How to succeed with continuous performance management

WHITEPAPER

Contents

Introduction

Welcome to our guide to successful continuous performance management.

You may be reading this because:

- You're looking for an effective alternative to annual appraisals
- You've heard that annual appraisals are dead and you are feeling confused about what to do instead

Either way, this whitepaper will give you some practical answers.

1. Why annual appraisals don't work

Forget everything you know about performance management techniques for a moment. Imagine that you've been tasked with creating a framework to help your managers get the best out of their staff to maximise their potential. Would your solution be a once-a-year meeting where staff are assessed on their performance over the last 12 months? Probably not. So why are the majority of organisations doing this – and why exactly doesn't it work?

How did we end up with annual appraisals?

Appraisals actually date back to World War I, where they were used to identify poor performers for discharge or transfer. By the 1970s, around 90% of companies were using them. At that time, inflation levels were very high. For managers, who were tasked with deciding how to allocate pay rises of 20% or more, annual appraisals and ratings were convenient.

Appraisals remained popular into the early 2000s. As flat organisational structures became popular, supervisors often had up to 25 direct reports to manage (compared to an average of just six in the 1960s), as well as their own work to perform. In many organisations, there simply wasn't the time or capacity to carry out regular developmental performance discussions.

Today, the business landscape is fundamentally different. Inflation has fallen, flat management structures have fallen out of favour, and businesses are moving faster. Setting annual objectives and assessing staff against them once or twice a year no longer makes sense. Although annual appraisals were appropriate at a specific time in history, they're not the right solution to meet today's business challenges.

What are the problems with annual performance appraisals?

Research has identified a number of problems with annual appraisals in modern organisations:

1. Managers hate doing performance appraisals

Research from the Corporate Executive Board (CEB) has revealed that 95% of managers aren't satisfied with performance appraisals. This means they'll often avoid doing them, or treat them as a tick-box exercise, not a meaningful discussion.

2. Employees don't like appraisals, either

Three-quarters (75%) of employees see them as unfair and two-thirds (66%) say they interfere with their productivity.

95% of managers aren’t satisfied with performance appraisals
they’ll often avoid doing them,
or treat them as a tick-box exercise,
not a meaningful discussion.

Source: SHRM

3. Appraisals don't add value

A Deloitte study found that only 8% of organisations feel annual appraisals add value. In fact, the majority of companies they spoke to said they are not an effective use of time. This is especially worrying considering the amount of time taken up by appraisal meetings, completing forms and collating and moderating ratings – which the CEB estimates could total around 210 hours a year, per manager.

4. Appraisals don't improve employee performance or engagement

A meta-analysis of 607 studies of performance evaluations found they didn't have a positive impact on performance or engagement. What's more, the analysis found that 30% of performance reviews actually decreased employee performance.

Why are organisations still doing annual appraisals?

Despite a significant body of research highlighting the problems with performance appraisals, organisations continue with them. When the CEB asked a number of organisations why, they cited two main reasons:

1. To make decisions about perfomance-related pay and promotions

Assessing performance is important, but over three-quarters of HR executives say that their performance review process does not accurately reflect employee contributions. This has been proven in numerous research studies, with one major study finding zero correlation between individual performance ratings and actual performance. It's likely this is due to a combination of factors, including:

- Manager bias (both conscious and subconscious)
- Managers being unable to effectively differentiate staff performance
- Managers reverse-engineering performance ratings to get the reward outcome they want

2. To identify poor performers and hold them accountable

Many organisations are concerned about poorly-performing employees. However, they will typically make up less than 5% of staff in an organisation, so it doesn't make sense to require extensive documentation from everyone. Furthermore, annual appraisals don't reliably identify poor performers, as managers frequently rate them as satisfactory.

Why don't performance appraisals drive better performance?

There are three main reasons why appraisals aren't effective drivers of performance and engagement:

1. They aim to achieve too much in one meeting

The average annual appraisal tries to achieve a number of different outcomes:

- Reviewing performance against past objectives
- Assessing demonstration of competencies or values
- Giving feedback
- Recognising achievements
- Identifying performance problems
- Discussing career goals
- Developing a personal development plan
- Setting objectives for the forthcoming year
- Rating performance for pay purposes

It's clear that trying to cover all of these points in a single meeting is simply not realistic. The end result is that nothing can be discussed in sufficient depth to be meaningful and the process becomes a tick-box exercise that disengages both employees and their managers.

2. Discussing performance once or twice a year is not enough

You can't expect to improve the performance and productivity of your employees on the back of one or two performance discussions a year. Studies consistently show that employees need regular feedback, recognition and guidance from their managers in order to perform to the best of their abilities. And Millennials, who now make up more than half of today's workforce, expect it. Getting feedback at an appraisal meeting about something that did or did not go well several months ago will have little positive impact on an employee, and often leads to resentment.

