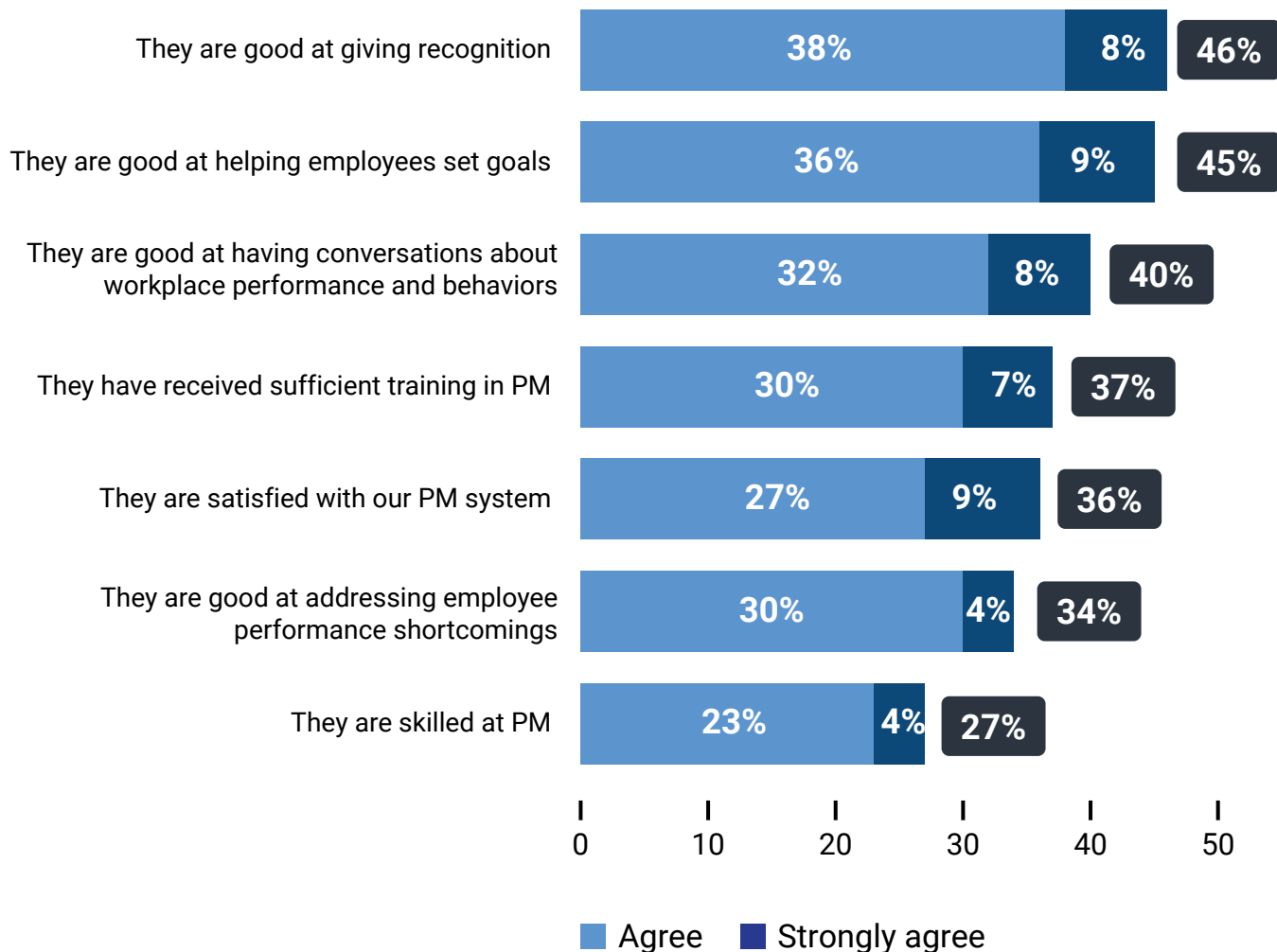
Only 27% of HR professionals agree that the managers of their organizations are skilled at overall performance management. However, nearly half (45%) say that managers are good at recognizing employees and helping them set goals.

So, where are managers especially lacking? Only 34% of HR professionals agree managers are good at addressing employee shortcomings.

Based on this data, HR professionals may need to take some of the blame for manager weaknesses in the area of performance management. Only 37% say managers have received sufficient training in PM, yet learning and development (L&D) tends to be an area for which HR professionals are accountable.



Survey Question: To what extent do you agree with the following statements about most managers in your organizations?³



Nearly half (45%) say that managers are good at recognizing employees and helping them set goals

³ For this question, we only used data from survey panel made up of HR.com members.



Finding: Top leaders are likely to see making effective employee-related decisions as the most important outcome of performance management

This survey asked respondents to pick the one factor that best represents how top leaders view performance management. Most leaders have a positive view. The top-ranked item was “an effective way to make employee-related decisions,” followed by “as crucial for overall business performance” and “as an aid to employee development.” About one-quarter of respondents say top leaders have a negative view of performance management, believing it is a waste of time (6%) or a necessary evil (18%).



Nearly one-quarter of respondents say top leaders think performance management is a waste of time (6%) or a necessary evil (18%)





Finding: Almost half of organizations fail to track whether managers have done formal appraisals of employees

Ninety percent of respondents say their organizations hold managers accountable for performance management in some way. There are many potential ways of doing this. The most obvious one is to track if they are doing it at all, but nearly half of organizations (45%) fail to take this basic step. One of the most fundamental, but not insignificant, benefits of performance management technology is that it makes it easier to track who has submitted performance appraisals and to remind managers who are late with their submissions.

Beyond simply tracking completion of activities, one of the most interesting ways to hold managers accountable for performance management is to have employees rate managers on how well they manage performance. This can be a useful measurement because, while it is subjective, it differentiates between managers who are completing performance management activities simply because they are compulsory and managers who are using those PM activities to truly boost employee performance.

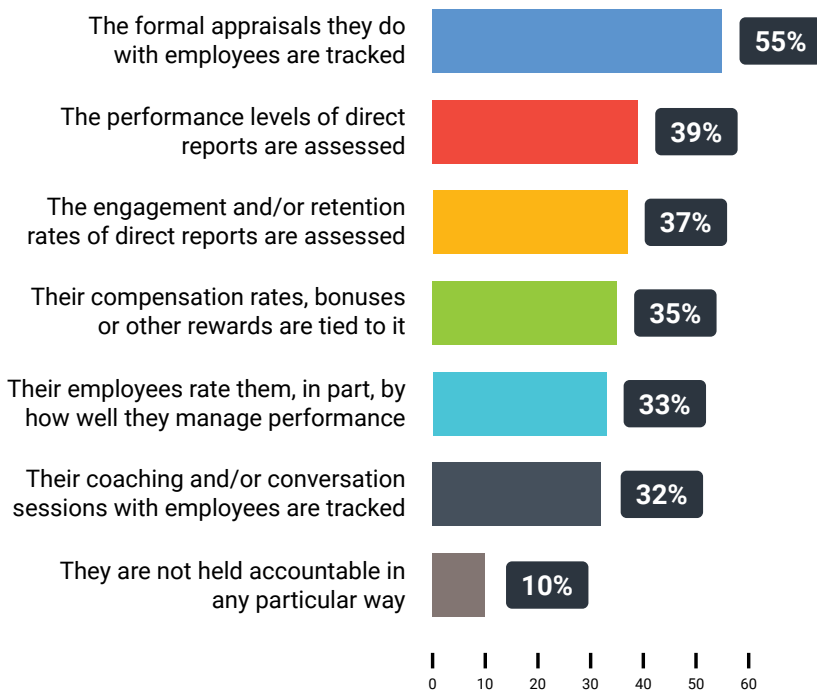
Perhaps the most powerful way to hold managers accountable is to tie their compensation, bonuses or other rewards to completing performance management activities. However, only 35% of organizations use that method.





