



Performance Management Report 2023

The current state of performance management and the emerging trends for 2023



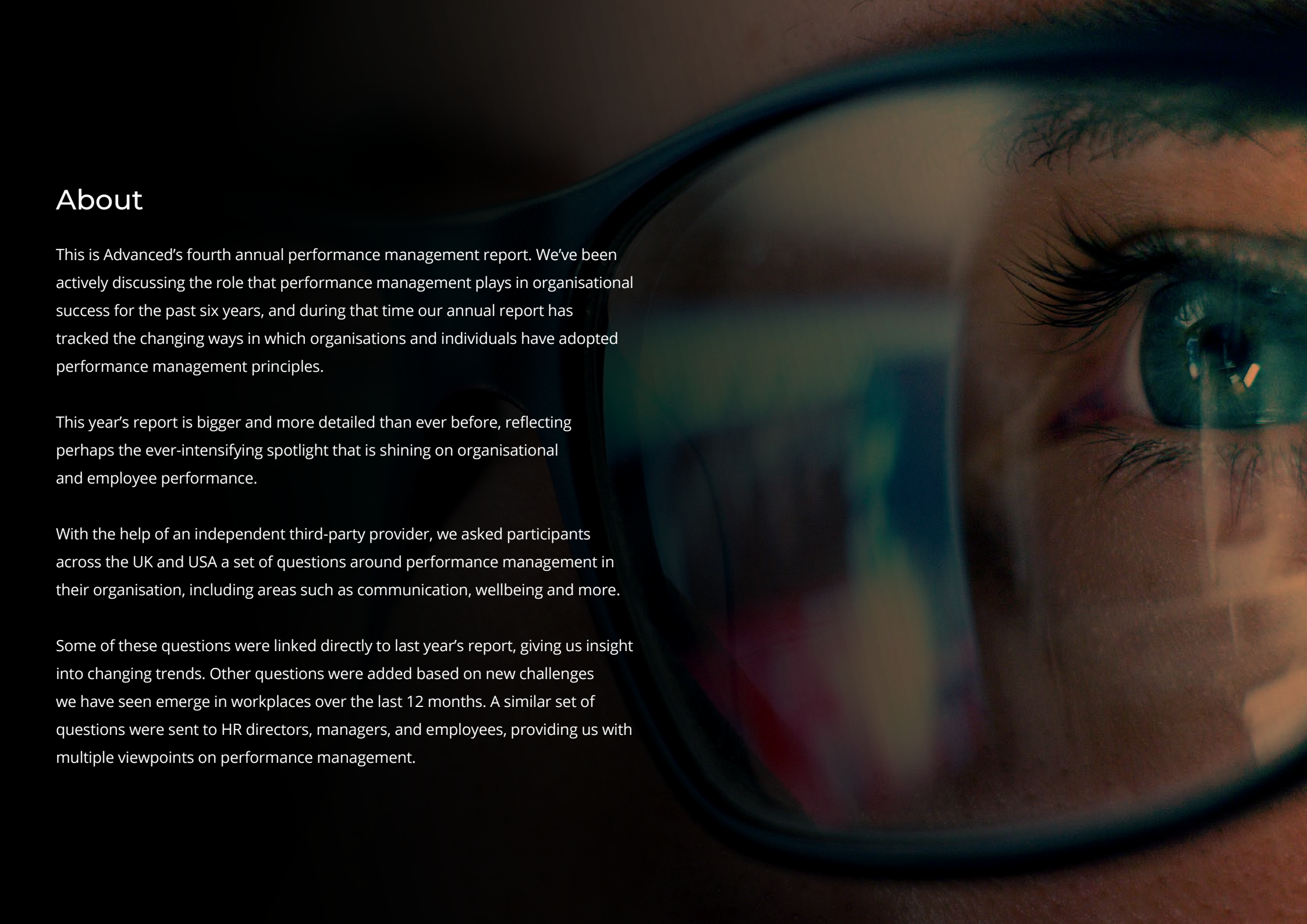
About

This is Advanced's fourth annual performance management report. We've been actively discussing the role that performance management plays in organisational success for the past six years, and during that time our annual report has tracked the changing ways in which organisations and individuals have adopted performance management principles.

This year's report is bigger and more detailed than ever before, reflecting perhaps the ever-intensifying spotlight that is shining on organisational and employee performance.

With the help of an independent third-party provider, we asked participants across the UK and USA a set of questions around performance management in their organisation, including areas such as communication, wellbeing and more.

Some of these questions were linked directly to last year's report, giving us insight into changing trends. Other questions were added based on new challenges we have seen emerge in workplaces over the last 12 months. A similar set of questions were sent to HR directors, managers, and employees, providing us with multiple viewpoints on performance management.





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Nick Gallimore
Managing Director,
Advanced People Management

A foreword from Nick Gallimore

The last two years have seen changes to the world of work on a scale that most of us have never witnessed. In the space of a few short months in early 2020, the very nature of the way in which we work was turned upside down. Long-term trends around flexible working, talent availability and employee experience were accelerated at break-neck speeds, leaving many organisations very little time to proactively change manage what was happening as they were catapulted into an entirely new world, with a completely different set of rules of engagement between employees and employers.

Here at Advanced, we call this the 'Age of the People Experience'. With this new age, those organisations who succeed in designing their organisation not just around the needs of shareholders and customers, but also around the needs of their people, will win.

Two years on and having already seen the rise and – in some cases fall – of hybrid working, the great resignation, quiet quitting, four-day work weeks and a range of other fly-by-night workplace phenomena, we are now entering yet another new experience. The forecasted recession that is likely to engulf many of us in 2023 will be the first great test of how well we've adapted to this new age, and – as our latest annual Performance Management report shows – is likely to be as unique as it is predictable.

As the macroeconomic backdrop gets gloomier for many organisations, so will the need for us all to do something that has been a significant challenge for the past decade: find ways to become more productive. As we enter these choppy waters, many of us will be asking how we can find ways to achieve more. And this means one thing: performance will take centre stage.