3. Appraisals tend to be past-focused rather than future-focused

Appraisals frequently focus on whether employees have achieved their objectives over the last year and whether or not they have demonstrated the appropriate behaviours or competencies. However, in order to drive performance, it's important to balance discussions about past performance with regular, future-focused conversations. These discussions should focus on:

- Employee strengths and how they can be leveraged
- How past successes can be replicated
- What can be learned or improved upon (when things haven't gone to plan)

Summary

- Annual appraisals came about due to historic business needs, but are no longer appropriate
- Organisations typically still carry out appraisals for two reasons:
    1. To make decisions about performance - related pay and promotions
    2. To identify poor performers and hold them accountable
- Appraisals are not effective drivers of performance because:
    1. They aim to achieve too much in one meeting
    2. Discussing performance once or twice a year is not enough
    3. Appraisals tend to be past-focused rather than future-focused

2. The principles of performance management

Most organisations have some form of employee performance management or performance appraisal process. Yet how many have genuinely considered why they do it? It's vital to understand performance management in order to make it a success.

Most of us would agree that the fundamental purpose of performance management should be to improve the performance and engagement of employees. Yet this core objective has often been largely neglected (see Chapter 1). Most organisations measure and rate employee performance to facilitate decisions about pay and promotions, or to identify poor performers. Ironically, this means annual performance appraisals frequently end up decreasing employee performance rather than improving it.

The 5 key principles of effective performance management

Here are the key ingredients to improving employee performance and engagement:

1. SMART objectives

For employees to perform to the best of their abilities, they need to understand in clear terms what is expected of them. Furthermore, for organisations to succeed, they need all their employees to contribute to the overall goals of the organisation. The most effective way to achieve this is for each employee to agree SMART objectives with their manager that are aligned to the organisation's goals.

Although SMART objectives are not a new concept, organisations have traditionally asked employees to set them on an annual basis. The problem with this is twofold:

1. The objectives may become irrelevant as the business changes
2. They take so long to complete that employees lose motivation

Because of this, many forward-thinking organisations are now encouraging their staff to work on near-term objectives, typically with a 1-4 month timeframe.

Researchers have found that employees are more likely to be achieve their SMART objectives if they take ownership of setting their own goals, rather than being dictated to from above. Although managers need to be involved in this process, Linda Hill, Professor of Business Administration at Harvard Business School, advises: "A manager's job is to provide 'supportive autonomy' that's appropriate to the person's level of capability."

2. Frequent feedback

Research has shown that the biggest factor in improving performance is giving employees effective and frequent feedback. One CEB study found that giving fair and accurate feedback during performance reviews improved performance by a massive 39%.

Yet feedback is most powerful when it is given frequently and 'in-the-moment', rather than at formal performance reviews or via a 360-degree feedback process. A study reported by consultancy Mind Gym found that fortnightly feedback is the optimum frequency for people to perform at their best.

3. Regular support from managers

For employees to succeed in their roles and genuinely improve their performance, they need support from their manager, and they need it regularly. A once- or twice-yearly performance appraisal simply won't cut it. A 2015 survey by TriNet found that nine out of ten Millennial employees would feel more confident in their role if they could have more frequent performance conversations with their manager.

A global study by Gallup found that employees whose managers have regular performance discussions with them are almost three times as likely to be engaged. This is hugely powerful, considering that highly engaged employees perform better and can deliver 22% higher productivity for your organisation.

Of course, it's not just about the frequency of performance conversations, but also the quality. You need to educate and train line managers so they can have one-to-ones that:

- Support employees to overcome barriers to success
- Focus on the future as well as the past
- Result in clear action points for both parties

4. Employee recognition

To maintain employee performance and engagement, you need to recognise your employees' successes. There are significant rewards for organisations who make employee recognition a priority: a study by Bersin & Associates found that companies that practice a 'high-recognition' culture have 30% lower voluntary turnover than average, and tend to outperform their peers in a variety of other metrics.

Over the last decade, many organisations have put significant time and effort into perfecting their performance-related reward processes. However, a regular 'thank you' has been shown to be much more powerful than a bonus or pay rise. Today's employees want to be acknowledged for their achievements and have their successes celebrated, so you should incorporate processes that encourage this into your performance management.

5. Personal and career development

Discussing and agreeing personal development and career plans with employees is often skimmed over in performance reviews, especially when the priority is placed on assessing and rating performance.

Research has found that only 8% of organisations' development plans are effective. But companies who don't put aside regular time to discuss employee development are at risk of losing their key talent to competitors who do. Personal development is also essential for increasing employee engagement. AON's 2015 Engagement Survey found that learning and development is one of the top five drivers of employee engagement globally.

Summary

- The purpose of performance management should be to improve employee performance and engagement
- There are five key principles of performance management involved in achieving this:

1. SMART objectives
2. Frequent feedback
3. Regular support from managers
4. Employee recognition
5. Personal and career development

3. Our continuous performance management solution

Once you understand the principles of effective performance management, it's time to consider how to embed them in your organisation. We've developed a practical framework for this based on continuous performance management methodology.