One-third of respondents say employees rate managers, in part, on how well they manage performance

Survey Question: How do you hold managers accountable for completing PM activities? (select all that apply)



Is Continuous Performance Management Being Adopted?

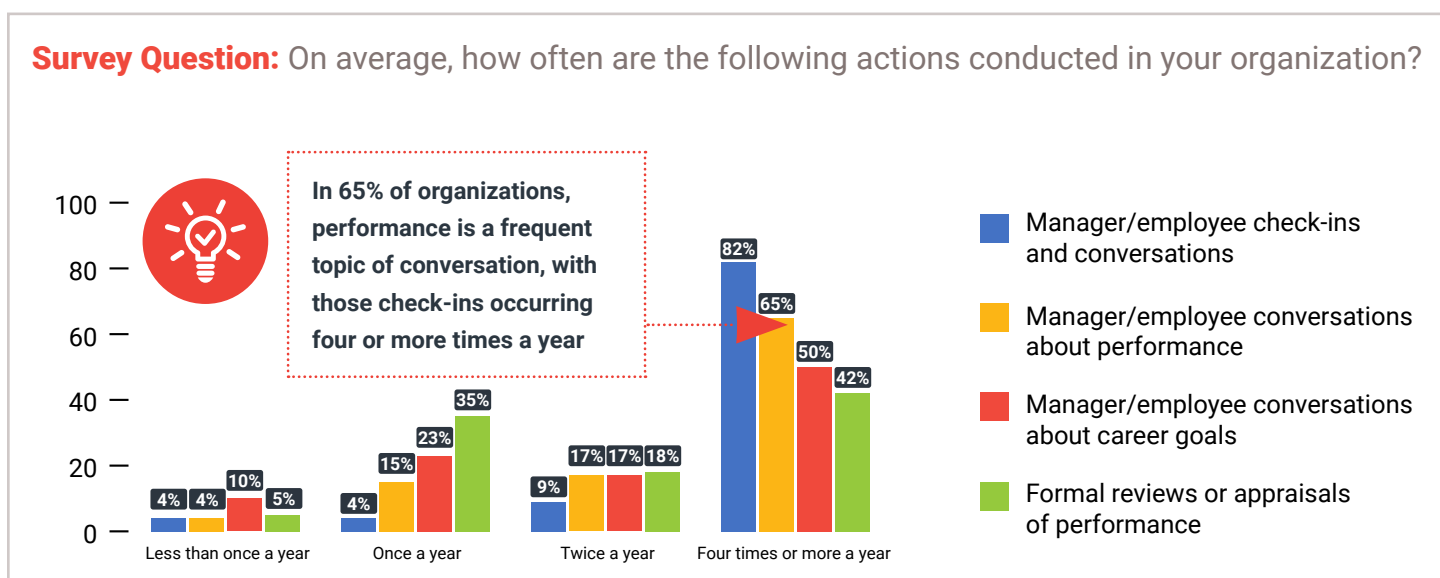


Finding: In half of organizations managers and employees have conversations about career goals four or more times a year

It's interesting to see that in many organizations (50%) managers talk to employees about their career goals four or more times a year. One can imagine how different the employee experience is at these firms from the 33% of organizations where those career conversations only occur once a year or less.

Conversations about performance happen even more frequently, with 65% of respondents saying they occur four or more times a year. We believe that regular conversations about aspects of work performance are necessary, assuming managers have the skills to carry out such conversations well. Check-ins and conversations about other topics tend to occur even more frequently, and the recent pandemic seems to have increased the frequency of such conversations.

Meanwhile, formal performance appraisals occur least frequently, with the majority saying they occur two times or less per year.



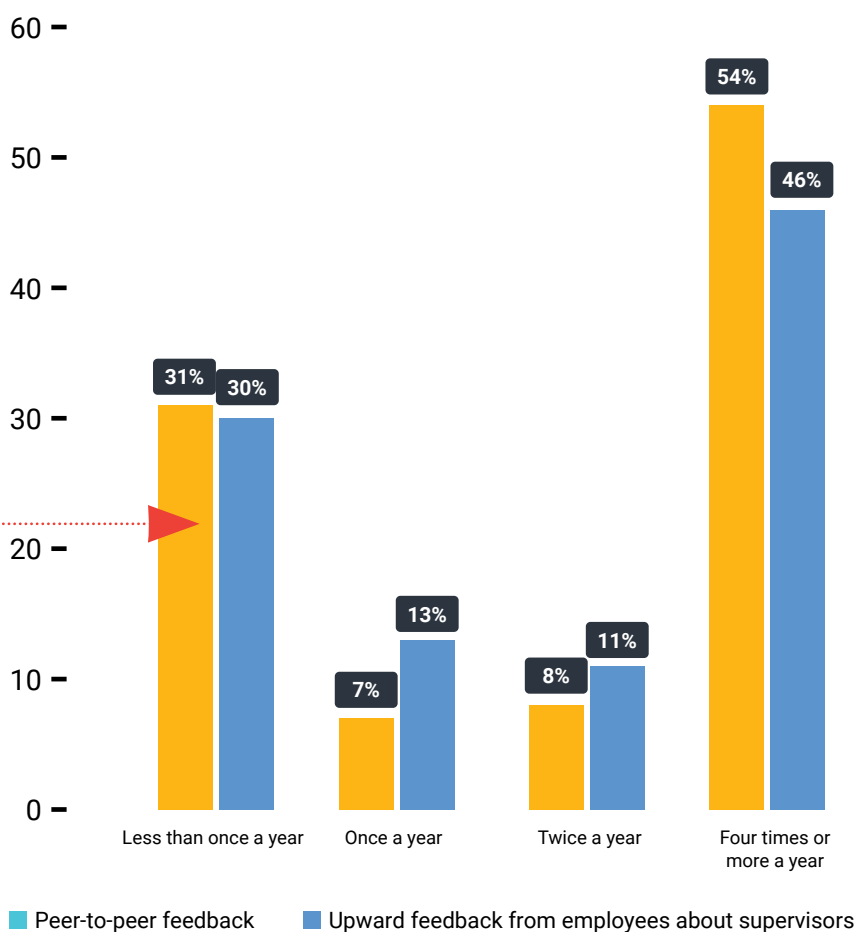


Finding: Almost half of organizations (46%) have frequent upward feedback

While performance management has traditionally been top-down manager-to-employee feedback, we see that many organizations encourage upward and lateral feedback. Almost half of respondents say employees give upward feedback four or more times a year, and more than half say employees give peer-to-peer feedback four or more times a year.

Survey Question: On average, how often are the following actions conducted in your organization?

Peer-to-peer and upward feedback



In 31% of organizations peer-to-peer feedback is rare, happening less than once a year

Editor's Note: "Less than once a year" includes companies that never use these types of feedback at all. Twenty-one percent do not use peer-to-peer feedback at all, and 18% do not use upward feedback at all.

What Is the Role of Technology?



Finding: Three-quarters of organizations use technology to support performance management

Technology that supports the performance management process tends to be one of the core modules of talent management software suites. Despite the obvious value of automating some of the process, there are still one-quarter of organizations that do not use performance management technology.

There is a connection with organizational size. Whereas 86% of large organizations use performance management technology, the percentage is lower for mid-size organizations (71%) and much lower among small organizations (29%).

