The ROI of Modern Performance Management

Research Brief

2019

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Reflektive

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Current State

Nine out of 10 organizations say performance management is important or critical to driving business growth, according to Brandon Hall Group research.
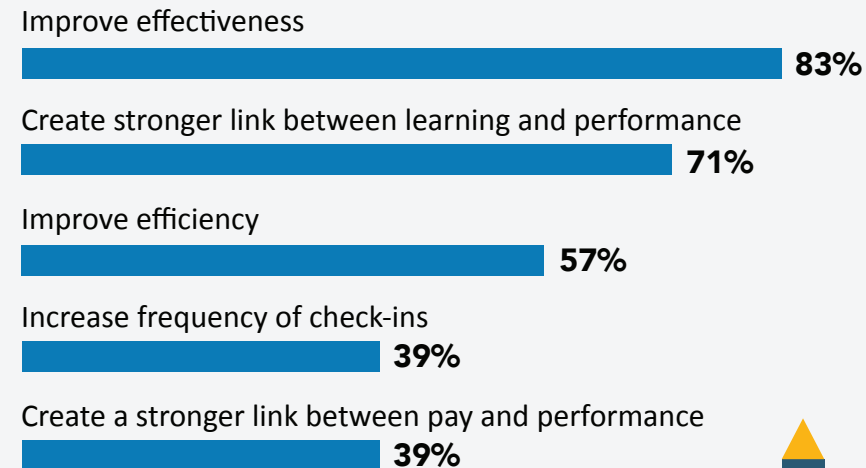
Organizations that say their performance management positively impacts individual and organization performance are:

- 5 times more likely to see reduced turnover
- 3.5 times more likely to see improved customer satisfaction
- 3 times more likely to see increased productivity
- 3 times more likely to report financial growth
- 50% more likely to have managers who hold daily or weekly check-ins with employees.

But 70% of organizations are not seeing that kind of impact from performance management and are in the process of restructuring their approach. These organizations said their:

- Current approach does not increase employee engagement.
- Managers are biased when assessing employee performance
- Performance review process drives less than 40% of an employee's performance improvement.
- Performance reviews are a waste of time for managers and employees.

Reasons Why 70% of Organizations Are Restructuring Performance Review Processes

Improve effectiveness
83%

Create stronger link between learning and performance
71%

Improve efficiency
57%

Increase frequency of check-ins
39%

Create a stronger link between pay and performance
39%

Source: 2019 Brandon Hall Group Performance Management Study

9 of 10 organizations

say performance management is important or critical for driving business growth.

Source: Brandon Hall Group Research

Complications

The transformation of performance management depends on managers' ability to:

- Coach their employees.
- Provide helpful in-the-moment feedback.
- Set performance goals that benefit both employee and employer.
- Give frequent performance-based recognition for good work.

In every organization, there are excellent managers who exhibit these qualities and behaviors. But the research shows there are just not enough of them.

Scaling exemplary performance management is dependent on a change in manager behaviors across the enterprise. This requires training for managers and dynamic tools to enable more managers to drive individual employee performance in alignment with organizational business goals.

The research shows that many employers see the evolution of performance management through the lens of changing the frequency of performance reviews or eliminating performance ratings. However, performance evaluations are not the critical problem. They are a report on the outcomes of management, not the driver of performance improvement.

The Problems with Performance Management

Less than 30% of managers do performance check-ins with their employees at least weekly.

More than half of organizations don't provide formal training to managers on giving coaching and feedback.

61% of organizations say the lack of feedback and coaching impede improving employees' competencies and skills.

More than half of employers say that giving in-the-moment recognition for good work is not part of their culture.

Source: 2019 Brandon Hall Group Performance Management and Competency and Skills Development studies

The heart of performance management transformation is scaling strong management at all levels of the organization to drive individual and organizational growth.

Consequences

Employers that fail to crack the performance management paradigm face:

- Declining employee engagement.
- Increased turnover.
- Growing competency and skill gaps as business needs change.
- Difficulty in growing revenue and profit.
- And a lackluster employer brand that will struggle to lure top talent.

Critical Questions

To conquer these challenges, organizations need to answer several critical questions, including:

- How can we build and nurture a culture of coaching and continuous feedback?
- How can we facilitate frequent, performance-based recognition when employees do great work?
- How can we make it easier for managers and employees to collaborate in setting mutually beneficial performance goals?
- How can we empower managers and employees to hold focused, valuable 1:1 meetings in the flow of work and at the moment of need?
- How can we improve the accuracy and value of performance evaluations?
- How can we measure the progress we make in key metrics, such as employee engagement, over the course of our performance development journey with employees?
- How can technology help drive these changes?