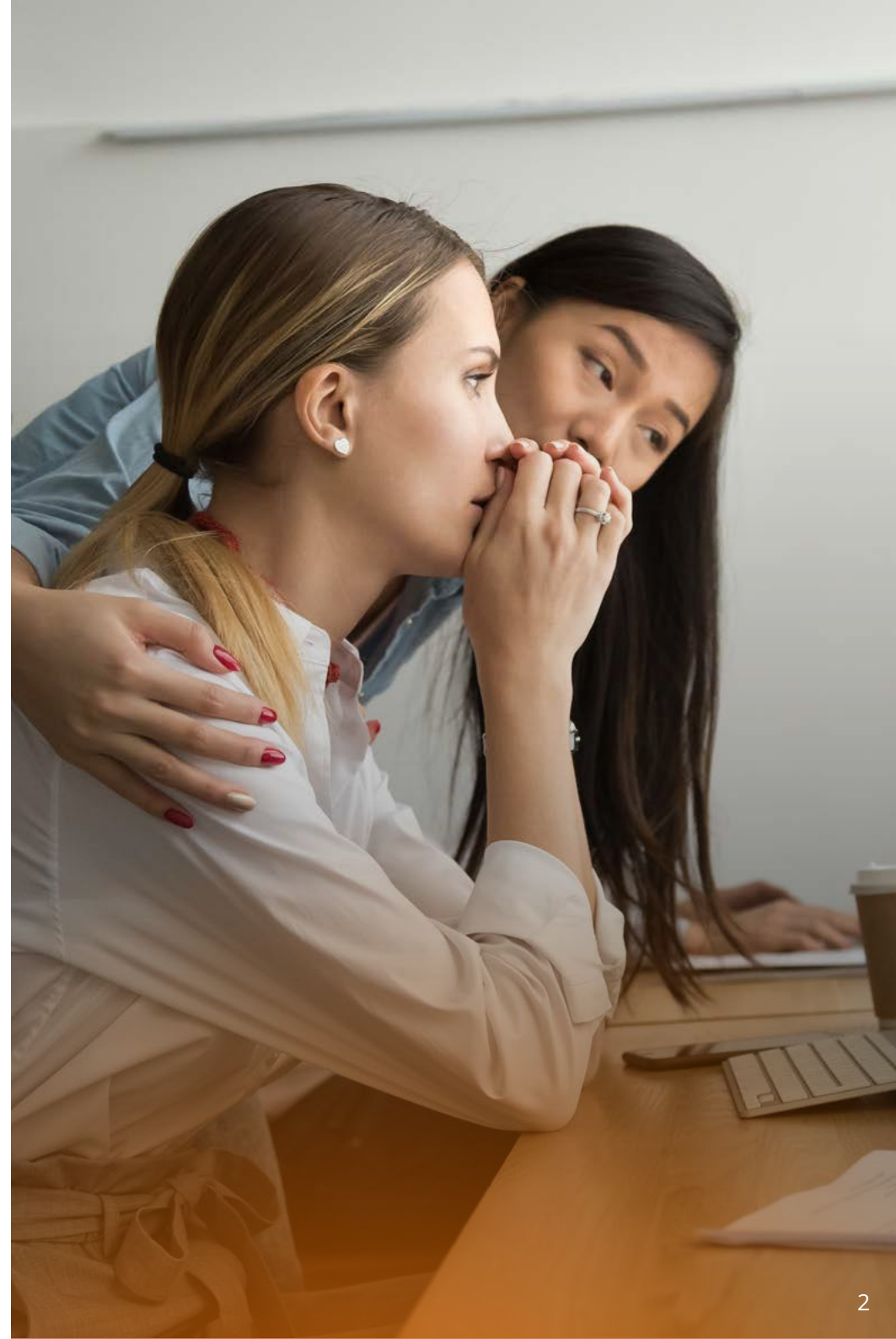
And this won't just be a problem facing organisations. Set against the backdrop of a horrific cost-of-living challenge, many of us will be asking ourselves a similar question. How can I achieve more? How can I develop my own earnings potential? How can I perform better?

We know the answers to these questions. The science on performance is very clear. Whether examining the problem through the organisational or the individual lens, improved performance comes from continuous engagement with three behaviours: meaningful goal setting, real-time feedback and coaching. There are several interesting findings from this year's performance management report. Most notable of all is the simple conclusion that whilst the science of performance is clear, many of us are still choosing to do something else. We're choosing forced engagement with annual performance management processes.

We're choosing to set our people goals that they forget to engage with.
We're choosing to save up feedback for end-of-year conversations that everyone hates, and we're choosing the ritualistic and pointless behaviour of performance ratings over good quality coaching.

Our report also shows that as we tackle the challenges presented at the start of 2023, we do so with a workforce that is increasingly burnt out, and with managers who are increasingly struggling to help - and worse still, who think that they're doing a better job than they actually are! As I said, in this new age, the people experience really matters.

In a world where the rules of engagement have changed and developing and nurturing your people experience holds the keys to success, building and finding a performance culture seems for many as elusive as it's ever been. And it's never been so important.



1 | Introduction

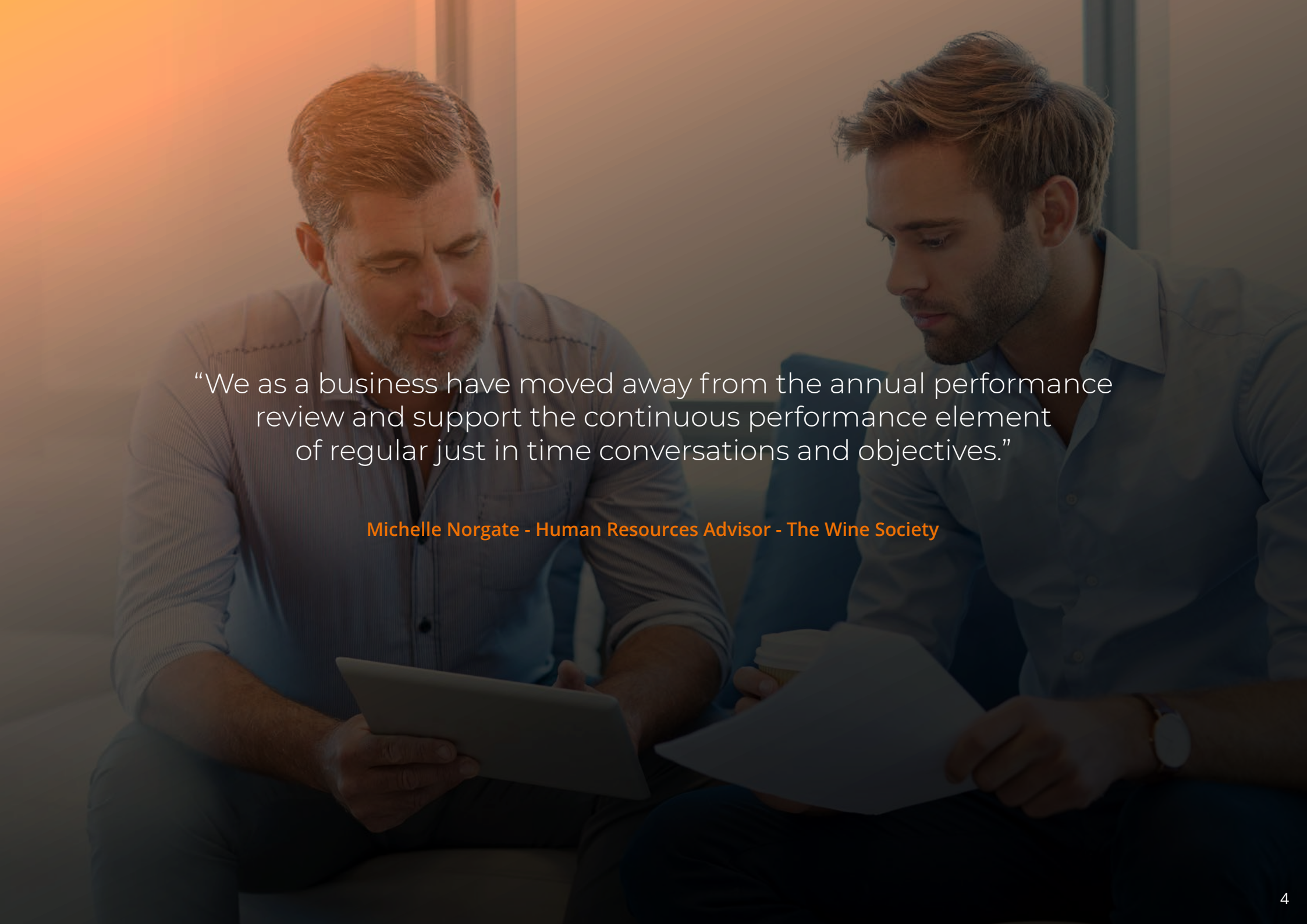


Organisations are now focusing on permanent management structures to accommodate the changes they made when adapting to a new way of working during the pandemic.