For the purpose of this report,



large organizations have 1,000 or more employees,

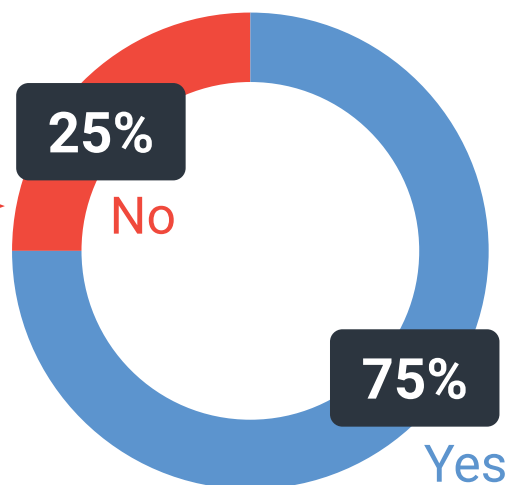


mid-sized organizations have 100 to 999 employees,



and small organizations have 99 or fewer employees.

Survey Question: Does your organization use technology for the purpose of PM?



One-quarter of respondents do not use technology to support performance management





Finding: Only 29% of HR professionals say their organizations have performance-management processes that are technology-driven to a high degree

For this question, respondents were asked to rate to which degree performance management was manual or technology-driven. We categorize the answers as “high use of technology” (a score of 9 or 10), “moderate use of technology” (a score of 7 or 8), and “low use of technology” (a score of 1-6).

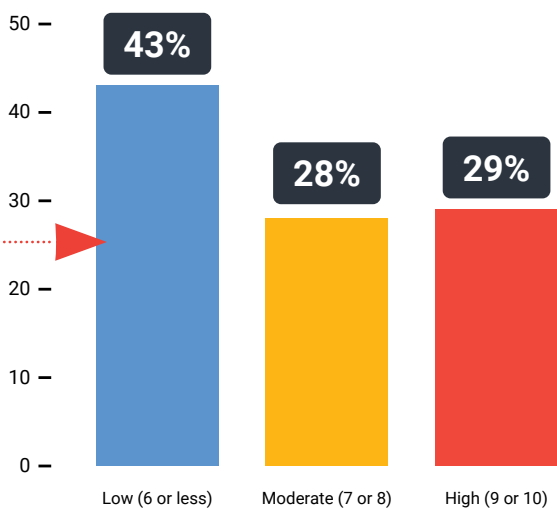
We refer to the organizations that make a high use of technology as power users. These findings indicate many organizations still have a long way to go in fully utilizing the power of performance-management technology, with only 29% being power users of PM technology. Large and mid-sized organizations are about equally likely to be power users of PM technology, at 32% and 35%, respectively. However, only 16% of small organizations are power users.



Over two-fifths of respondents give their organizations low scores in the area of technology-driven performance management

Survey Statement: Please select the degree to which PM is manual or technology-driven in your organization⁴

Degree to which PM is manual or technology-driven, with 1 being mostly manual and 10 being most technology-driven



⁴ In this survey, this question specified: “A mostly manual process may include written documents and spreadsheets while a mostly technological one may include largely automated performance management systems.”



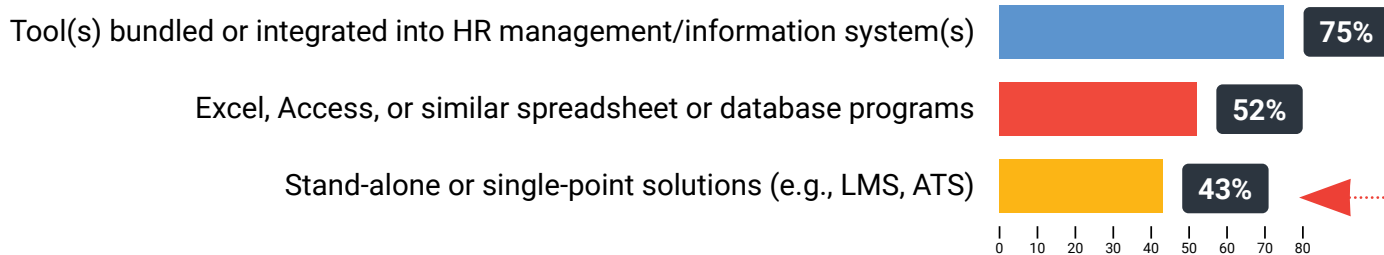
Finding: Organizations are most likely to use PM tools bundled into HR management/information systems

Among organizations that use some sort of PM technology, it is more common to use a performance management tool bundled into their Human Resource Information or Management System (HRIS/HRMS) than a standalone PM tool (75% vs. 43%). The numbers add up to more than 100% because some respondents use both types of tools. In addition, 52% use a spreadsheet or database program.

There are pros and cons to various types of technologies. Typically, if the module that comes with the HRIS/HRMS is “good enough,” then the organization is likely to go with that since it is perceived as easier to implement. However, since performance management is such a key process for HR, it is possible to justify a standalone solution when it brings advantages that the HRMS module alone cannot. Indeed, among those with stand-alone PM solutions, 56% also have a bundled solution.

It especially interesting that even among respondents who use spreadsheet or database programs for PM, many also use bundled or stand-alone tools. Theoretically, this shouldn’t be necessary, but it appears that in practice there are still some things performance management software doesn’t do well. Hence, many organizations continue to leverage the tried and true flexibility of Excel and similar tools.

Survey Question: Which technologies does your organization use to support PM? (select all that apply)



Forty-three percent of respondents whose organization use technology for performance management have a stand-alone solution



Finding: Many performance management technologies seem underpowered

The survey looked at the capabilities that should exist in a full-blown performance management technology solution. None of the twelve capabilities was found in more than 60% of respondent organizations. Nine were found in fewer than half of the respondents.

The most commonly cited capabilities are:

- facilitates employee performance review or appraisal process (58%)
- allows users to evaluate performance in relation to goals (53%)
- tracks performance review meetings (52%)
- allows workflow approvals (40%)

It makes sense that these are the four most common capabilities. We consider all four as important to standard PM processes. In fact, what is most surprising is that the percentages are not higher. We expected most organizations with PM technologies to utilize these features. It appears that many systems are underpowered in these basic areas.

It's worth noting that only 33% say their systems aid training and development (T&D) in some way. Given that the most widely cited goal of performance reviews (cited by 69%) is to "help individual employees learn and grow," this seems like a missed opportunity for PM technologies. Meanwhile, only 32% say their systems aid communication, despite the fact that 61% of respondents say that boosting communications between employees and managers is an important objective for conducting performance reviews.

We should also note that only 27% say their technology system includes a calibration process. We consider this a potentially serious shortcoming since the reliability of performance ratings depends on a calibration process that ensures managers are applying the same principles in, for example, deciding what it takes to be labeled a high performer.

Survey Question: Which of the following capabilities does your PM technology system(s) include? (select all that apply)



Only 33% say their systems aid training and development



Finding: The most common way that PM aids employees development and communication is by tracking T&D achievements

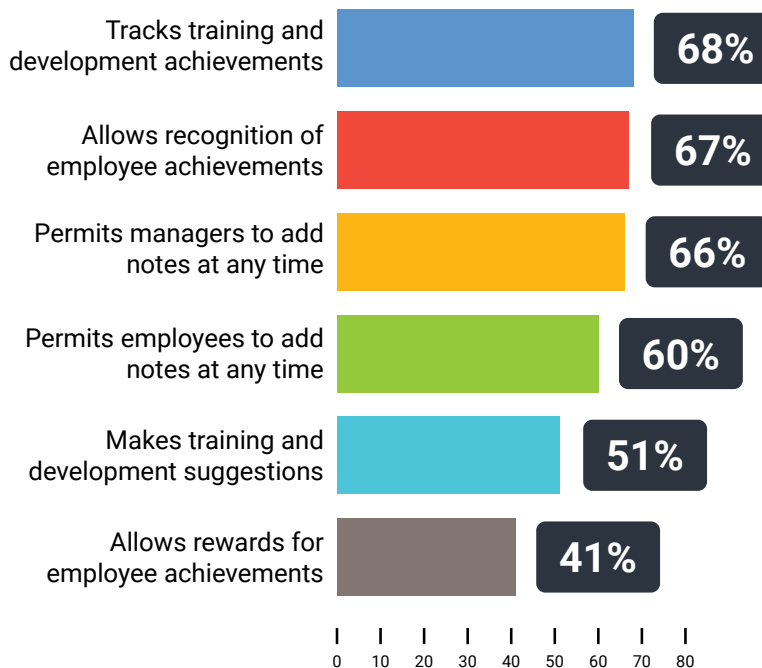
We did a deeper dive among the minority of respondents who answered that their organization's performance management technology aids communication and/or training and development.