Why a defined framework is important

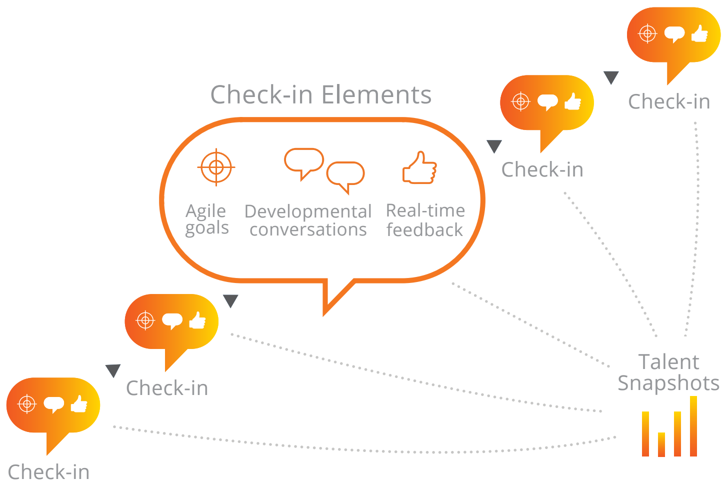
If appraisals are not providing value in terms of improving employee performance, it may be tempting to stop doing them and leave it at that. Some organisations have tried just this, leaving it up to their managers to have informal performance conversations with their staff and provide feedback on an ad-hoc basis. But studies have found that completely removing formal performance management processes means that managers spend less time having meaningful performance conversations. On average, this leads to a drop in employee performance of 10% and a 6% fall in employee engagement.

To support your managers, you need a framework that sets expectations for performance management and provides a structure for objective-setting, performance conversations and feedback.

Our continuous performance management framework

Continuous performance management is an ongoing cycle of discussions and feedback, as opposed to a process that starts and ends each year.

Continuous Performance Management framework



There are three key components to our framework:

1. Near-term SMART objectives

Rather than setting a large number of 12-month objectives at the start of each year, employees start off by agreeing a small number of near-term SMART goals. They may be related to performance, personal development, or a combination of the two, and should take around 1-4 months to complete – although longer-term objectives can still be set where appropriate.

Employees and their managers will then periodically review these goals at 'check-in' meetings (see below). When they've completed an objective, they'll discuss and agree on new objectives, ensuring there is a sustained focus on key priorities. This cycle continues on an ongoing basis.

There are a number of advantages to this approach:

1. Near-term objectives can be achieved more quickly, which improves employee motivation and builds momentum
2. Objectives are less likely to become irrelevant over time as business needs change – a major flaw with annual objective setting
3. It removes the onerous task of having to set a large number of objectives in one go, covering a whole year

Setting objectives and reviewing them regularly makes sense from a bottom-line business perspective too. One study found that 50% of companies who review their goals each month are in the top quartile of financial performance, compared to only 24% of companies who do so annually.

2. Regular 'check-in' discussions

At the core of our continuous performance management framework is regular, meaningful performance and development conversations ('check-ins') between employees and their managers.

Unlike annual appraisals, the focus of a check-in is the conversation, rather than simply completing forms. Check-ins should ideally be future-focused and action-oriented, rather than attempting to assess past performance.

Many organisations already encourage their staff to have informal one-to-one meetings – but these tend to focus on day-to-day work. The purpose of a check-in is to step back from what is urgent and discuss what is important from a performance and development perspective.

Exactly what this means will vary from organisation to organisation, but the most common things discussed at check-ins are:

- Progress against objectives
- Forthcoming priorities
- Strengths and achievements
- Personal development and career goals
- Values and behaviours
- Issues or concerns from either party
- Action points to complete before the next check-in

Done right, check-ins are far less time-consuming than annual appraisals so they can be conducted more frequently – typically every 1-3 months.

3. Real-time feedback

Regular feedback can dramatically improve employees' performance (see Chapter 2). Yet research has found that many employees rarely receive feedback – and some only at their annual appraisal meeting. There's nothing more demotivating than being told at an appraisal that you did something wrong several months ago. Even positive feedback loses its value if it's given a long time after the event.

A key component of continuous performance management is to encourage your staff to give and request feedback in the moment, as events occur. This way, managers can avoid the dreaded 'feedback sandwich' where they wrap negative feedback behind a façade of positive feedback – and which employees see right through all too often. If employees receive regular positive feedback, then they will be more receptive to receiving constructive feedback when it needs to be given.

This kind of real-time feedback is much easier to achieve if you have a digital tool, such as our performance management software, which enables employees to give or request feedback instantly from their desktops or mobile phones. We'll be looking more at software in Chapter 6.

Measuring performance

The purpose of having regular check-in meetings and getting frequent feedback should be to improve and develop performance, rather than measuring it. This is because performance development and performance measurement do not sit well together. Employees are less likely to engage in honest conversations if they know that the outcome of that conversation might affect their pay, bonus or opportunities for promotion.

The need to separate out developmental discussions from pay and promotion decisions was highlighted by the 2016 Performance Management research report from the Chartered Institute of Personnel and Development (CIPD), who advised: "Introducing some clear water between assessments that inform pay and promotions and those that help employees improve should make performance management a far smoother, more productive and less fraught process."