Businesses changed their approach to working, investing in open office spaces that encourage collaboration and recognising the benefits of hybrid working styles as employees seek flexible and meaningful work experiences that coincide with their own values.

We know the way people are working has changed. So now, we want to understand how people are managed in response to new working cultures. No longer are employees sitting metres away from managers every day, or even living in the same city. But teams aren't working entirely remotely either.

Over 1,350 people working across a broad range of sectors in the UK and USA took part in our survey, allowing us to find out exactly how people are being managed. Here's what they told us.

A photograph of two men in business attire sitting at a table, reviewing documents and a tablet. The man on the left is holding a tablet, and the man on the right is holding a stack of papers. The background is a blurred office setting with warm lighting.

“We as a business have moved away from the annual performance review and support the continuous performance element of regular just in time conversations and objectives.”

Michelle Norgate - Human Resources Advisor - The Wine Society

2 | Our findings

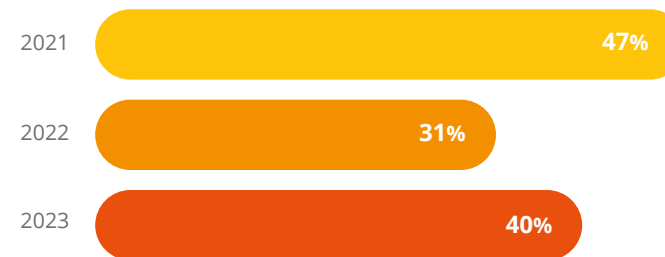
2023 – The year of the ‘perfect’ (or not-so-perfect!) storm

Difficult economic and political environments this year have meant a number of issues are approaching breaking point. With businesses looking to protect their bottom line, we are seeing a laser focus on performance, and since the performance management process is something we have tracked each year, we were interested to see how the results compared.

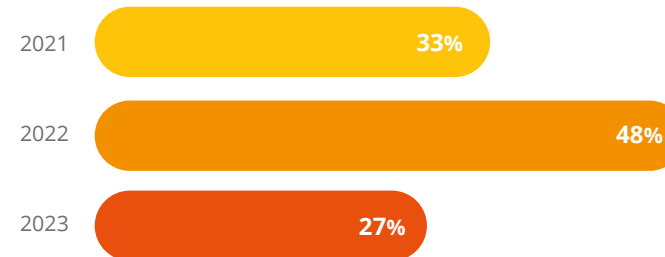
40% of HR directors we surveyed say their main performance management priority is to enhance performance, compared to just 31% in 2022.

We’ve also seen a notable move away from productivity and engagement this year. Surprisingly, only 27% stating this as their focus, compared to 48% last year.

Focus on performance



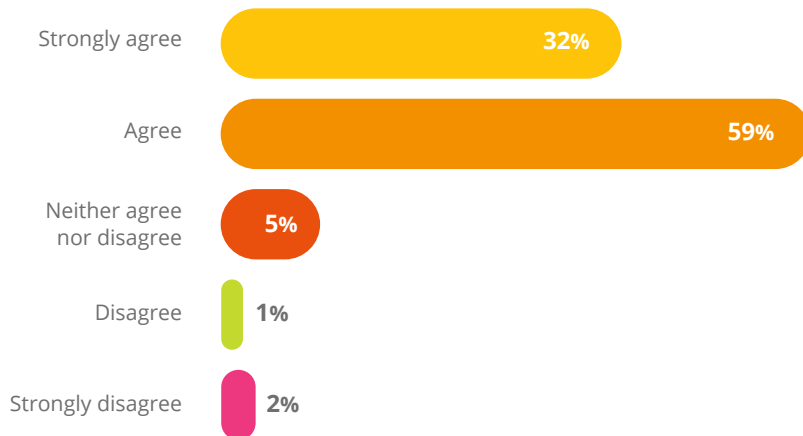
Focus on productivity and engagement



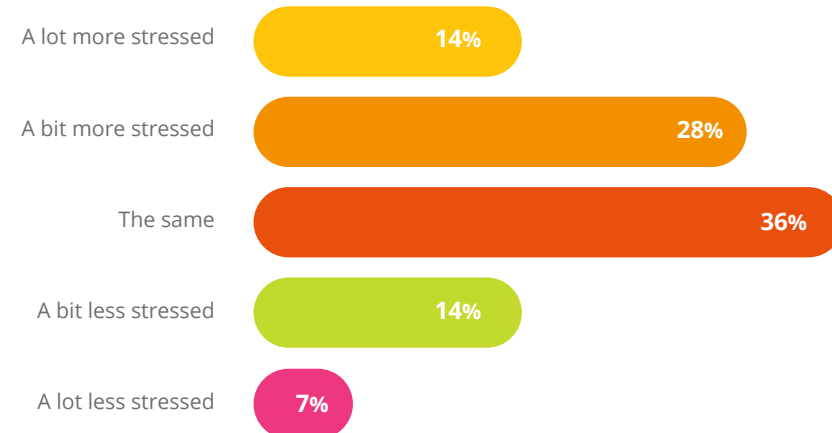
Burnout and stress

With growing pressure to deliver more this year, burnout and stress continue to worsen and to be an increasingly significant topic for businesses as staff wellbeing dwindles with pressures on employees’ physical and mental health. The vast majority (91%) of HR directors believe that burnout is an issue, up from 84% compared to last year. Strikingly, 42% of the workforce are more stressed than last year, with only 21% feeling less stressed.

I feel employee burnout is a major issue that needs to be addressed using performance management

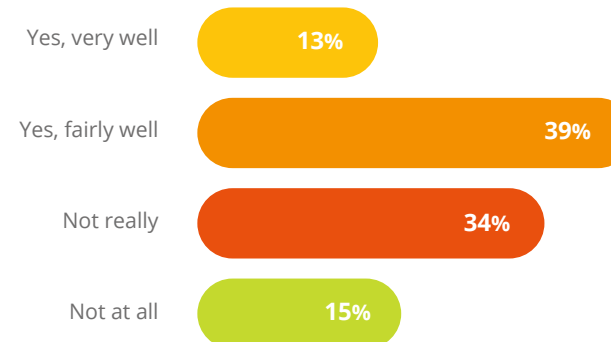


Do you feel more or less stress than you did a year ago?



Although burnout and stress are widely recognised, they don't seem to be being actively addressed. Unfortunately, many employees aren't feeling that they are being adequately supported, with almost half (49%) saying that their manager doesn't help them avoid burnout at work.

Does your manager help you avoid burnout at work?