Performance Management Vital Statistics

Does Your Performance Management Process Drive Individual, Organizational Performance?

38% Yes	62% No

Does Your Current Performance Management Process Drive Employee Engagement?

30% Yes	70% No

Are Your Managers Objective Raters of Performance?

30% Yes	70% No

To What Degree Does Rater Bias Impact Performance Review Scoring?

51% Often/Always	45% Occasionally

4% Never

Source: 2019 Brandon Hall Group Performance Management Study

Brandon Hall Group POV

Collectively, employers have dug themselves a deep hole. Neither managers nor employees find the performance management process valuable. In fact, most say it is a waste of time.

Transforming performance management is a business imperative -- it drives individual and organizational development and employee engagement. The first step to scaling performance management is making the choice to change.

Many companies are moving in that direction. But so far, we are seeing more form than substance. More companies are tweaking or overhauling performance evaluations and rating scales rather than the hard work of helping managers develop new behaviors – coaching, feedback, recognition – that have a positive impact on employee performance.

To drive this change, businesses must be committed to building – strategically and step by step – a culture of accountability where managers and employees are partners in progress. For many organizations, this amounts to a seismic shift that requires new tools.
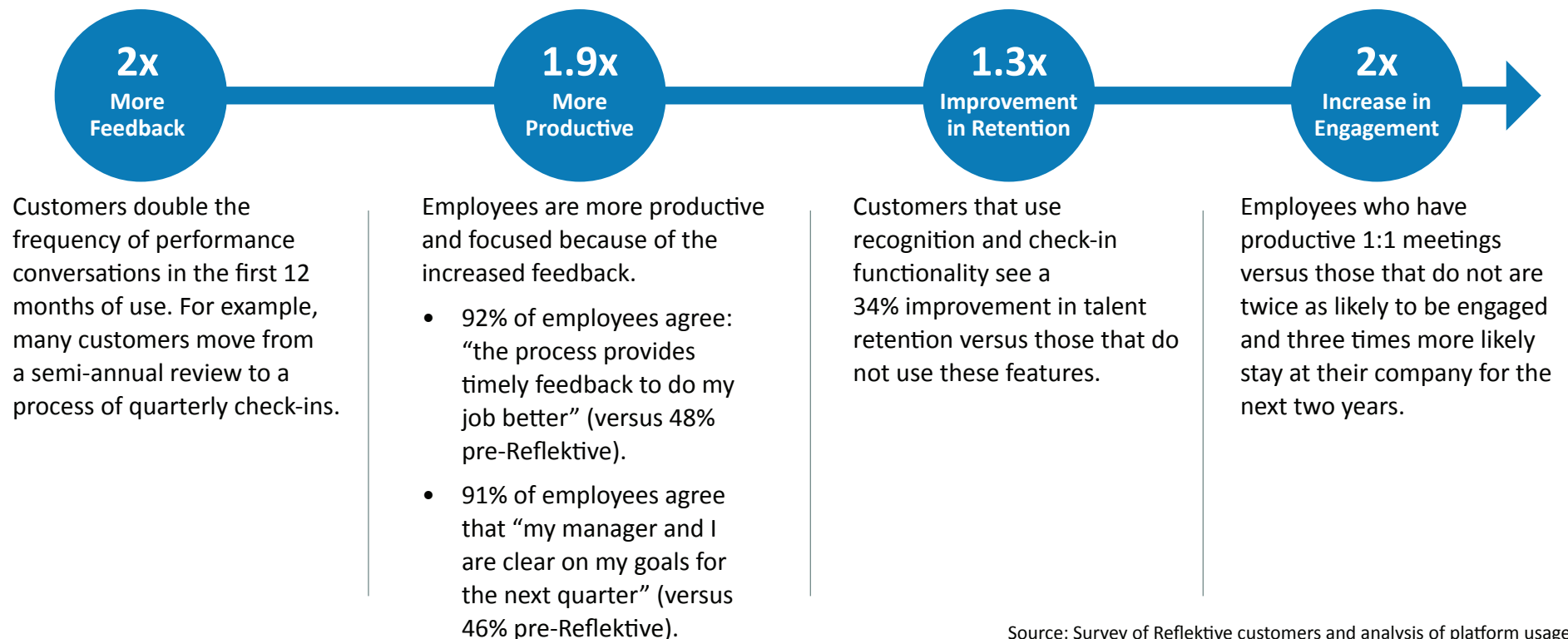
Performance-management technology helps committed organizations facilitate the behavior changes that lead to business growth. These cloud solutions can convert performance management from a burdensome process with little perceived value to a valuable element of a manager's daily workflow consisting of ongoing feedback, recognition and development.