In our continuous performance management framework, we recommend having a separate process for measuring performance for pay and promotion purposes that sits outside of regular check-ins and feedback. We call this process 'Viewpoints' and it involves managers answering a small number of questions and performance ratings about each of their team members.

Our performance management software compiles the answers, and you can then run reports to analyse the data to feed into pay, promotion or talent management decisions. Most organisations carry this out once a year, although some do it more frequently. A similar approach is used by organisations such as Microsoft and General Electric, who were among the forerunners of continuous performance management.

Summary

- There are three key principles of continuous performance management:
  1. Near-term SMART objectives
  2. Regular check-ins
  3. Real-time feedback
- Performance measurement, if needed, should be a separate process

4. Common questions and concerns

Many organisations are attracted to the benefits that continuous performance management offers, but are concerned about whether they can still use ratings, how they will manage pay decisions and how they will get managers and their employees to adopt the new approach. We were mindful of these issues when we were developing our continuous performance management framework, and through working with a wide variety of customers, we have developed practical, workable solutions to each of these questions.

Should you use performance ratings?

The debate about whether or not to use performance ratings has been going on for a number of years. There are arguments on both sides. On one hand, evidence has found that they are demotivating and negatively impact performance, except for those who receive the highest ratings. On the other hand, they are a convenient way of allocating performance-related pay and bonuses.

If you do choose to use ratings, be mindful of the fact that research has found that there is little correlation between them and actual employee performance. This is for a number of reasons, including rater bias and the fact that managers frequently reverse-engineer ratings to get the reward outcome they want for certain employees. Ratings can tell you who your managers want to give the highest rewards to, but those employees are not necessarily your highest performers.

Be cautious about any decisions you make using performance ratings.

This article summarises the pros and cons of performance ratings in more detail.

Can you use performance ratings with continuous performance management?

Although the continuous elements of performance management (regular check-ins and frequent feedback) should be developmental, you can collate performance ratings periodically as a separate process. This is called 'Viewpoints' in our performance management software, as it collates managers' views about their team members' performance through ratings and targeted questions.

A big advantage of continuous performance management is that your managers' views are based on a number of discussions that have taken place throughout the year. The resulting ratings will likely be more objective than those based on a single annual appraisal meeting.

However, you should consider whether ratings are the most effective way of measuring your employees' performance. Organisations such as Deloitte have replaced traditional ratings with targeted questions, which are potentially more objective indicators of performance and potential.

For example, if you want to know who your top performers are, you could ask a question like: "When compared to other people you've worked with in a similar role, is this employee the best you've ever worked with?" While managers often give lots of employees the highest rating, it's likely they could only answer 'yes' to that question for one or two.

There is no right or wrong answer when it comes to ratings: each organisation's needs and situation are different. The Viewpoints functionality in our software is flexible so that you can use ratings, targeted questions, or a combination of both. And if you don't need to measure performance at all, you can simply switch the Viewpoints module off.

How do you manage pay decisions with continuous performance management?

Closely linked to the question of ratings is how to allocate performance-related pay and bonuses using a continuous performance management approach. The answer is to focus your check-in discussions and feedback on performance improvement and personal development, then run a separate pay review process that incorporates performance measures. This is the approach advocated by the CIPD (see Chapter 3).

Organisations such as Microsoft and General Electric have implemented this system with great success. Both companies abandoned appraisals and ratings and introduced regular check-in style conversations throughout the year. At the year end, they carry out a standalone pay review process, looking at the impact that each employee has had on the business or team over the last 12 months. This works in a similar way to our own Viewpoints process, and it's significantly helped General Electric's managers to differentiate performance for pay purposes (see Chapter 5).

Many organisations introducing continuous performance management have taken the opportunity to question whether they should have performance -related pay at all. This practice first became popular at a time of very high inflation (see Chapter 1), but today, inflation and average pay awards are consistently low. You may wish to consider whether performance-related pay is worth the administrative effort and associated pain that typically accompanies it.

This article explores some alternatives to performance-related pay.

How can you get your staff to adopt continuous performance management?

HR professionals often say to us: "It's hard enough to get managers to do appraisals with their team members once a year. How are we going to get them to meet even more frequently?" It's a valid concern, but getting managers to have regular, meaningful conversations with their staff isn't as difficult as it might seem – as long as you do it right.

Managers typically avoid doing appraisals for a number of reasons:

1. Appraisals take up a lot of their valuable time – it can take several hours per team member to prepare, have the discussion and then complete the associated documentation
2. If there are ratings involved, appraisals can be onerous discussions
3. Managers frequently question the purpose and value of annual appraisals

Taking this into account, if tell your managers that they will no longer have to do appraisals, and that instead you want them to have shorter, more informal check-ins with their staff a few times a year, they will generally be positive about this change. That's certainly been the experience of our many customers who have successfully switched from annual appraisals to continuous performance management.

