



To Improve Performance Management Outcomes, HR Pros Report:

# More Conversation is Better



## Betterworks Presents: *The 2018 State of Continuous Performance Management Survey*

**A** motivated workforce is key to competing and winning in today's environment and ensuring your business is ready for tomorrow's challenges. Motivated employees are well-equipped to quickly acquire and apply new skills and align their work to the organization's top priorities. This can tangibly impact the bottom line, as organizations that continuously motivate and manage employee performance reach their business goals at much faster rates than those that don't.

To get there, HR leaders need to deploy performance management processes, practices, and technology that:

Help employees find **purpose** and direction, in light of constant change



Ensure that crucial **conversations** around goal alignment, progress check-ins, and feedback are happening regularly



Connect individual employee **contributions** to the larger goals of the organization



Provide **career development** that aligns employee desires with organizational needs



Identify and **uniquely reward** top talent



All of this needs to happen intuitively, seamlessly and on a continual basis as part of the workforce's everyday work process. So how are companies progressing toward this vision?

To answer this question, Betterworks conducted our second annual Continuous Performance Management® Survey, which ran from April-May 2018 and included 756 professionals in HR and people management roles (377 HR, 379 non-HR people managers) working within US-based enterprises across a wide range of industries, each with more than 500 employees.

This comprehensive survey addressed all aspects of organizational goal alignment, manager/peer feedback, career development and recognition processes, practices and technologies including effectiveness in achieving desired business outcomes.

This is the first of an ongoing series of research reports, infographics, videos and other tools informed by this groundbreaking survey.

## Key Findings: Annual Reviews Aren't Meeting Today's Business Needs, and Continuous Performance Management Offers a Solution

According to *Betterworks State of Continuous Performance Management®*, HR leaders identified the following as top goals for their organization's performance management program:

1

**Retaining high-performing talent**

2

**Developing the workforce to meet future needs**

3

**Creating and maintaining a feedback culture**

4

**Training the workforce on skills needed for businesses to succeed today**

5

**Engaging the entire workforce**

# HR Goals for Performance Management

Out of All HR Leaders Surveyed

Creating/maintaining a feedback culture	63%
Creating/maintaining a coaching culture	60%
Retaining high performing talent	59%
Training the workforce on the skills needed for the business to succeed today	59%
Identifying high performing talent	58%
Engaging the entire workforce	58%
Training up and coming leaders	57%
Training the workforce on the skills needed for the business to succeed in the future	55%

Unfortunately, legacy performance practices aren't effectively meeting those goals. The majority of companies still depend on annual or less frequent review cycles, which do more harm than good when it comes to actually improving performance.

“

The biggest limitation of annual reviews is that they hold people accountable for past behavior at the expense of improving current performance and grooming talent for the future, both of which are critical for organizations' long-term survival.

[Harvard Business Review](#)

Outdated performance management processes are too cumbersome for the modern enterprise, according to both HR leaders and functional people managers. Our research found that the top 5 problems with the annual performance review process are that they:

- **Cause tension and anxiety for employees**
- **Cause tension and anxiety for managers**
- **Fail to improve employee performance**
- **Are too subjective**
- **Don't provide quality feedback**



As a result, annual performance reviews fall short in identifying high performers and retaining top talent. They waste time, rather than moving organizations forward towards achieving their highest priorities and improving employee performance. Additionally our research shows these issues compound as companies increase in size and complexity. **Adopting a Continuous Performance Management® model offers a solution to these business-critical problems.**

Survey respondents who have transitioned to more frequent review cycles reported better results, especially when it comes to increasing their ability to improve performance, improve manager skill at providing feedback, reduce subjectivity and, importantly, retain and develop their top talent.

Our research found that HR is looking toward [technology to best support a more continuous process that does not create undue administrative overhead for HR teams.](#)

Well-designed Continuous Performance Management processes supported by robust technology can ensure individuals and teams are working on what matters most, help managers and employees improve performance, and provide critical workforce insights to the organization.

And McKinsey confirms that organizations with effective performance management programs are [three times more likely](#) to outperform the competition.