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The Business Impact of Modern Performance Management
Technology Solution Spotlight: Reflektive

Reflektive is a modern performance management solution that organizations use to scale constructive, ongoing conversations to improve overall business performance. The platform consists of three modules around Performance Management, Employee Engagement and People Intelligence. Customers use Reflektive to improve recognition, deliver feedback, set goals, facilitate 1:1 conversations, manage check-ins and reviews, measure employee engagement and conduct people analytics.

Reflektive Customer Results

2x More Feedback

1.9x More Productive

1.3x Improvement in Retention

2x Increase in Engagement

Customers double the frequency of performance conversations in the first 12 months of use. For example, many customers move from a semi-annual review to a process of quarterly check-ins.

Employees are more productive and focused because of the increased feedback.

- 92% of employees agree: "the process provides timely feedback to do my job better" (versus 48% pre-Reflektive).

- 91% of employees agree that "my manager and I are clear on my goals for the next quarter" (versus 46% pre-Reflektive).

Customers that use recognition and check-in functionality see a 34% improvement in talent retention versus those that do not use these features.

Employees who have productive 1:1 meetings versus those that do not are twice as likely to be engaged and three times more likely stay at their company for the next two years.

Source: Survey of Reflektive customers and analysis of platform usage

Case in Point

Protective Life Corporation

Overview

Protective Life Corporation traces its roots back to 1907 and now markets its products and services in all 50 states. In 2015, Protective was acquired by Dai-Ichi Life Holding, Inc. Protective is growing and needed a performance management plan that would optimize retention and employee development.

Headquarters

Birmingham, Ala.

Employees

Approximately 3,000

Mission

Protect tomorrow so people can embrace today.

Values

Do the right thing, serve people, build trust, simplify everything.

Challenge

The traditional performance management model, with goal-setting in January and evaluation at the end of the year, did not meet the needs of Protective's growing workforce. Protective identified three business needs:

• Enable coaching and development of talent through continuous feedback.

• Streamline and simplify the performance review process.

• Transition from the traditional annual performance management process.

Solution

After running interviews, implementing an employee survey, looking at outside research and doing a design workshop, Protective identified quarterly check-ins as the most critical need for enhancing the performance management culture. The company needed a technology solution to deliver on the requirements of its forward-thinking program:

- Simple and lightweight
- Continuous communication
- Future-focused, strength-based
- Ownership of performance
- Pay for performance

Results

Protective's new program drives alignment between managers and employees. It helps employees know they're working on the right things. Using Reflektive's lightweight, intuitive solution for real-time feedback and check-ins enables managers to focus on the conversation, not the technology. In turn, the company is poised to meet growth goals, knowing employees are being developed all year long.

Toby Marcus
Assistant Vice President, Learning and Development, Protective Life Corporation

"The Reflektive technology creates accountability for performance conversations. If managers don't complete a quarterly check-in, there is visibility that managers can be held accountable for."
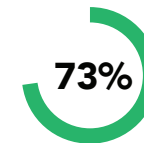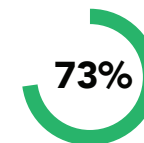
Critical Outcomes at Protective

40% increase in the number of people who said they understand exactly what they should focus on in the next 90 days.
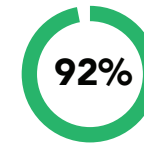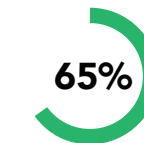
92% of managers and employees participate in the quarterly check-in and goal-setting process

73% "My manager helps me understand my strengths"

73% "My manager helps me understand my areas of development"

65% "I have an opportunity to learn a new skill to achieve my goals this quarter"

Source: Protective Life Insurance Company

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Case in Point

U.S.-based Financial Services Company

Challenge

This company, which provides retirement plans, employee benefits, annuities and life insurance and employs close to 2,000 people, relied on a traditional performance management cycle in which performance was directly tied to compensation. Performance conversations were held no more than twice a year during mandatory (annual) or optional (mid-year) performance evaluations. The company believes their performance management process had zero ROI.