To encourage adoption in your organisation, you should also:

- Drop annual appraisals
  Don't ask managers to have regular, informal one-to-ones and still do an annual appraisal at the end of the year. It's asking too much of their time and they're not likely to see the point of having another meeting at the end of the year to summarise what they've already discussed.

- Make it easy for managers to have check-in discussions
  Keep bureaucracy and form-filling to an absolute minimum, ideally by using software that is purpose-built for continuous performance management.

- Use technology
  Software is essential in order to:
  - Provide structure for check-in conversations and feedback
  - Generate reminders for staff
  - Allow HR and senior management to keep track on who is and who isn't having regular conversations

We'll look at why you need software in more detail in Chapter 6.

Summary

- The most common concerns that organisations have when considering continuous performance management are:
  - Performance ratings
  - Pay decisions
  - Adoption
- We have developed a number of practical options for addressing these concerns

77% of managers
have said they are better able
to differentiate performance
for pay purposes

Source: General Electric Staff survey

5. Case studies

Now you know what a continuous management framework looks like, let's see how three different sized organisations have implemented one – and the results they have achieved.

Summary

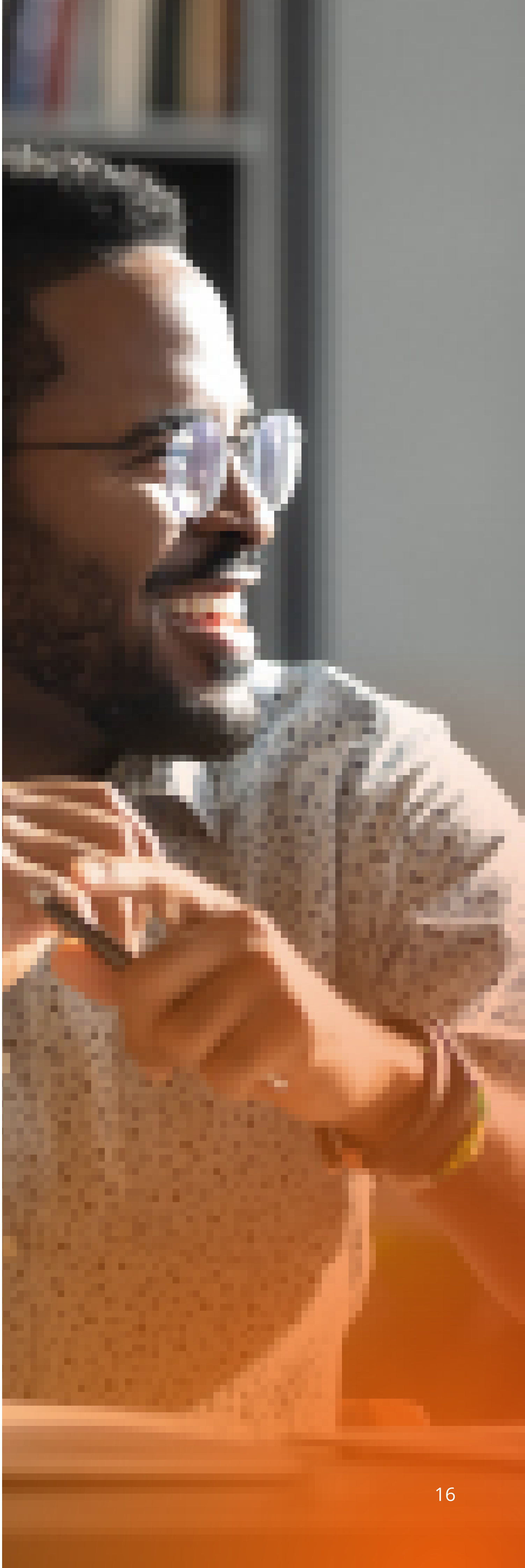
- Adobe, General Electric and Star are three very different organisations who have successfully transitioned away from annual appraisals to year-round performance management
- Each achieved tangible benefits in doing so

Adobe

General Electric

STAR OUTiCO

part of the uniphar group



Adobe

Adobe was the first well-known company to abandon appraisals, adopting a continuous approach to performance management back in 2012.

The old approach

Prior to the change, Adobe's performance management approach was pretty standard. Once a year, managers would:

- Collect examples of past performance
- Conduct 360-degree evaluations for each employee
- Complete a written document summarising each employee's performance for the year
- Assign an overall rating to each employee from four categories: high performer, strong performer, solid performer or low performer

Following this, the ratings were moderated into a forced distribution, so no more than 15% of a manager's team could be a 'high performer'.

The process was incredibly time-consuming, taking an estimated 80,000 hours of managers' time each year. Additionally, Adobe noticed a spike in resignations each year in the months following the annual review, which was attributed to disappointed employees leaving after receiving ratings below their expectations.

The new approach

Adobe completely redesigned its performance management system to eliminate the annual performance review and ratings, replacing it with more frequent and less formal check-ins. Now, each employee must check in with their manager at least once a quarter to discuss expectations, feedback, growth and development. To support the transition, Adobe ran training sessions for managers and created a resource centre with guidance on how to have good quality check-in conversations.