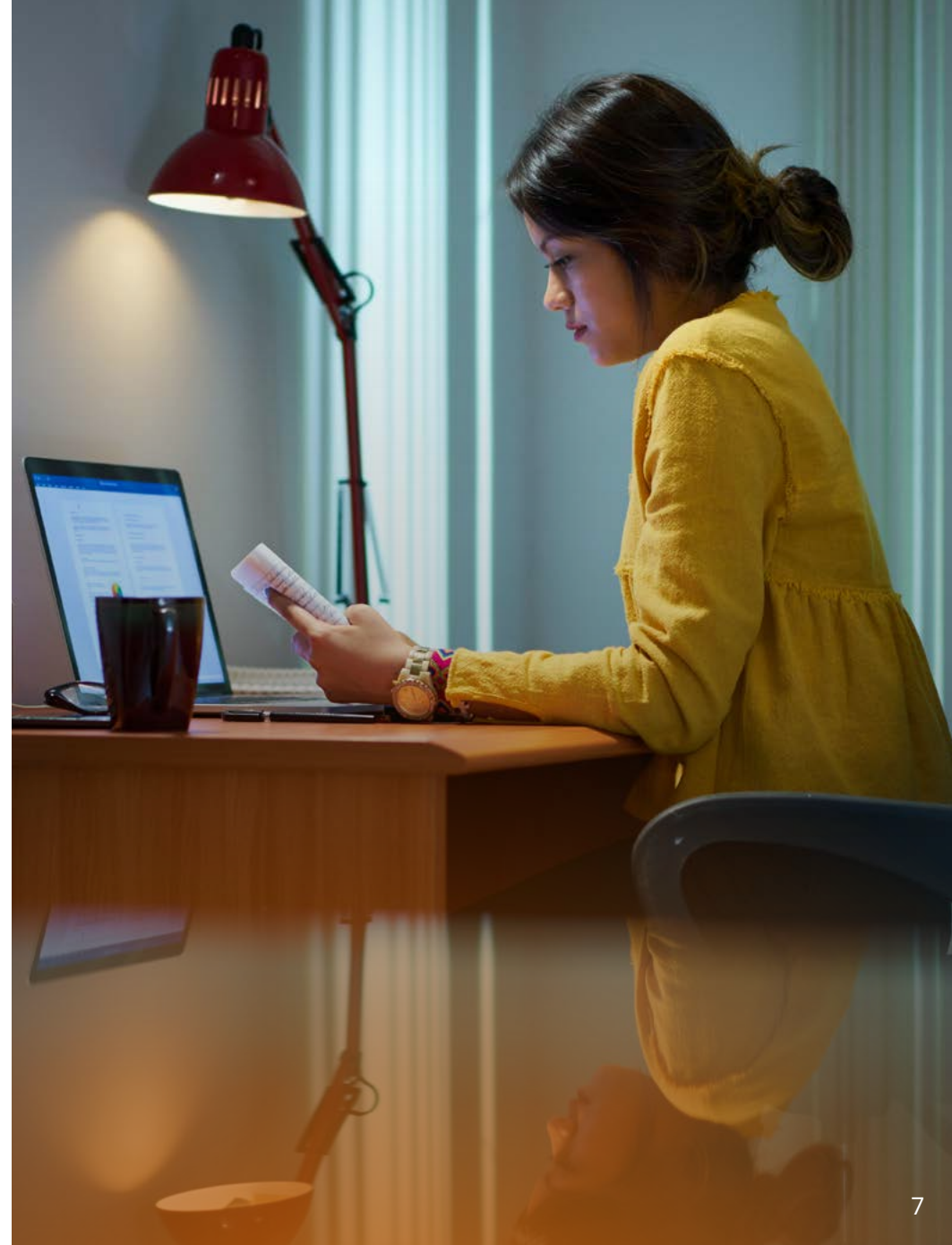
Addressing the problem

It's clear that there is pressure on businesses and their employees. Organisations are pushing for greater performance from their staff, yet employees are feeling more burnt out and stressed than ever.

We recognise that it is simply not an option to ignore this problem, as attrition is likely to pose a significant threat in the coming year. If changes to address staff burnout aren't made soon, many businesses may find themselves dealing with lower productivity and wellness issues which could affect the long-term success of the organisation.

Traditional performance management – such as ratings and appraisals – does nothing to help address burnout and adds little value to employees. An effective continuous performance management system allows employees to set different conversation types with their manager so they can focus on specific goals. This helps to boost performance, which we know is essential to wellbeing.

2023 is the perfect time for effective performance management to support business strategy and employee need. Managers can utilise frequent one-to-one conversations with employees so they can track progress and ask how they're coping, so to avoid a possible 'perfect storm' of burnout and high turnover.



2 | Our findings

Now is time to put into practice what we've been preaching

Shockingly, one-fifth of HR directors said that they do not see the benefit of continuous performance management. We also found that only half of the workforce believes their organisation promotes a strong performance management culture, begging questions around why this is and how the issue can be rectified.

What's holding HR back?

Worryingly, it seems to be the case that some HR directors are not aware of what continuous performance management actually means. Continuous performance management allows organisations to examine the overall business as well as the development of individual employees, improving performance via meaningful goal setting and real-time feedback.

31% of HR directors we surveyed state that they do not have the time to spend on continuous performance management, and 36% say they do not have the budget to invest in a performance management system.

If you are not currently using a continuous performance management system in your organisation, what is holding you back?



However, 73% of the workforce feel that their company could do more in the areas of engagement, development, wellbeing, communication and flexibility. And if they don't, employees would consider leaving their role for the right opportunity elsewhere.

Could it be the case that in order to boost performance (with it being the main focus for most HR directors), organisations will need to understand and acknowledge the benefits of continuous performance management, taking steps to accommodate it in their day-to-day practice? We believe so, and our overall survey findings support this view.

The power of performance management

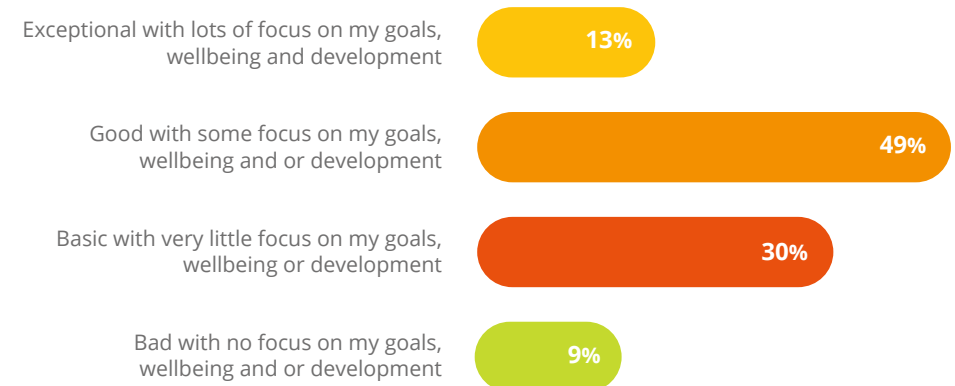
Conversations around performance, workload, and development are an opportunity for managers to track productivity levels against set goals and check if their team members are stressed or struggling with work.

If businesses don't acknowledge the benefits of continuous performance management, they run the risk of losing valuable skilled employees as a result. Therefore, having regular and meaningful conversations is the best way to keep productivity up, engagement levels high, and tackle any issues early.