Detailed findings from *The 2018 Betterworks Continuous Performance Management® Survey*:

## Effective Performance Management Starts With Alignment

**More than 90%** of HR and people manager respondents agreed that aligning employee goals with company priorities is critical to company success. And when 54% of people managers indicated that their organizations plan to increase the frequency of goal setting in today's fast-moving business environment, continuous performance practices become essential to ensure individuals and teams can be easily re-aligned toward addressing new priorities.

As companies and teams get larger so do the challenges of achieving alignment in a fast-moving environment. The Survey sample only included organizations of 500+ people, yet there was still a distinct difference in the levels of importance for this need for rapid alignment for companies with more than 1,000 employees. Among larger organizations, **the importance of agility was 13 percentage points higher than in smaller firms.** Importance also increases as the size of a people manager's team increases (10+ people) and as they rise in the organization.

# Changes made to performance management in past 12 months

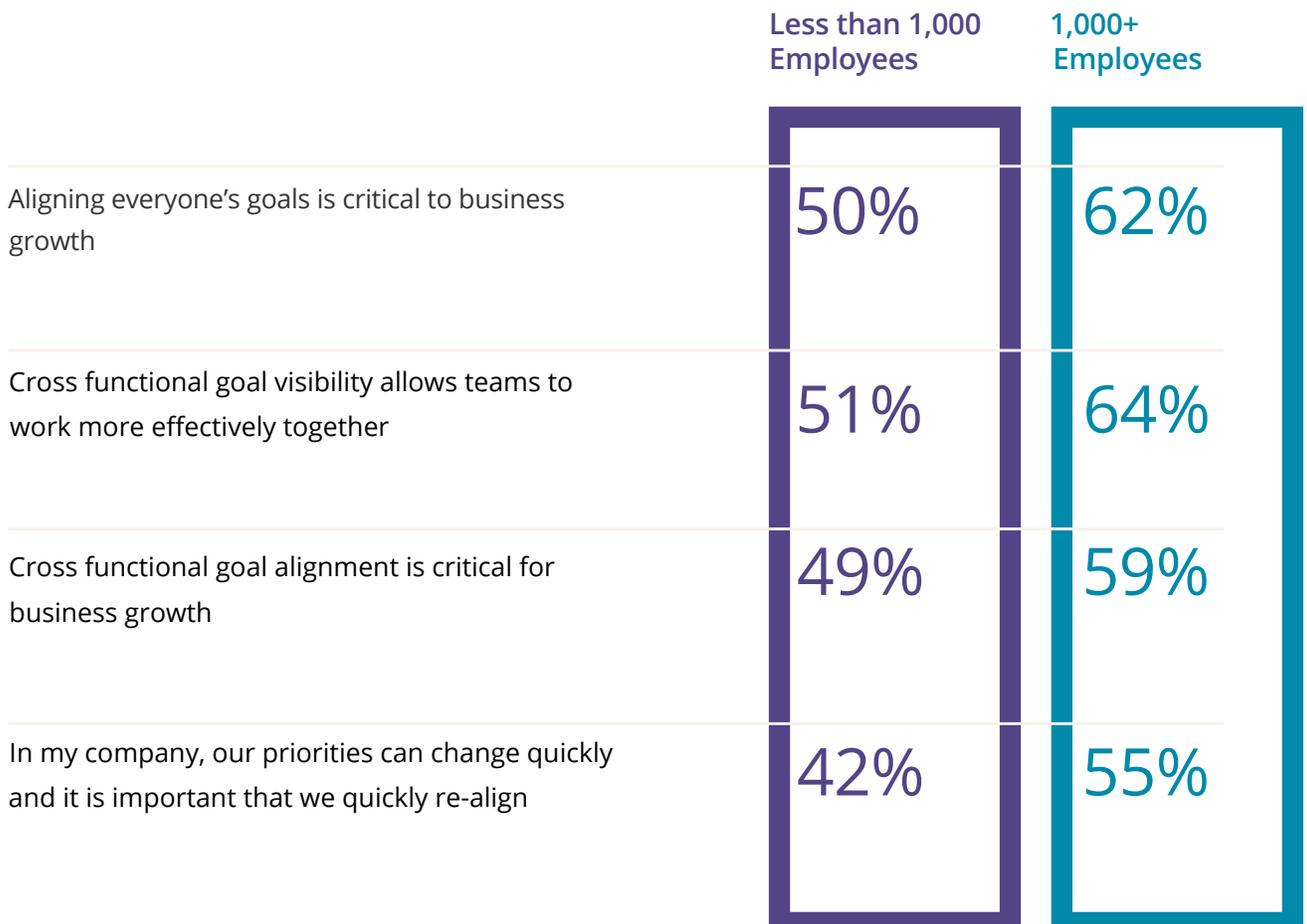
Implementing a more frequent goal setting process	54%
Increasing the amount of coaching and feedback for employees	54%
Increasing the amount of peer recognition	42%
Implementing or increasing opportunities for awarding pay increases and/or promotions	39%
Implementing 360 degree feedback of all managers	37%
Implementing quick employee satisfaction or pulse surveys	36%
Implementing or increasing opportunities for awarding spot bonuses to recognize exceptional work	35%
Eliminating ranking or rating systems within a performance management process	23%
Eliminating traditional annual performance reviews	17%
None of these	8%