The results

The results were impressive. Adobe saw a 30% decrease in the number of employees leaving voluntarily, as well as a 50% increase in involuntary leavers (as it is now able to deal with underperformers more quickly and effectively). Donna Morris, SVP of HR at Adobe says that having regular check-ins: "...completely changes how employees feel about their jobs and opportunities. It has really helped to create teamwork instead of individualism, which is critical in a creative company. Feedback is now viewed as a gift."

30% decrease in the number of employees leaving voluntarily

General Electric

General Electric is one of the largest companies in the world, employing over 300,000 people globally across numerous business sectors.

The old approach

Under its former CEO Jack Welch, General Electric was the most well-known proponent of annual performance ratings and forced distribution curves. For decades, the company operated a 'rank and yank' system, whereby employees were appraised and rated once a year, and the bottom 10% were fired. So it came as a surprise when General Electric announced in 2015 that it was abandoning formal annual reviews and ratings.

The new approach

Under the new process, employees and their supervisors have regular check-ins (which General Electric calls 'touchpoints') throughout the year. These are forward-looking discussions that focus on priorities, personal development and coaching. Staff can give or request feedback at any point – which can be to or from any employee in the organisation. At the end of the year, managers summarise the impact each of their team members has had, which informs decisions about pay. The whole process is supported by an online app, similar to our software, which was developed by General Electric's own team.

The results

Since adopting continuous performance management, some teams have seen a five-fold increase in productivity. Staff surveys have revealed that employee satisfaction is higher with the new process than the old. Additionally, 77% of managers have said they are better able to differentiate performance for pay purposes.

77% of managers have said they are better able to differentiate performance for pay purposes

Star

Star is an award-winning outsourcing and resourcing company focusing on the pharmaceutical and healthcare sectors.

The old approach

Star was acquired by Uniphar, a leading provider of outsourced services to the pharmaco-medial sector in Ireland and the UK, who invested heavily in the company's infrastructure and people. As a result, the business experienced rapid growth. Star's priority was making sure they attract, retain and develop great people – and traditional performance measures were no longer fit for purpose. It began looking for something with greater structure and efficiency that could scale with the business.

The new approach

Star implemented our performance management software in 2016, and quickly saw significant benefits. Employees began to take more ownership over their objectives and their check-in meetings. Automated email reminders increased adoption rates, helped to build new habits and freed up HR to focus on other initiatives.

The results

Our system increased visibility of performance data, both for HR and for managers – something that is particularly important as many of Star's employees work remotely. Kirstie Difford, HR Business Partner at Star says: "People are more engaged and motivated. We've seen a huge increase in proactive feedback across functions. The system's efficiency has also enabled our HR team to devote more time to other tasks."

"People are more engaged and motivated"

Kirstie Difford, HR Business Partner at Star

CEB has found that without a clear structure for performance management, managers struggle to have meaningful discussions and **the quality of performance conversations declines by 14%**