There were three features that exist in more than two-thirds of such organizations:

- tracks training and development achievements
- allows recognition of employee achievements
- permits managers to add notes at any time

We see all three as useful features.

Survey Question: Which of the following features do your performance-related technologies include? (select all that apply)



Only about half make T&D suggestions

The Future of Performance Management



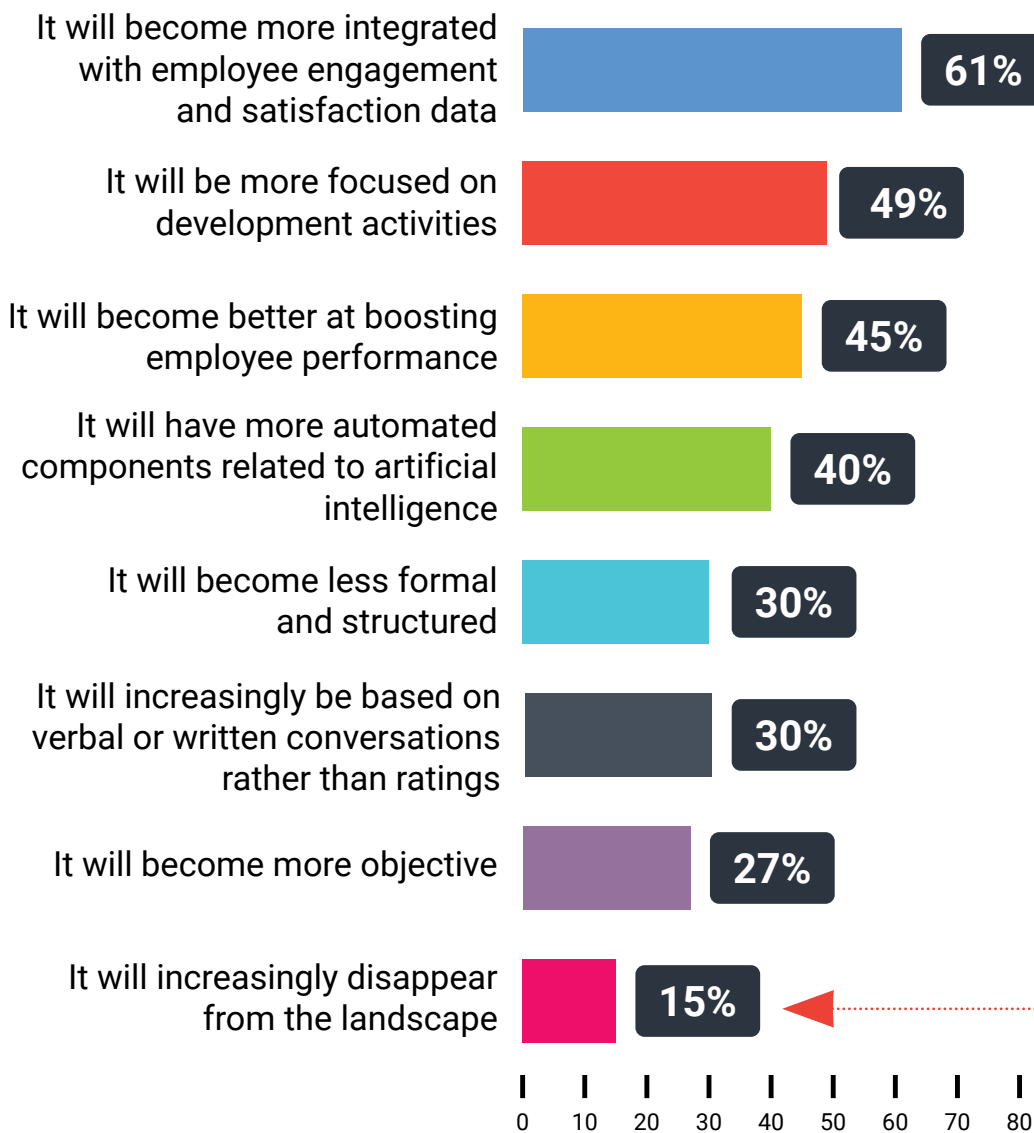
Finding: Most respondents (61%) say performance management will become more integrated with employee engagement and satisfaction data

The one prediction on the future of performance management that was shared by more than half of the respondents (61%) is that PM will become more integrated with employee engagement and satisfaction data. We see this as a natural outcome of HR's growing desire to prioritize analytics. Given the right system, more systems should be capable of showing how performance data and engagement data line up.

Also interesting is the skepticism toward some other proposed changes. For example, some HR thinkers believe performance management should be based solely or primarily on conversations rather than ratings. However, only 30% of participants think PM will "increasingly be based on verbal or written conversations rather than ratings." Some HR thinkers have even advocated for eliminating performance management, but only a few respondents (15%) think that will happen.

On the other hand, about half of respondents think performance management will focus more on development activities, a finding that aligns with the often cited goal of helping individual employees learn and grow.

Survey Question: Where do you think the future of PM is headed over the next three to five years? (select all that apply)



Few respondents (15%) think performance management will disappear from the landscape



Finding: PM systems have been and will continue to be subject to change

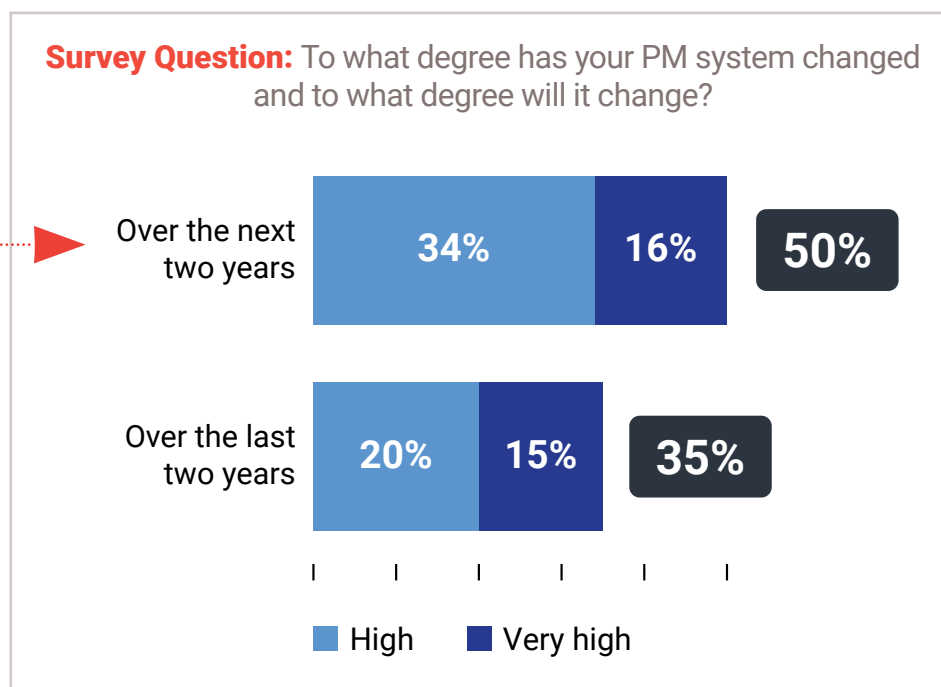
Performance management is evolving from both a philosophical and a technological point of view, and this evolution will continue into the near future.