Goal alignment is critical to business growth, and cross-functional visibility is essential to enabling teams to collaborate together more effectively.

**89% of HR respondents agreed that goal alignment requires frequent conversations** between employees and managers. It is crucial for every manager to spend time in conversation with every one of their team members in order align their work toward what matters most to the organization. When employees understand the impact of their work, motivation increases and performance improves. **And nearly all HR respondents in the survey (91%) indicated that when employees work with their managers to set goals, performance increases.**

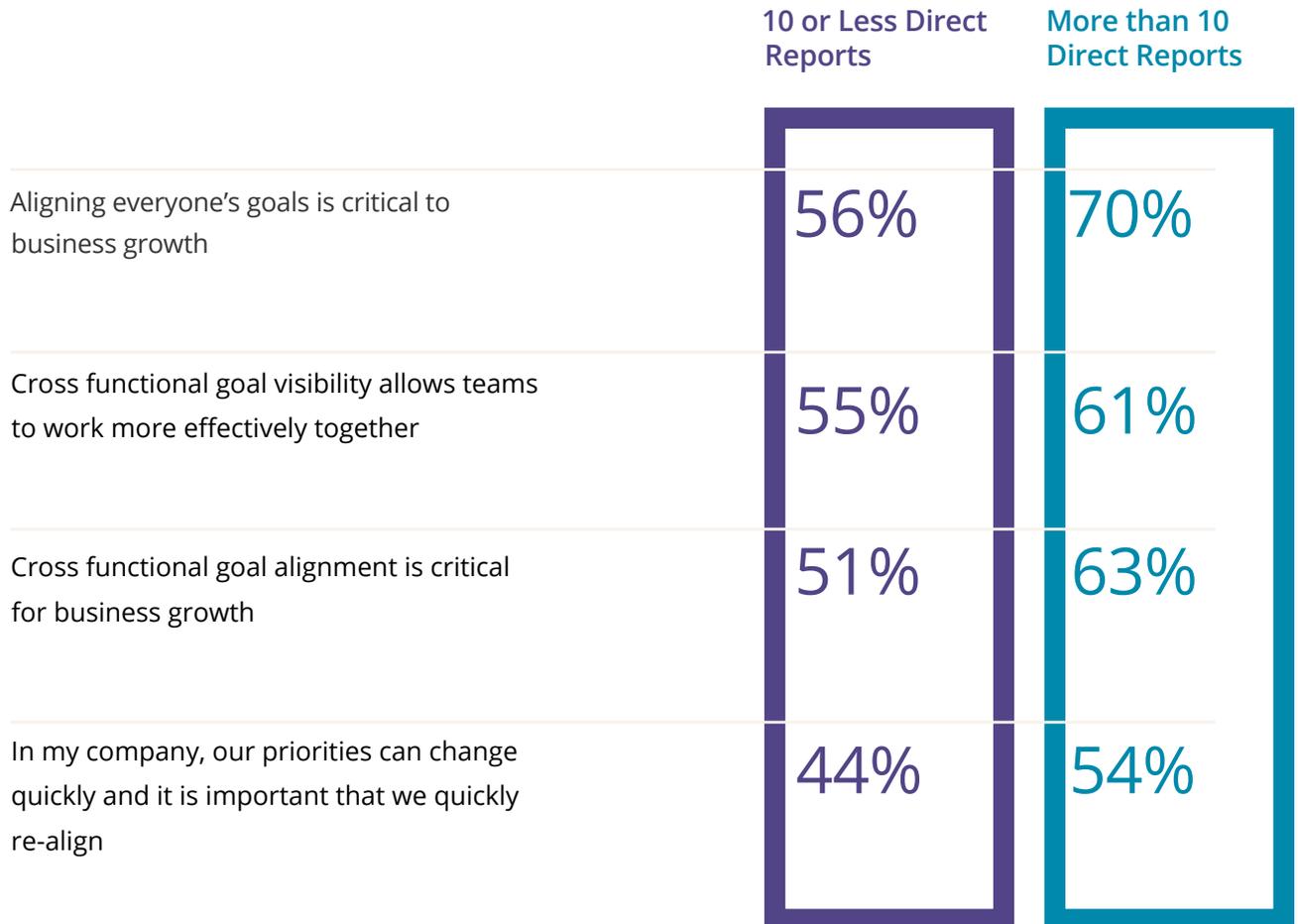
## Company Related Statements — Level of Agreement by Company Size