Source: Gartner - 2019

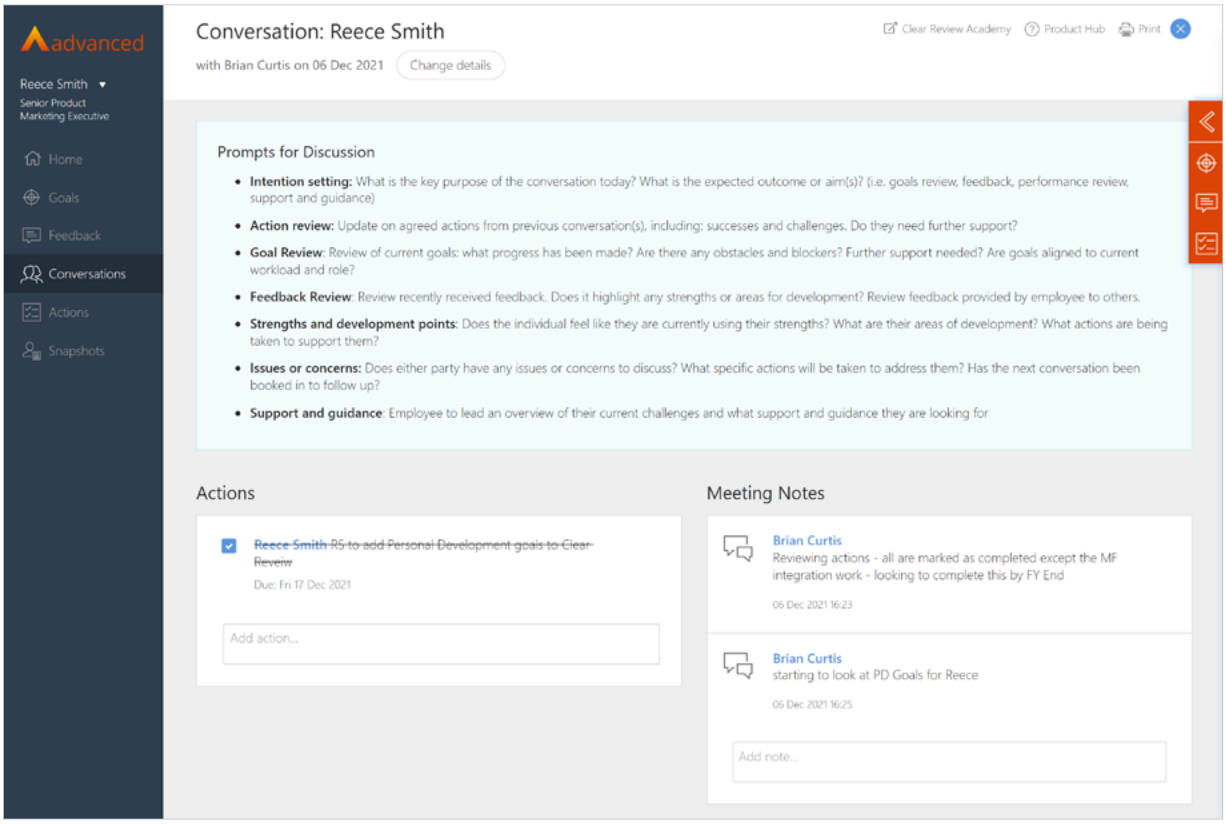
6. Why you need purpose-built software

Many organisations who successfully transition to continuous performance management use technology to support their new process – including those featured in the case studies in Chapter 5. In fact, it's difficult to succeed without using software that is purpose-built for year-round performance management. Here's why.

1. Without a clear framework, quality of conversations can decrease

After realising that appraisals aren't working, some organisations have removed all formal performance management processes. Instead, they've encouraged their staff and managers to have regular, informal performance conversations and give feedback as and when they see fit. However, [research from the CEB](#) has found that without a clear structure for performance management, managers struggle to have meaningful discussions and the quality of performance conversations declines by 14%.

This has been echoed by organisations who have come to us after trying an informal approach to continuous performance management, and who found it resulted in a wide disparity in the quality of performance conversations. Our software has helped these organisations provide a structure for effective performance and development conversations and feedback (see below).



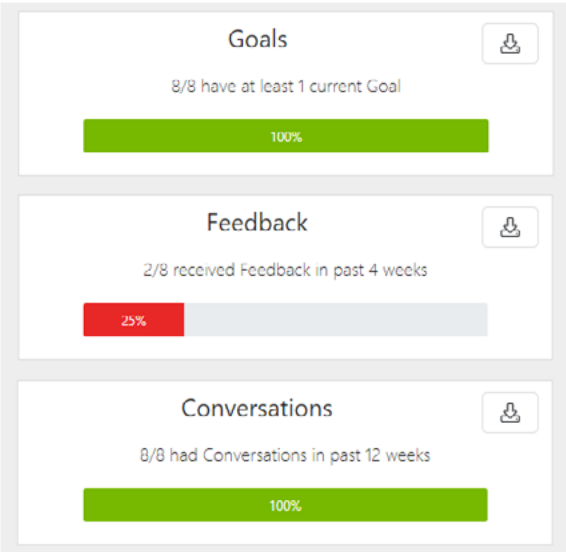
Check-in screen

2. You need visibility of performance management activity

With an informal approach to continuous performance management, you can't know whether anyone is actually doing the things they should be. We've spoken to numerous organisations whose managers said that they were having regular one-to-ones with their team members, only to find out later via a staff survey that this wasn't happening at all.

Using software gives you and your managers visibility of performance management activity at all times via dashboards and reports. This enables you to identify which areas of the business may need further support with setting quality objectives, having check-ins, or giving feedback.

Your team dashboard



3. Forms are an administrative burden

Organisations often look to provide structure to their performance management by using forms. Although this sounds like a simple solution, in practice it's time-consuming for all involved. Employees and managers end up emailing different iterations of the forms back and forth to each other, while HR have to copy and paste data into spreadsheets in order to work out who has and hasn't had review meetings and to collate the information they need to make decisions on personal development, training, pay and promotions. All this leads to staff becoming disengaged with the process and takes the focus away from having good quality performance discussions.

By contrast, cloud-based performance management software gives employees, managers and HR a shared, real-time view of their performance management data at all times. Email notifications are generated automatically so both employees and their managers can keep abreast of progress and what they need to do, and HR don't have to send out chaser emails.

4. People are unlikely to give in-the-moment feedback unless you make it easy for them

Giving real-time feedback is one of the most powerful ways of improving performance. But employees typically don't receive anywhere near enough feedback to make a difference to their performance. This is because when a feedback opportunity arises, they're often not present to receive it, which means the feedback is forgotten and never given.

Continuous performance management software provides a quick and simple means of giving and requesting feedback in real time. With our software, staff can quickly give feedback at any time from their mobile phone, desktop or tablet. The recipient is then notified by email so they receive the feedback immediately. This is important as the quicker feedback is given, the more impactful it is.