The company launched a project to decouple compensation from performance feedback, eliminate performance ratings and create a culture of ongoing performance conversations. Under the new system, compensation is based on where employees are compared to market benchmarks and the potential future contributions of the employee based on performance. The organization now looks at employee performance through a forward-looking lens.

Solution

The company sought a technology solution that was simple to use and could win fast adoption in order to jump-start the performance management transformation. It chose Reflektive. The platform is built to drive recognition while also offering a full range of performance management functionalities, from goal-setting to feedback and development of IDPs. This allowed the company to start the transformation by facilitating recognition of good work and collaboration using Reflektive's Wall of Recognition. It's built right into Outlook, so it is always visible and accessible.

The recognition wall paved the way for the use of Reflektive's "Swift Check-ins" feature. Employees already had a culture of one-on-one meetings between managers and employees every week or every other week. But those meetings mostly were used to review ongoing work. Meaningful performance conversations were not happening because most managers and employees were sensitive about conflict.

Swift Check-ins enabled management to send periodic questions on topics ranging from career growth opportunities to feedback, inclusion and adapting to change. Employees answer the questions directly to their managers, which spurs further conversations. Swift Check-ins served as the ice breaker to empower more meaningful interactions.

Solution

Reflektive gives this company all the tools it needs to continue to evolve performance management. The company has taken a deliberate approach, making sure that consistent recognition and ongoing feedback became engrained habits. Mission accomplished.

The company now plans to leverage more functionalities, including:

- Goal-setting
- Pulse surveys
- IDP development
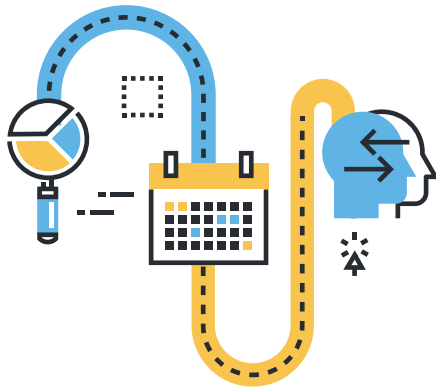
Conclusion

Transforming performance management can be a difficult journey. Excellence requires managers who partner with employees to drive individual and organizational goals. Employers have always struggled to scale great management and it is more difficult today, in the wake of digital transformation, than ever before.

The key to positive change is not focusing on performance evaluations, but on helping managers provide timely feedback, coach and recognize employees for their meaningful contributions. These are difficult behaviors to change on a large scale.

The key advantage organizations have in this volatile business environment is sophisticated performance management technology that can automate basic processes and facilitate the formation of the critical new habits:

- Goal-setting
- Development of IDPs
- Timely performance feedback
- Coaching
- Timely recognition of good work and progress.

Asking busy managers to do all of that person-to-person with no technical

assistance in the flow of work is impossible. Technology not only facilitates all the critical performance management behaviors, but it makes it fun and drives communication across the entire organization – manager-to-employee and peer-to-peer.

Organizations that are serious about transforming performance management should let performance evaluations become a device to memorialize ongoing development. Focus change efforts on the personal interactions that allow managers and employees to be partners in success.

Demographics: Performance Management Study

248 **Respondents**
(from organizations with
more than 100 employees

15% Small (100 - 499 employees)

36% Medium (500 - 4,999 employees)

49% Large (5,000+ employees)

Responses are from HR and business leaders from 31 industries.

Geographic Distribution

38% Organizations located in one country with multiple locations

28% Organizations with multiple locations across the globe

20% Organizations located in one country with some global distribution

14% Organizations located in one country in one location

Top 5 Industries

Healthcare, Technology/Software, Education, Manufacturing, Baking/ Finance Retail

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About Reflektive

Reflektive is a performance management company built for top performers and growing businesses. With Reflektive, you can scale constructive, ongoing conversations that keep your people and your business continuously improving. More than 500 forward-thinking customers — including Allbirds, PagerDuty, Pinterest, Privia Health and Protective Life Insurance — trust Reflektive to modernize people and performance management. Backed by Andreessen Horowitz, Lightspeed Venture Partners and TPG Growth, Reflektive has raised more than $100 million to date and was ranked the 13th Fastest Growing Company in North America on Deloitte's 2018 Technology Fast 500™.

For more information, please visit **www.reflektive.com**

About Brandon Hall Group

Brandon Hall Group is an 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 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.

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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

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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)

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- Program Design & Deployment
- Technology Selection, Management & Integration
- Organizational Structure
- Measurement & Analytics
- Change Management
- Budgeting & Forecasting

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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.

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