% Strongly Agree



# Company Related Statements — Level of Agreement by Number of Direct Reports

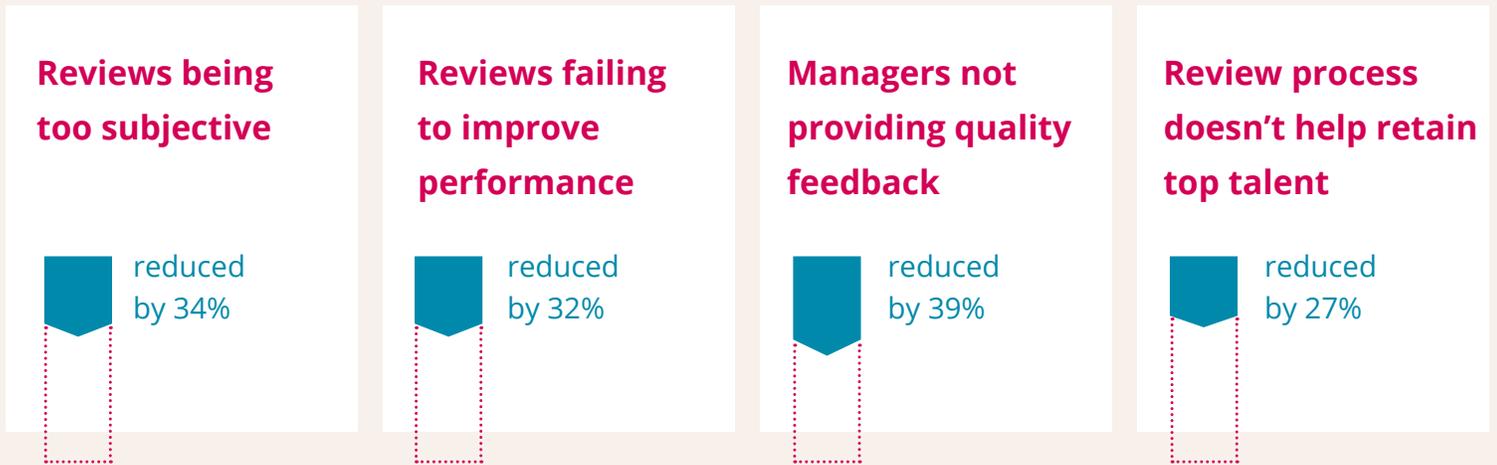
% Strongly Agree



## Performance Management Must be a Continuous Process

A majority of HR respondents expressed that performance reviews done on an annual or less frequent basis cause tension and anxiety for both employees and managers. More than a third of managers responded that their current processes are failing to equip them with the skills to provide constructive feedback and don't deliver the better quality and more frequent feedback that their employees crave.