About one-third of respondents (35%) say their performance management system changed to a high or very high extent in the last two years. Another 50% say it will change to a high or very high degree in the next two years.

Such changes should be helpful if they are part of a continuous improvement attitude among experts and vendors in this area. Indeed, many HR professionals (45%) expect PM to get better at boosting employee performance over the next three to five years. Another possible advantage to continuously evolving systems is that they keep PM fresh, forcing managers to look at performance with a different lens that will provide new insights.



Half of respondents (50%) say their performance management process will change to a high or very high degree in the next two years





Finding: The pandemic was the most common reason organizations made a high degree of changes to their performance management system

We asked those respondents whose organizations had made a high or very high degree of change to their performance management system in the past two years what had prompted those changes. They provided many different write-in responses, but seven themes stood out in the comments:

- responding to the disruptions caused by the pandemic
- taking advantage of new performance management technology
- reacting to dissatisfaction with the current system
- taking account of changing employee expectations
- responding to the need to support the growth of the company
- a desire to create consistent processes across the organization
- changes as part of ongoing improvement in HR such as a new competency model or new ways of setting goals



How PM Leaders Differ from PM Laggards

We wanted to take a closer look at what differentiated organizations with successful performance management processes from those with less successful processes. To do this we separated our sample into two groups:

Performance-management leader organizations: These are represented by respondents who say that their organizations' performance management processes result in them achieving all performance management goals to a high or very high degree.

Performance-management laggard organizations: These are represented by respondents who felt their organizations' performance management processes result in them achieving all performance management goals to a very low, low, or moderate degree.

This next set of findings examines correlations between various organizational factors and the effectiveness of performance management. Correlation does not prove causation but it may point our attention towards possible causal links.



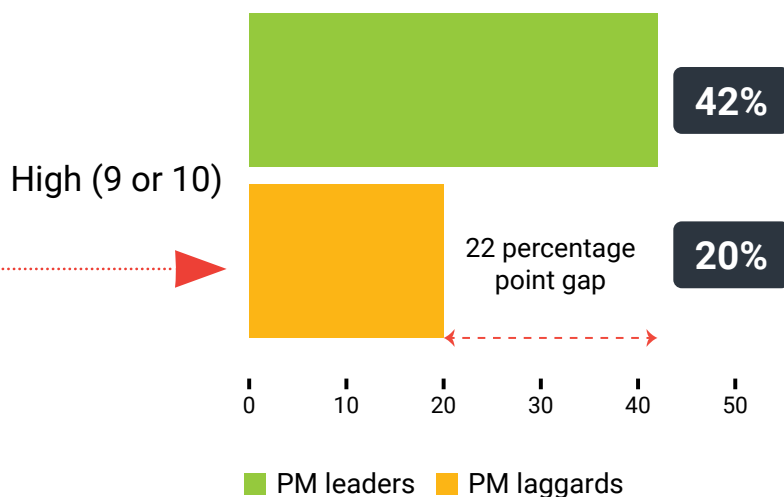
Finding: PM leaders are twice as likely as laggards to use technology to a high degree

PM leader organizations are twice as likely as laggard organizations to use technology to a high degree (that is, 9 or 10 on a 10-point scale). While technology in itself is seldom the answer to HR problems, it can play a major enabling role. We think PM laggards should consider adopting technology as part of an overall revamping of how they tackle performance management.



Only 20% of PM laggards use technology to a high degree

Survey Question: Please select the degree to which PM is manual or technology-driven in your organization.⁵



⁵ A mostly manual process may include written documents and spreadsheets while a mostly technological one may include largely automated performance management systems. We asked about the degree to which PM is manual or technology-driven, with 1 being mostly manual and 10 being most technology-driven.



Finding: PM leaders are several times more likely than laggards to have important manager-employee conversations four or more times a year

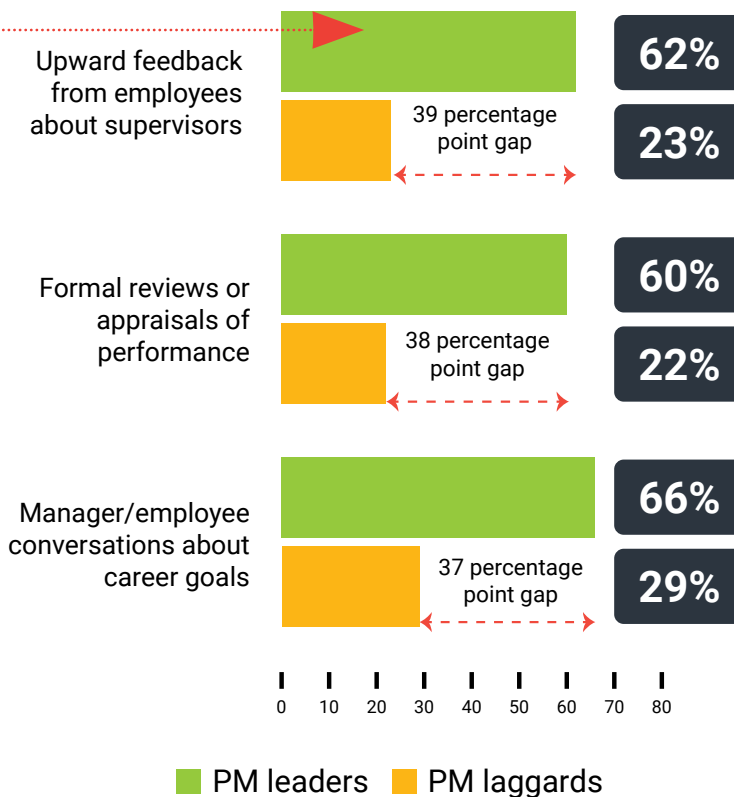
One of the striking differences between PM leaders and laggards is in how likely it is that managers and employees are having important conversations four or more times a year. This data shows that in terms of upward feedback, roughly two-thirds of PM leaders have conversations about career goals and formal reviews of performance four or more times a year. Among laggards, only about a quarter have those conversations four or more times a year.



Well over half of PM leaders ensure supervisors get upward feedback from employees four or more times a year

Survey Question: On average, how often are the following actions conducted in your organization?

Percent answering "Four times or more a year"