Elevate your performance management

2 in 5 employees (39%) say performance management at their organisation is basic or actively bad. Without effective and meaningful conversations around performance and wellbeing, employees may be more stressed and less motivated at work. And our survey has indicated that poor performance management is a factor which influences employee engagement and productivity.

How would you rate the quality of conversations you have been having with your manager this year?



Performance management covers multiple processes within an organisation, including:

- Regular communication
- Goal setting
- Development plans
- Performance tracking
- Open feedback

These features provide staff and managers with the tools that enable effective communication and feedback on a regular basis. Continuous performance management provides businesses with the ability to align their employees' personal goals with the business strategy so everyone can work towards a common goal.

A group of business professionals in an office setting. A woman with blonde hair is sitting at a desk, looking at a laptop. A man in a blue suit is leaning over her, smiling. Another man is sitting at the desk, also smiling. The background shows a modern office with large windows and other people working.

“A strong performance management culture ensures employees are aligned to a companies vision and goals thus seeing how important their contribution is to its success. This also drives culture, engagement, reward and recognition.”

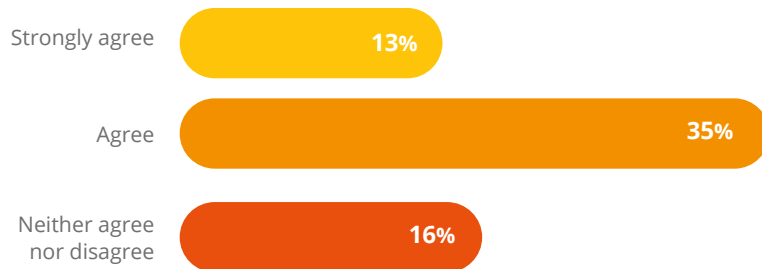
Katie Battersby - Head of Learning, Development and Culture - Space NK

2 | Our findings

The delusion of managers means they're missing the mark

This year's survey suggests that managers aren't meeting the expectations of their employees. But why? One factor could be that nearly half (48%) of managers find it hard to manage in a hybrid environment. However, we understand that this new way of working isn't likely to change for the vast majority. Therefore, managers need to adapt, finding effective ways that support them in handling hybrid working.

I find it harder to manage my teams' performance in a hybrid working environment



This is where continuous performance management comes in.

Effective communication is the cornerstone to motivated and engaged employees and is vital for hybrid working, and employees who have regular performance discussions with their manager are almost three times as likely to be engaged at work.

Having a performance management system ensures that frequent and meaningful conversations can be had with employees, regardless of whether they are working remotely or sitting next to their manager in the office.

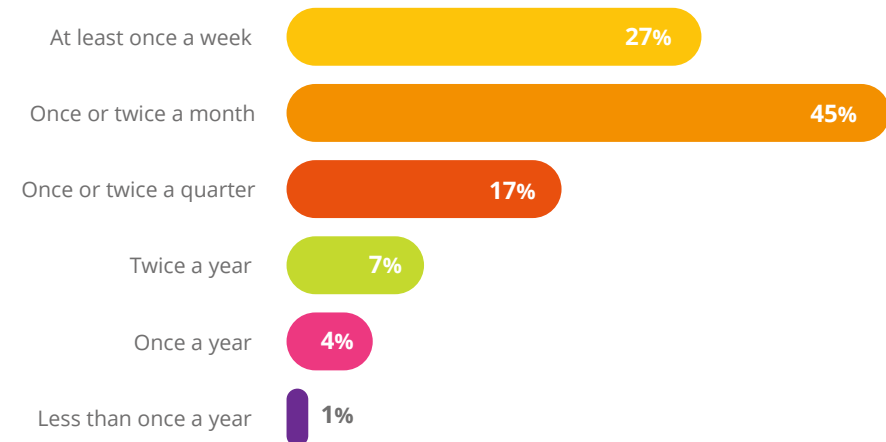
Conflicting views

We also found that 77% of managers we surveyed say that they have to right tools to support staff – but are they using them effectively? According to their employees, they aren't.

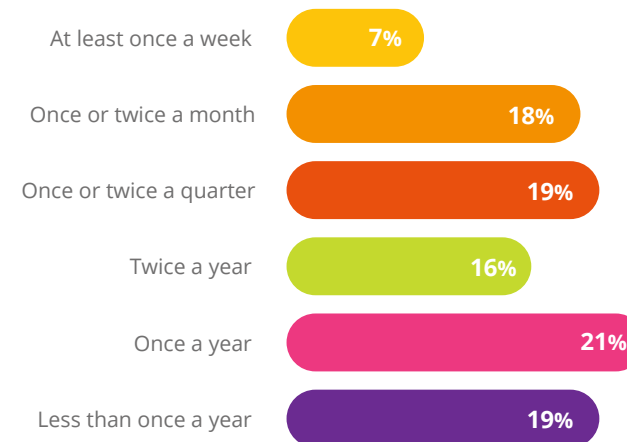
We see this in a lack of effective communication around burnout. 92% of managers say they feel equipped or somewhat equipped to support employees suffering from burnout. However, only 52% of employees say their manager helps them avoid burnout at work.

There also seems to be a disagreement between managers and their employees around their views on how frequently performance management conversations are conducted. More managers than ever (72%) say they are having performance conversations with employees at least once a month, up 5% from last year. This contrasts starkly with employees when we asked them the same question. Only 25% of employees say this is true, which is down 2% from last year.

Managers: How often have you been having organised conversations to discuss performance with your team members?



Employees: How often have you been having organised conversations to discuss your performance with your manager?



Explaining the disparity

Like last year's findings, we see a disconnect between employees and managers. We think there are a few possible reasons:

1. Managers believe they have the right approach to performance management.
2. Managers and employees have a different definition of what makes a good performance-focused conversation.
3. Struggles with hybrid working mean managers find it difficult to give employees the attention they need.

It's not just the frequency of performance management meetings that matters, it's how effective the conversations are within those meetings. It's likely that the majority of managers are having conversations with team members regularly. The question is whether or not these conversations are really meaningful to the employee. Are they tackling ongoing issues with performance? Are managers getting to the heart of the underlying performance issues and are they setting clear and realistic expectations with their teams?

Continuous performance management systems help businesses avoid this problem. Regular, meaningful conversations are recorded and accessible to all, providing full visibility of issues and goals so the right steps can be taken. So, are managers educated enough in the benefits and in implementing effective ways to carry out good performance management? The statistics from our report seem to suggest a lot more education still needs to be done.



2 | Our findings

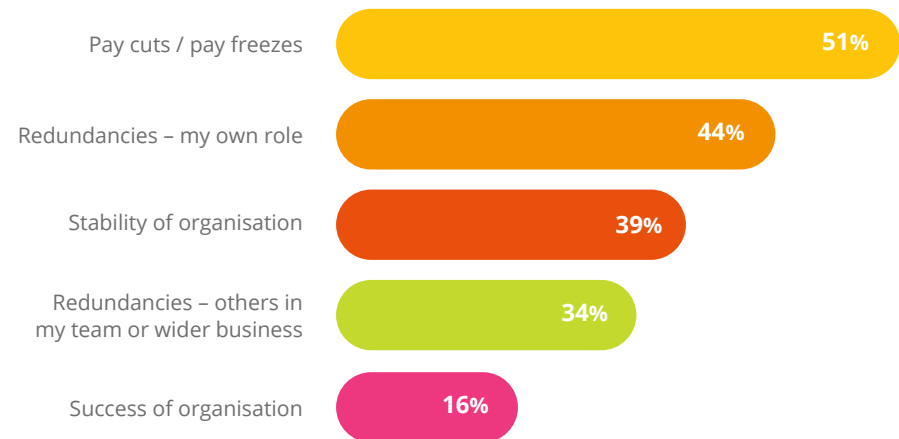
Employees are worried about job security

Work is a key component in life and feeling secure in our roles is crucial for wellbeing and motivation which translates into good staff retention. If employees are worried about job security, it can have a negative impact on engagement and performance as their stress levels rise and inevitably performance starts to suffer.