The Survey found that “more conversation is better” when it comes to improving the business outcomes from performance management practices. According to HR respondents, as the frequency of performance-related conversations increases, so does program effectiveness. When performance management happens more frequently, HR pros report fewer challenges with:



Increasing the frequency of conversations between managers and employees, and helping make these conversations more [constructive, forward-looking, and connected to business objectives](#) is critical to creating an effective performance management program for today's workforce, especially as the company's size and the number of direct reports increases. Our research found that among HR respondents:

**89%**

agree that employee performance will increase with more timely feedback and coaching from managers

**84%**

agree that employees want more feedback and coaching from their managers



## Technology is Necessary for Effective Performance Management

**Less than half (41%) of HR respondents** indicate that they are currently using technology to support performance management. This contributes to a significant number of HR respondents reporting feeling that one of the biggest challenges is chasing people down to complete the process (46%).

With motivating employees being necessary for business growth (94%) and thus a top goal of HR teams (89%), [HR is looking toward technology](#) to help them evolve from a cumbersome, ineffective annual process toward a continuous practice that aligns everyone's goals to the work that matters and powers crucial conversations up, down and across the organization.

## Working on What Matters:

**80%** of HR Leaders say technology helps managers align goals to company priorities

**85%** say that technology would facilitate manager collaboration with team members on goal creation

## Powering Crucial Conversations Up, Down and Across the Organization:

**87%** of HR leaders say that managers would benefit from tech to help them solicit and manage feedback

**84%** say that technology helps managers have the relevant conversations they need to be having with their employees

**82%** say that technology reminds managers to have relevant conversations about performance and development with employees on a regular basis

# HR Technologies the managers in my organization would benefit from:

% Agree

technology that helps them to solicit and manage the feedback on all of their team members and to store it all in one place

87%

technology that helps them to collaborate with their team members on goal creation

85%

technology that helps them have the relevant conversations they need to be having with their employees

84%

technology that reminds them to have relevant conversations about performance and development with their employees on a regular basis

82%

technology that helps them to align team member goals to company priorities

80%

technology that prompts them with the right questions to ask to best engage and motivate their employees

80%

technology that reminds them to check in with their team members at least weekly

79%

technology that reminds them to build a professional development plan for every member of their team

79%

And it's not just HR leaders who are hungry for these solutions. **84% of people managers surveyed are actively looking to HR provide them with technology to help them improve as managers.**

**86%** of managers agree that HR tech can help them coach and develop their teams better

**81%** of managers agree HR tech can help them create a less biased performance review

The Survey shows that the challenges with performance management increase as organizational employee size and a manager's team size increases. And people managers within 1000+ organizations were more likely to find their existing HR technologies more difficult for their teams to use. For any HR tech to be useful and impactful it needs to be widely adopted with **people managers agreeing that it needs an intuitive, seamless user experience (87%), along with mobile (72%).**