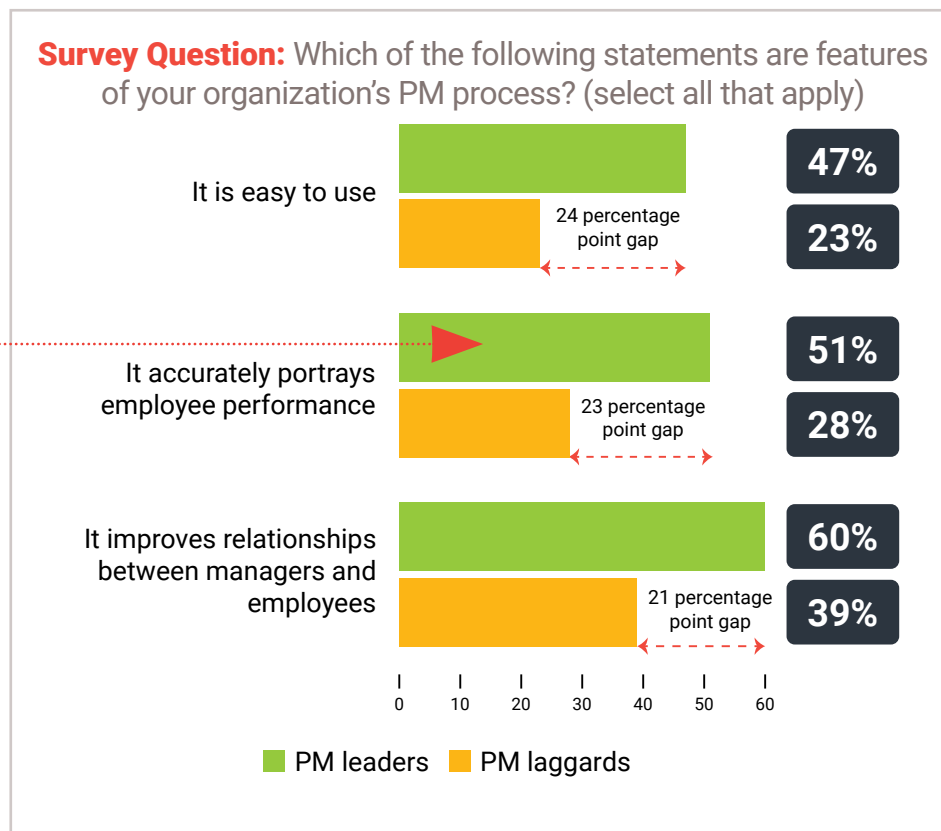


Finding: PM leaders are more than twice as likely as laggards to have a performance management process that is easy to use

There are big differences in what features are found in the performance management processes of PM leaders and laggards. In particular, PM leaders are much more likely to have processes that are easy to use, accurately portray employee performance, and improve relationships between managers and employees. The biggest gap is in ease of use, with nearly half of the PM leaders saying their process is easy to use versus less than a quarter of the laggards.



Just over half of PM leaders say their process accurately portrays employee performance

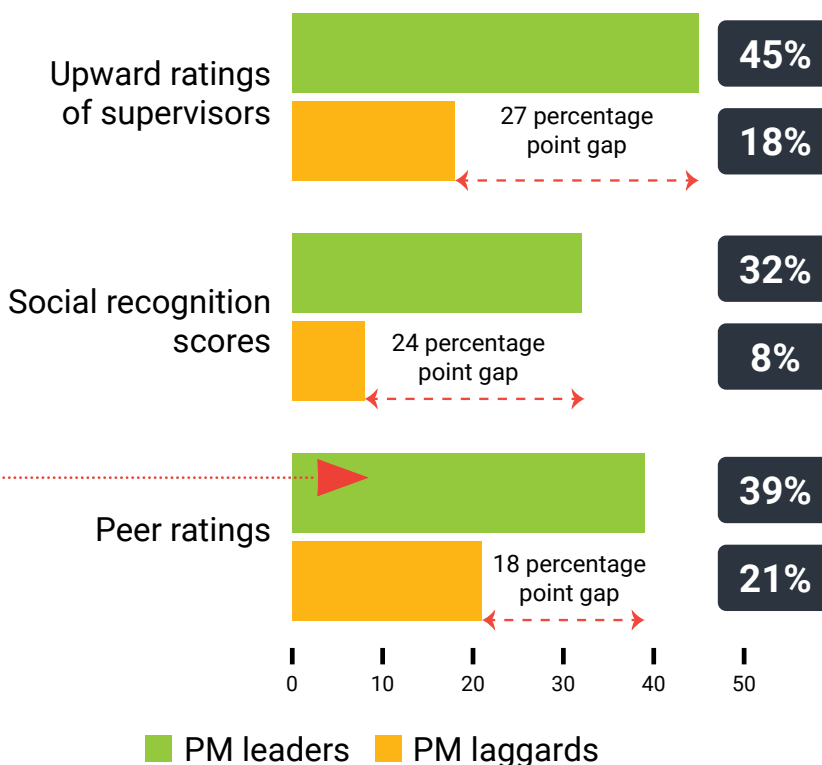




Finding: PM leaders are more than twice as likely as laggards to use upward ratings of supervisors

PM leaders are much more likely than laggards to use upward feedback, social recognition and peer ratings. This adds some complexity but reflects a philosophy that de-emphasizes hierarchy. One can speculate that a culture where employees get feedback from multiple sources will feel different from one where all feedback is top down.

Survey Question: What types of metrics are incorporated into your PM process? (select all that apply)



PM leaders are almost twice as likely as laggards to use peer ratings



Finding: In PM laggard organizations, fewer than 10% agree or strongly agree that managers have received sufficient training in performance management

Roughly two-thirds or more of PM leaders agree that their managers are good at a wide range of performance management activities. For example, 72% agree or strongly agree that their managers are good at giving recognition. Only 33% of PM laggards make the same claim.

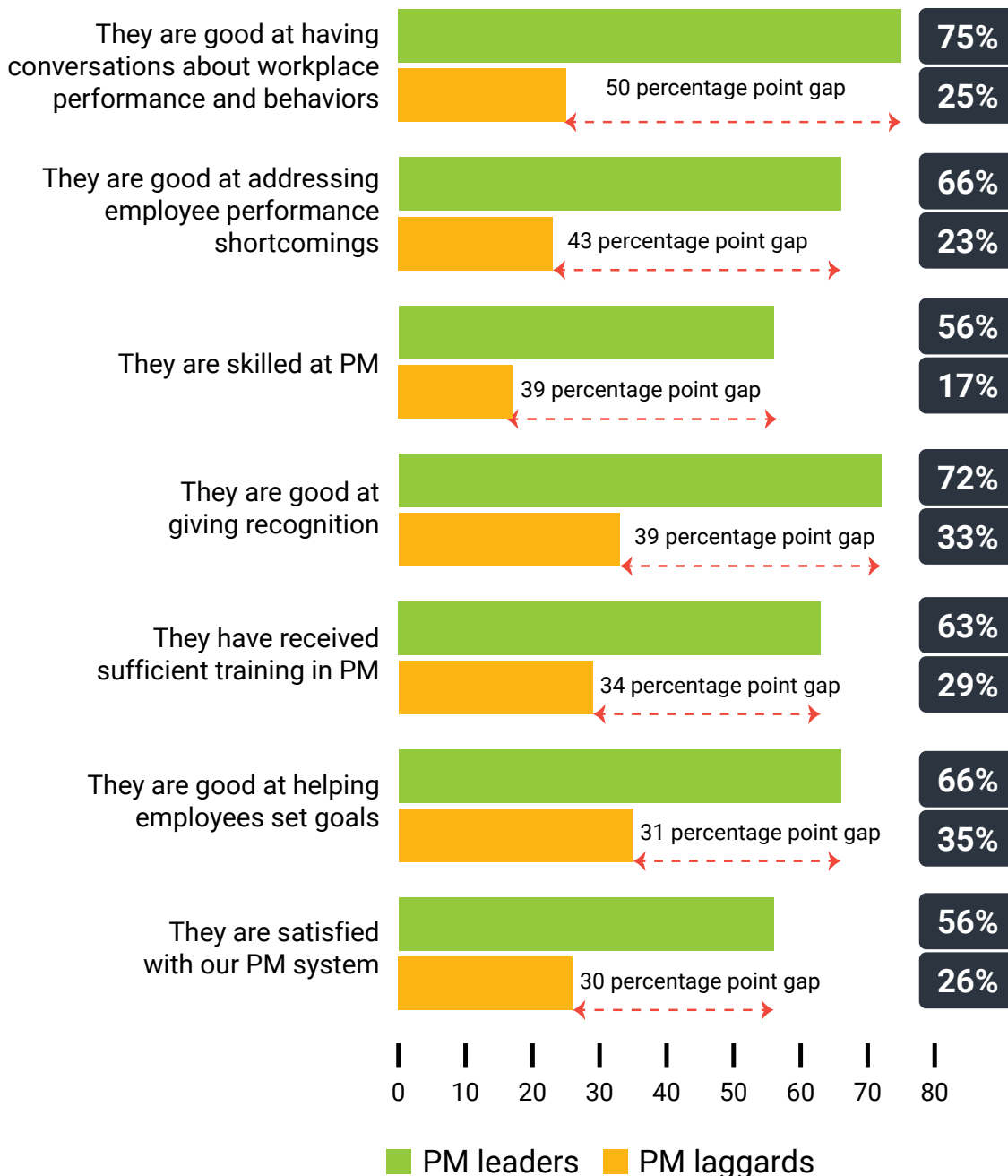
One particular difference to note is that among PM laggards, fewer than one-third agree or strongly agree that managers have received sufficient training in performance management. By comparison, 63% of PM leaders do. The takeaway is that training is one key differentiator between PM leaders and laggards.