We found that a quarter of employees don't feel secure in their current role and are concerned about:

- Redundancy in their own role (44%)
- Pay cuts or freezes (51%)
- Redundancy in the wider team (34%)

For employees who do not feel secure in your role - which of the following concern you?



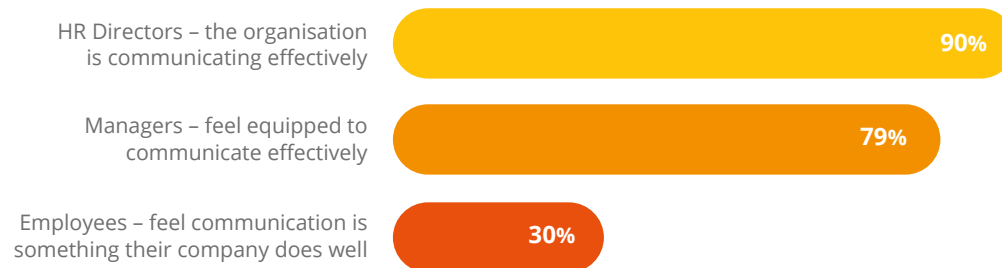
We wanted to understand why employees are feeling this way. Complex factors this year and the potential impact they may have on some businesses, could be a part of the worry we noted around job security. Another factor that stood out to us from our survey was effective communication.

Those in leadership are out of touch

HR directors, managers and employees aren't sharing the same experiences when it comes to communication around things like company performance, stability, hiring policy and redundancies.

90% of HR directors think their organisation is communicating wider company directives effectively with staff. Yet whilst 79% of managers feel equipped to communicate these points, only 30% of employees feel communication is something their company does well.

The disparity in communication



This raises the question as to whether communication plans and performance management strategies need to be re-evaluated.

Addressing the issue

If managers aren't having regular conversations with employees, they can't then record that information in a system for HR to review. Without this visibility, HR doesn't have a clear picture of how company directives may be impacting performance throughout the organisation.

And when HR can't see what issues there may be, directors are not able to address them, and this creates an unhealthy cycle.

What can be done to break down the barrier? We believe that feedback is a fundamental building block of effective performance management and communication. Employees and managers alike can give or receive feedback at any time throughout the year, giving them complete sight of their performance. By having this continuous feedback, HR directors are then able to see exactly how the wider teams are responding to company directives and take the appropriate steps to help support the workforce.

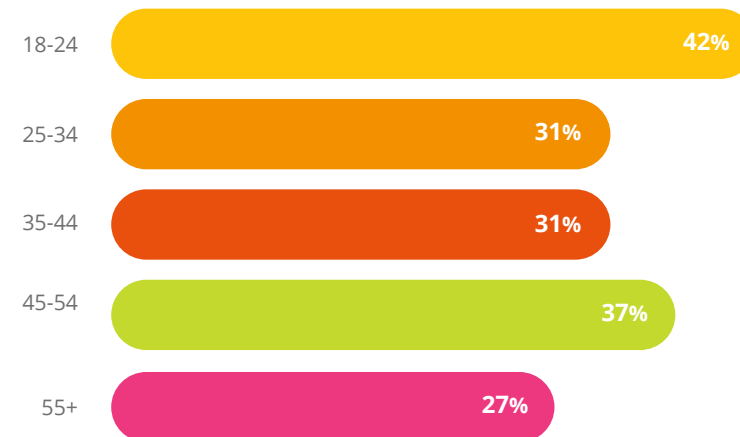
2 | Our findings

The future of the workforce needs more support

Overall, businesses are effectively accommodating a hybrid working culture according to their employees. However, our findings suggest that they need to support the future of their workforce better. This is because only 42% of 18 – 24 year olds we surveyed agreed that their workplace successfully gives them flexibility of work to suit different lifestyles.

And this isn't the only issue faced by this age bracket. 42% of 18 – 24 year olds say that the lack of support and guidance are their top concerns in their work life, a huge rise compared to all other age categories surveyed. Continuous performance management provides an opportunity to deliver this much needed support to a younger workforce, with features such as short-term goal setting and regular performance meetings with managers.

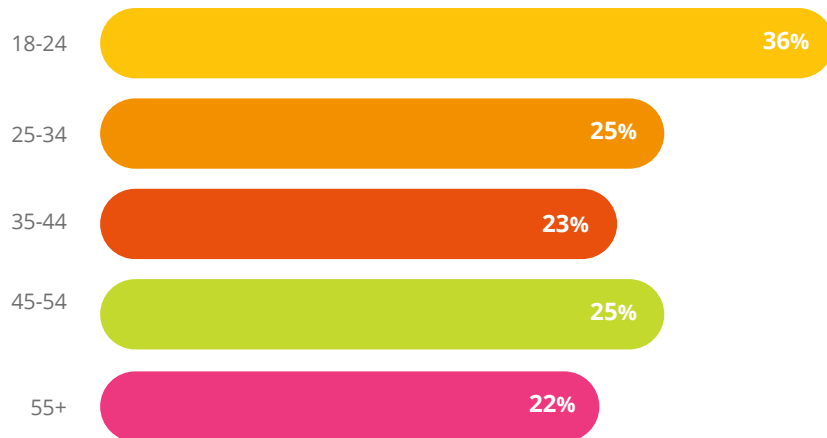
Lack of support concerns by age bracket



Worries of young employees

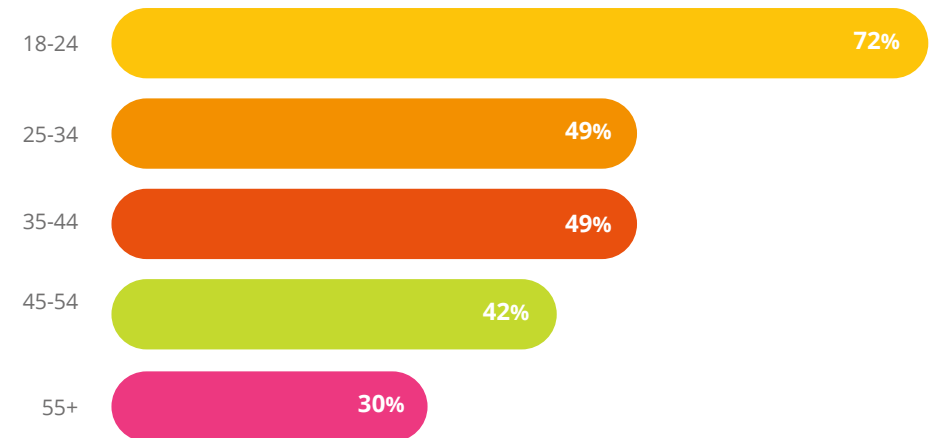
As we have already mentioned, anxiety around job security was a key factor this year. When diving in deeper, we found that 18 – 24 year olds were noted to be the most worried age bracket when it came to job security. Overall, 24% of employees don't currently feel secure in their role but this rises to 36% for 18 - 24 year olds.