# People Manager Statements About HR Technology By Team Size

% Strongly Agree

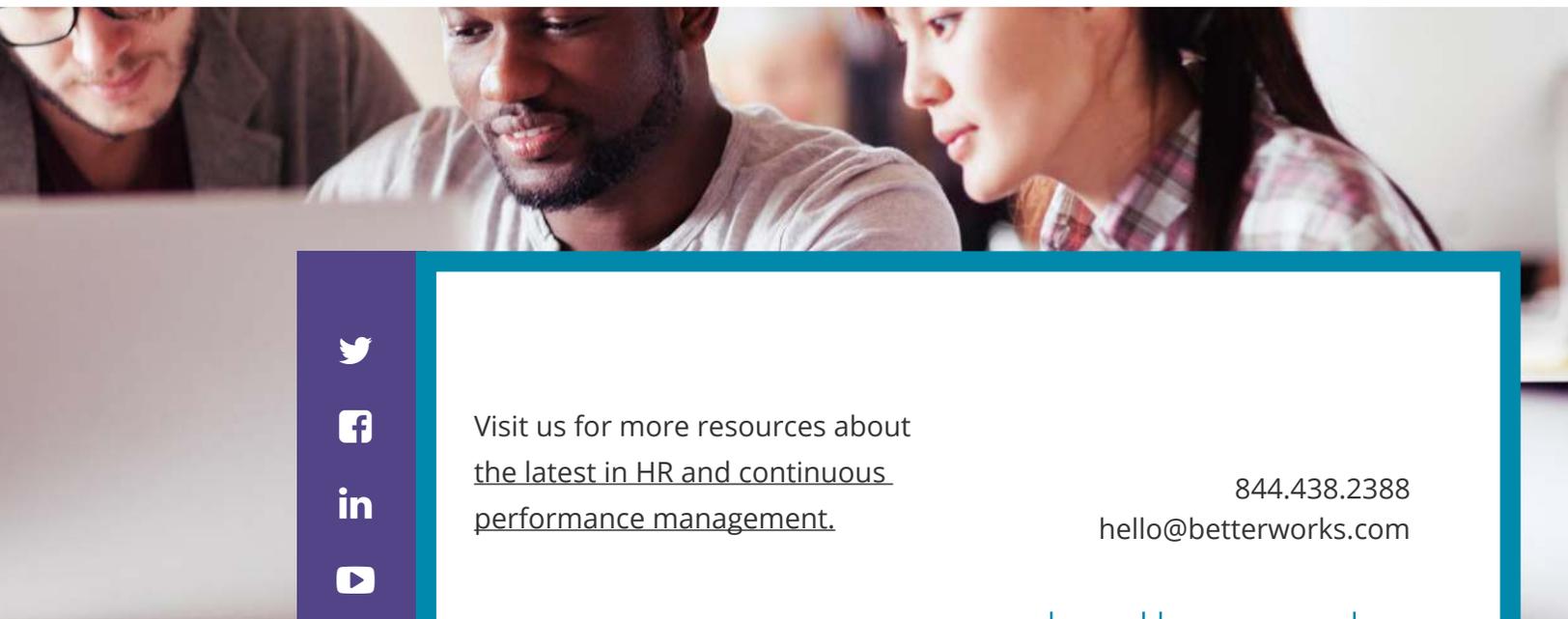
	More than 20	20 or fewer
Technology can be used to help managers coach and develop their teams better	55%	45%
Technology can be used to help managers be/ become better managers	54%	44%
Employee and manager adoption of HR technology is critical to the success of any HR program	52%	37%
The user experience of the HR technology is critical to ensuring employee and manager adoption	52%	36%
Technology can be used to create a less biased performance management process	43%	33%
A mobile experience is critical to manager and employee adoption of any HR technology	41%	31%

# The Bottom Line

**Every organization needs insights from and about their workforce to actively inform their business strategy and planning.** Organizations must align their workforce around the work that matters, ensure managers are regularly having the crucial conversations: feedback, development, recognition; and organizations must be able to identify and retain top talent as well as develop their future leaders. Through adopting Continuous Performance Management®, businesses build a motivated workforce for sustained competitive advantage to achieve today's goals and ensure readiness to meet tomorrow's challenges.

## About Betterworks

[Betterworks](#)® aligns, develops and activates your workforce for business growth. Our easy-to-use, integrated software solution replaces outdated annual review processes with powerful Continuous Performance Management® programs to help organizations ensure everyone is working on what matters most and are having the crucial conversations necessary to inspire and motivate their entire workforce.



Visit us for more resources about [the latest in HR and continuous performance management.](#)

844.438.2388  
hello@betterworks.com

[betterworks.com](https://www.betterworks.com)

betterworks™