It's also worth noting how much more likely PM leaders are to agree or strongly agree that managers are satisfied with the performance management system (56% vs. 26%). It seems fair to infer that part of the causal chain is that good training leads to skilled managers leads to satisfied managers.



Survey Question: To what extent do you agree with the following statements about most managers in your organization?

Percent answering "Agree" or "Strongly agree"



PM leaders are much more likely to have managers who are good at giving recognition



Finding: In nearly one-third of PM laggards, top leaders view performance management as a necessary evil

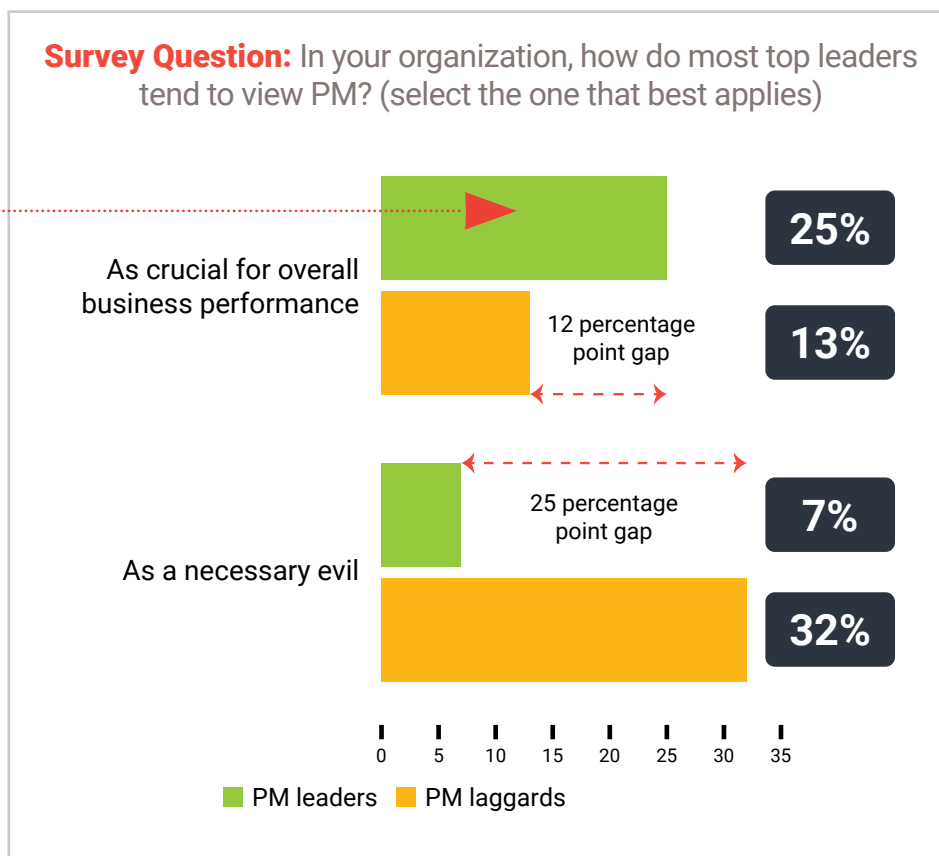
If one is looking for a root cause for difficulty with performance management, it might be found in the attitudes of top leaders. In nearly one-third of PM laggard organizations, top leaders view performance management as a necessary evil. It will be difficult for HR in those organizations to have a successful process.

On the flip side of this, in one-quarter of PM leader organizations, top leadership sees performance management as crucial for overall performance. This may make HR's job relatively easy.

If top leaders have a particularly negative view of performance management, then HR may need to address that first before it can hope to get other managers to change their views.



PM leaders are almost twice as likely as PM laggards to say top leaders see performance management as crucial for overall performance





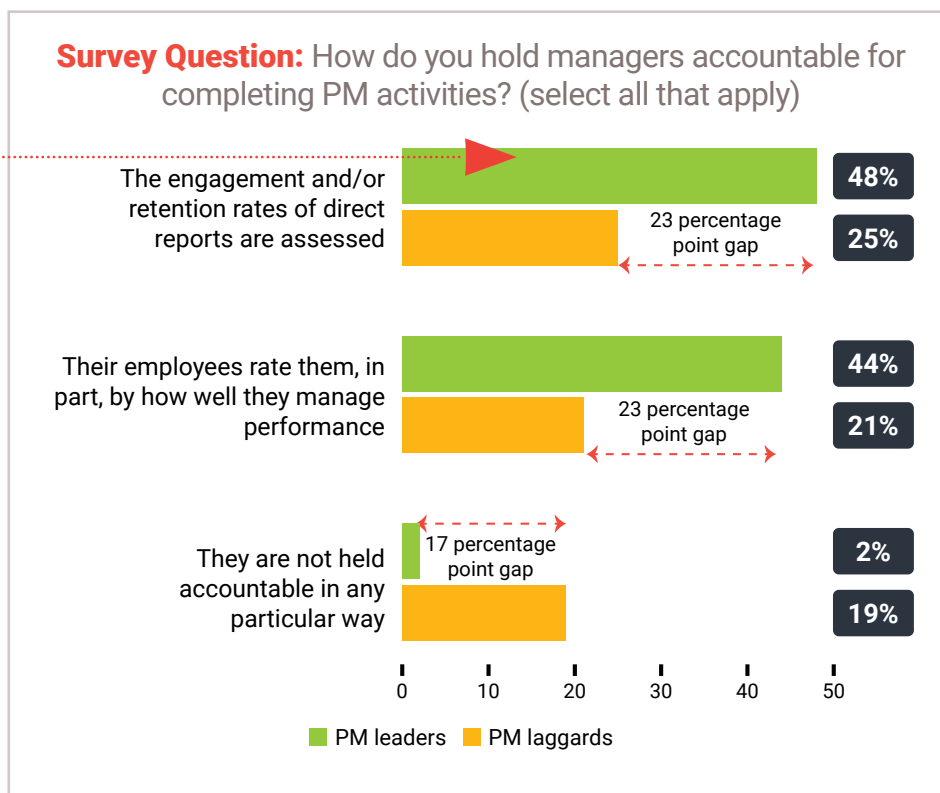
Finding: PM leaders are much more likely to hold managers accountable for performance management activities

Whereas only 2% of PM leaders do *not* hold managers accountable for completing PM activities, the same is true for 19% of PM laggard organizations. When it comes to holding managers accountable, there are two tactics PM leaders are far more likely to use:

- the engagement and/or retention rates of direct reports are assessed
- their employees rate them, in part, by how well they manage performance



Nearly half of PM leaders (48%) review the engagement and/or retention rates of direct reports as a way of holding managers accountable for performance management activities