In light of current economic factors, employees who do not feel secure in their role by age



With heightened worries and stresses, young people are also more likely to leave their current roles to join a business that can provide the support they are looking for than any other age group. 72% of 18 – 24 year olds say that they definitely or would strongly consider moving to another organisation that supports stress / burnout.

Employees that would leave their job to go to an organisation that better supported staff with stress/burnout by age



Fixing the problem

We do however want to recognise that it's not all doom and gloom. Although there are still improvements to be made, the highest number of people aged 18 – 24 years (50%) say that their employer effectively provides opportunities to climb the ladder and gain experience. Even so, organisations need to better support their younger employees overall.

We predict that in 2023, employees (particularly younger people) will be demanding more from their employers. By nurturing their future workforce through continuous performance management, businesses are better equipped to facilitate a working culture valued by this age group, creating a skilled and appreciated workforce as they continue to learn and develop.

Managers must take steps to monitor and manage their young employees as a priority. We believe using regular, real-time feedback which is linked to organisational values is a way for businesses to do this. When younger employees receive feedback (that is aligned with their company goals) recognising the work they have done, HR directors are likely to see the future of their workforce feeling more appreciated and a decrease in employee attrition.



A photograph of two women in an office environment. The woman on the left is seen from the side, wearing a light-colored top, with her hair in a ponytail. She is pointing towards a laptop screen. The woman on the right is facing her, wearing a dark blazer over a white shirt, and looking at the laptop. The scene is dimly lit, with a warm glow from a window on the left. A coffee cup is visible on the desk in the foreground.

“Areas of the business that engage with our continuous performance management processes perform better and have more engaged teams. This can be seen in our engagement survey outcomes when compared to the performance management stats.”

Sarah Lee-Boone - Director of People and Workplace - CIM

3 | Our predictions for 2023

As we continue to learn and settle into our new ways of working, we want to know what we can expect from an evolving work culture. We have asked Nick Gallimore for his predictions for the upcoming year – here's what he said:

1 Stress and burnout won't go away on its own

"Our findings last year told us that businesses would need to step up to tackle burnout in 2022. We were right when we said that issues around burnout wouldn't go away without organisations actively doing something about them."

"But the problem isn't getting better -in fact, it's getting worse. Burnout is more prevalent than ever before. Organisations may have recognised the impact of stress and wellbeing this year, but they have done little to address the issue. They will have to take significant steps in 2023 to challenge the growing influence that burnout is having and will continue to have on their workforce."

"Wellbeing is intrinsically linked with performance, productivity and engagement. If businesses don't act now, the problem is just going to get worse, and they will only have themselves to blame."

2 Talent retention will feel easier – but it won't last

"Retention has been a big theme over the last few years. In the past couple of years, we have seen a notable shift in power away from employers and onto employees. Heightened competition meant that employees had the opportunity to be selective, choosing a company whose values mirrored their own."

"Throughout the last six months, the market has started to cool as vacancy volumes start to level off and job-seeker volumes sadly start to rise. Confidence in the job market will continue to cool and employees will likely have fewer options available. The "Great Resignation" is probably over. This will most likely mean that retention will be less of an issue for many of us. Whilst this will feel like a bit of a relief, if we haven't taken the steps to address what has been happening over the past couple of years, it won't last."

"In reality, the fundamentals of the great resignation are still there. Employee engagement levels remain at rock-bottom levels, the cost-of-living crisis has left us all feeling the pressure in our pockets, and we're all still seeking a better work-life balance. When confidence comes back to market, those same issues will rear their heads again."

3 Employees will continue to demand more of their employer and themselves

“We have seen a clear disconnect in our data in terms of what organisations and employees think is happening around performance. In the coming year, organisations need to listen to their employees to clearly define what performance management needs to look like.”

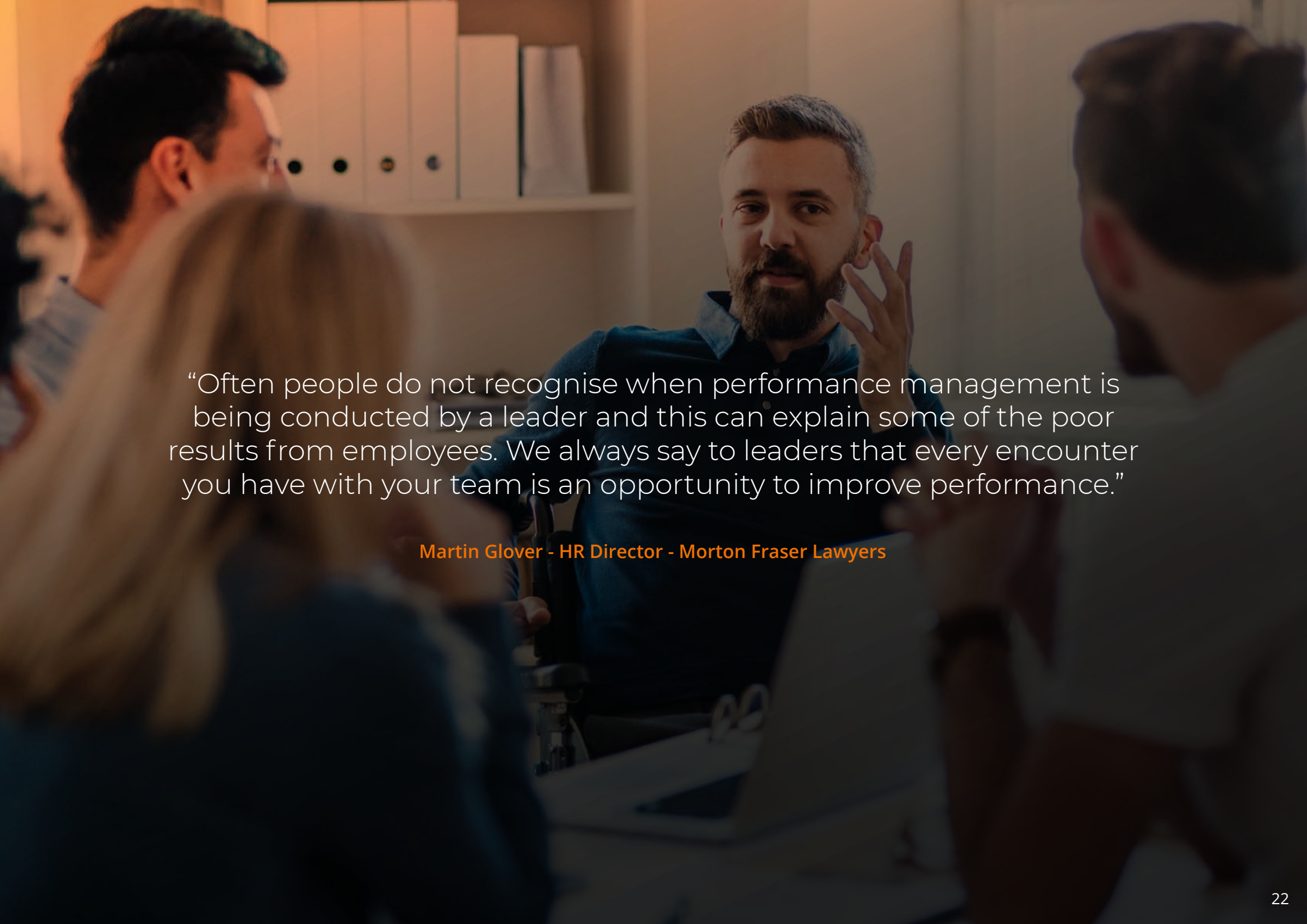
“Employees want to perform better and expect their employer to have the tools to support this. Providing good, continuous performance-focused conversations is essential to meeting the expectations of employees. This is particularly acute in the younger workforce, as they expect a consumer grade experience from their employer.”