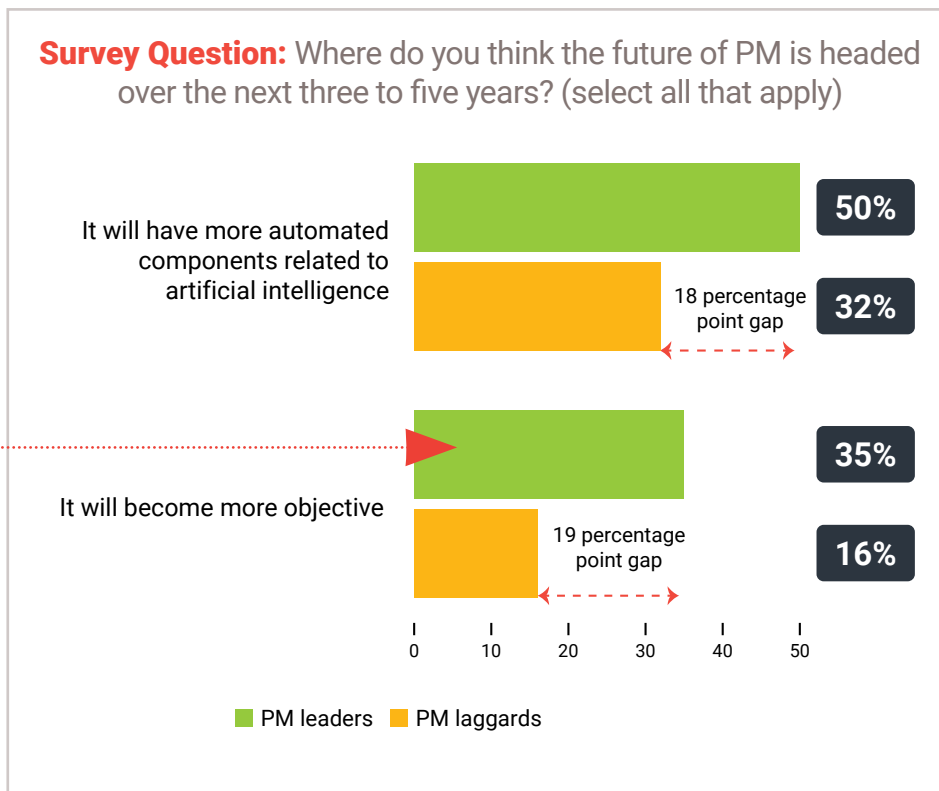


Finding: PM leaders are more likely to see a role for AI than PM laggards

PM leaders are generally more optimistic about the future of performance management than laggards. Half of the PM leaders believe AI will play a role in performance management in the next three to five years, compared to just under a third of PM laggards. PM leaders are also more likely to believe performance management will become more objective (35% vs. 16%).



More than a third of PM leaders believe performance management will become more objective





Key Takeaways

What lessons can be drawn from this research? Below are some key suggestions for how organizations might improve their performance management practices and systems.

Key Takeaway 1

Assess your organization's performance management success and practices relative to those of other organizations. One possible starting point is doing an informal assessment of where you stand relative to other organizations on the questions covered in this survey. Another approach is to speak with colleagues in other organizations and discover what they view as best practices.

Key Takeaway 2

Get top management buy-in. If your self-assessment suggests you don't have top management buy-in for improving performance management, then that is one place to start. Help top leaders understand the stakes associated with poor PM and the advantages of a good PM system. Then get their views on what they want from performance management. Senior leaders should be demanding performance data from HR to help guide their business and feel that this data is accurate. This data is a key element of people analytics. With HR's help, leaders should lead the way in ensuring that performance discussions happen and that these discussions are frequent and meaningful. Leaders should model the process with their subordinates. Leadership should also provide the resources to make certain that anyone who leads performance discussions gets trained. The challenge for HR professionals is to bring in leaders as partners and then design their PM systems to convince any skeptics.

Key Takeaway 3

Make sure your performance management technologies meet your organizational needs. PM leader organizations are far more likely than PM laggard organizations to use technology. Without technology, the administrative burden of performance management can use up time better spent on training managers and improving the process. However, make sure you get a capable technology platform; too many respondents in this study were missing important features.

Key
Takeaway

4

Strive to make your system easy to use. PM leader organizations are more likely to have an easy-to-use performance management process. If a system is too complex and/or difficult to use, then managers will avoid using it or resent the PM process altogether.

Key
Takeaway

5

Train managers in performance management. It is no surprise that performance management does not tend to go well when managers are not trained in it. Performance management conversations can be difficult and managers need a good deal of support to get good at it. Moreover, they need to know how to take maximum advantage of PM technology tools and systems.

Key
Takeaway

6

Move toward performance management practices that involve more frequent conversations. Once your organization has leadership support, good technology, an easy-to-use process, and trained managers, then it is ready to move toward more continuous performance management. This involves more frequent manager-employee conversations about a host of topics such as work goals, career advancement, learning needs, and how to perform better at work.

Key
Takeaway

7

Have different types of conversations. As this study has shown, performance management has various objectives. Hence managers should be encouraged to have conversations on each of the different topics. For example it can be helpful to separate a conversation about career development from one about performance on the latest project.

Key
Takeaway **8**

Consider holding managers accountable for doing performance management well. Performance management is a crucial process, so managers should be expected to do it well. There are various ways of holding managers accountable. At the very least, HR should track whether managers are completing the activities and trace the reasons when a manager fails to complete an activity on time.

Key
Takeaway **9**

Consider adding in more upward and peer feedback. If you have a performance management process that functions well, then consider adding in more upward and peer feedback. This may add extra layers of insight, and it is a practice that is more common among PM leader organizations.

Key
Takeaway **10**

Develop robust performance management metrics. Measuring completion rates and the frequency of performance conversations are common means of measuring performance management, but we do not view them as sufficient. Most organizations should have more metrics that look at PM quality rather than just quantity. Quality metrics can take many forms, depending on the needs and culture of the organization. They could include, for example, factors such as employee engagement data, the number of people trained in performance management skills, the impact of that training on PM success, net promoter scores, “ease of use” measures, employee retention rates, the degree to which quality objectives have been met, and the presence of well-crafted development and career plans. Consider adding more verifiable data to the performance management process. For instance, some organizations use measurable goals as a performance success guide. Consider leveraging methods such as objectives and key results in certain areas.



About HR.com and the HR Research Institute

The HR Research Institute helps you keep your finger on the pulse of HR! Powered by HR.com, the world's largest community of Human Resources professionals, the HR Research Institute benchmarks best practices and tracks trends in human resources to help more than 1.92 million HR professionals (that many people can't be wrong!). Companies are backing up their strategic decisions with informed and insightful HR.com research references!

Over the past few years, the HR Research Institute has produced over 100 leading edge primary research and state of the industry research reports, along with corresponding infographics, based on surveys of thousands of HR professionals. Each research report highlights current HR trends, benchmarks and industry best practices. HR Research Institute reports and infographics are available online, and always free. Visit hr.com/featuredresearch to maximize your HR potential. #hrresearchinstitute



Thanks to our great sponsors



The HR Research Institute is honored to have this esteemed group of professionals join our Performance Management advisory board to help guide HR.com's primary research. The advisory board's goals are to influence the HR industry's thought leadership and best practices and to advance the competencies and skills of HR professionals. Thank you all for your time, effort and passion.

Casey Carey
CMO, Kazoo

Timothy Driscoll
Chief Commercial Officer, Inspire Software

Michael Heller
Founder & CEO, Engagiant & iRevu

Stacy Litteral
Managing Director, BPM LLP

Jamie McCormick
Human Resources Director, Betterworks

Melissa Phillippi
CEO & President, Performance Culture

Kristin Richter
Vice President Marketing, Engagedly Inc

Aisling Teillard
CEO, Our Tandem

Donna Tinoco
Business Development, Marketing & Operations, LightWork Software

Natalie Trudel
Marketing Manager, CRG emPerform