4 Talent management will come back under the spotlight

“As organisations and individuals continue to grapple with the strains of the cost-of-living and a challenging economic backdrop, organisations will have to think carefully about how they are identifying top talent.”

“I expect organisations to put a renewed focus on talent management in 2023, so they can better understand and retain their top talent as the market moves into choppier waters.”

“But businesses need the tools to recognise these individuals. Performance management conversations offer continuous monitoring of performance and development with real-time feedback. Organisations can then clearly see who their top talent are, their achievements and goals, and, therefore, what they can do to keep them.”

A man with a beard and short hair, wearing a blue button-down shirt, is seated in a chair and speaking to a group of people in an office. He is gesturing with his right hand. The background shows a shelf with several white binders. The lighting is warm and focused on the man.

“Often people do not recognise when performance management is being conducted by a leader and this can explain some of the poor results from employees. We always say to leaders that every encounter you have with your team is an opportunity to improve performance.”

Martin Glover - HR Director - Morton Fraser Lawyers

4 | Conclusion

From our continued research, we are understanding more and more how organisations have struggled with their performance management. With this knowledge, we design systems that give HR directors a greater understanding of wider company performance, and provide managers with the right tools to better support their employees.

After a turbulent couple of years, where organisations have found themselves having to quickly adapt to new ways of working, now is the time to strengthen the changes made with robust continuous performance management strategies. Support, engage and grow the talented employees who make organisations what they are.

By utilising a strong continuous performance management system, organisations can track performance, help prevent employee burnout and bridge the gap we've continued to see between employee, manager, and HR.

Our mission is to make great performance management easy for everyone. With our help, you can create a culture of engaged employees performing to the best of their ability.



5 | People management solutions

Advanced People Management

Say Yes to a people-first culture

Advanced People is a set of HCM software solutions designed to help HR and leaders support and empower their people to the best of their ability.










40+ years experience creating people management solutions

79% of customers reported increased efficiencies

4.7 star rating out of 5 on G2 for Advanced Clear Review

Learn more about how our people management solutions can transform your people experience by getting in touch for a demo.

We understand the challenges in the world of people management and empower organisations with software to support:

-  Talent in the digital age
-  Changing employee demands
-  Wellbeing and diversity
-  Unpredictable legislation changes
-  Integration
-  Busyness culture
-  Absence management
-  The need to drive productivity
-  Admin burden

5 | People management solutions

Advanced Clear Review

Advanced Clear Review is award winning continuous performance management software that improves productivity and employee engagement powered by meaningful conversations. Advanced Clear Review is an all-in-one solution that empowers your teams and helps your business achieve excellence.

Over the last 12 months:



1,000,000

pieces of feedback have been given and received



409,000

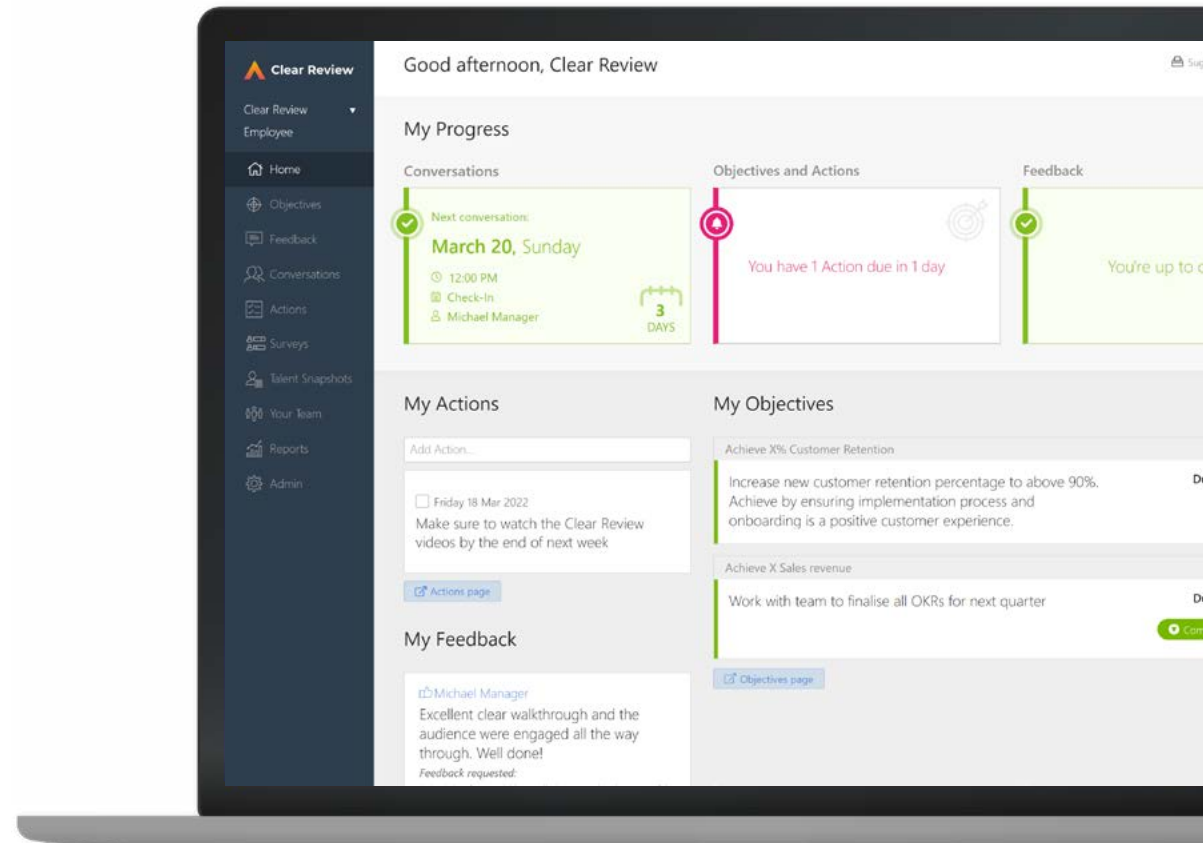
objectives have been set



184,000

active users have used the system

If you are interested in learning how Advanced Clear Review can help you, we would love to have a chat and give you a free demo.





We would love to hear from you

Hopefully this was a helpful insight into performance management.

If you'd like to find out more about how our solutions can help your business and ensure you are ready to meet the future, get in touch with us today.

[Contact us](#)



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