5. Only purpose-built software can meet your needs

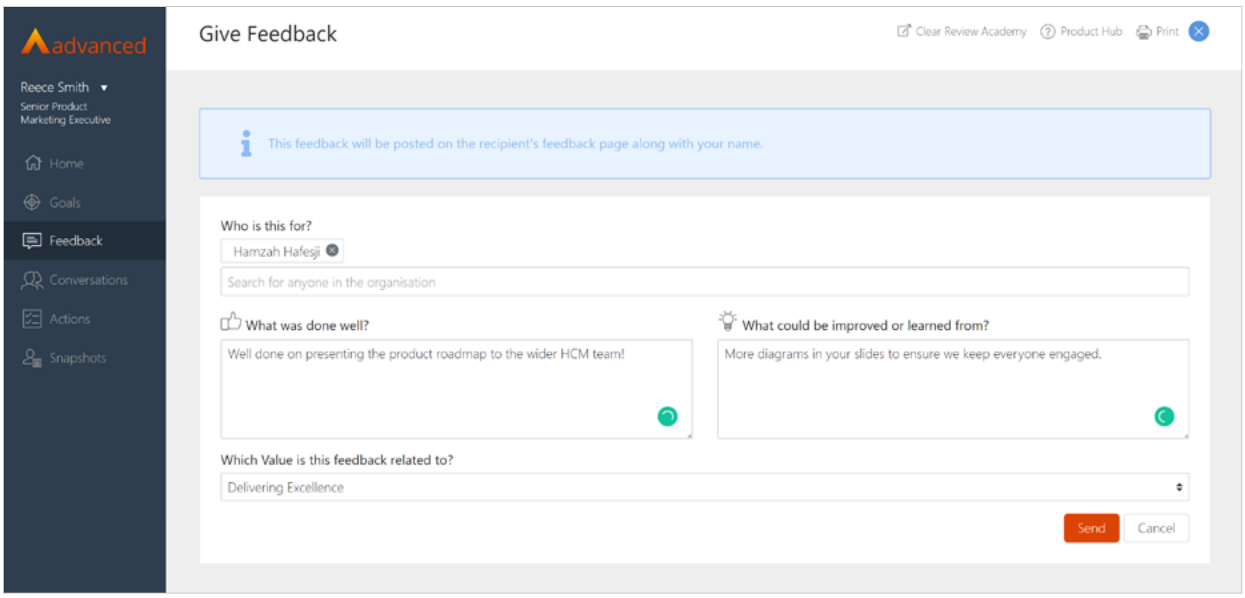
Continuous performance management is all about doing the things that matter on a regular, ongoing basis. However, the majority of performance management systems were not designed for that purpose: they were built for once-a-year objective-setting and formal annual appraisals. Some may claim to support continuous performance management as well, but in our experience, they're trying to fit a square peg into a round hole.

Over the last couple of years, new software has been developed that has been specifically designed for continuous performance management, such our own system. This kind of software has been purpose-built to support flexible objective-setting and to encourage regular, quality check-in discussions and real-time feedback. These systems are quicker and easier to use than traditional performance management software, and can be implemented rapidly.

Summary

Software is vital when introducing continuous performance management because:

1. Without a clear framework, quality of conversations can decrease
2. You need visibility of performance management activity
3. Forms are an administrative burden
4. People are unlikely to give in-the-moment feedback unless you make it easy for them
5. Only purpose-built software can meet your needs



Feedback screen

7. How to make the transition

Here's how you can successfully make the transition from traditional annual appraisals to continuous performance management, in seven practical steps.

1. Start now – don't wait for your culture to change

It may be tempting to wait until you have undertaken a culture change programme before moving away from annual appraisals. However, with research showing that 95% of managers are dissatisfied with their organisation's existing performance management system, why continue doing something that just isn't working? The HR Director of Adobe described their transition to check-ins as "a journey and not a destination". The sooner you start taking action, the further and faster you will go on that journey.

2. Find out who's already having regular performance discussions

You might feel that continuous performance management will require a significant shift in attitude from your managers. But within virtually every organisation are managers who are already having regular one-to-ones with their team members and who are good at giving feedback. Find out who these people are, consult them on your new approach, involve them in rolling out the new processes and get them to champion your cause.

3. Engage your senior leadership

To make continuous performance management a success, you'll need buy-in from top management. Although most senior leaders dislike doing annual appraisals, they may be nervous about the implications of stopping them, particularly if you're planning to get rid of ratings as well. They're likely to have questions about how you will identify high and low performers and how pay and promotion decisions will be handled. Support your case for continuous performance management with research-based evidence and have answers to these questions readily available. Once your senior leaders are confident, they can lead by example.

This whitepaper should provide most of the information you need. To help you further, you might wish to:

- Share this seven-minute video, which outlines the business benefits of continuous performance management
- Ask us to talk to them about the concepts and benefits of continuous performance management and the organisations who are already successfully doing it. We'll do this at no cost – simply contact us to arrange a date.

4. Sell the benefits to your people

If you want managers and their team members to actively engage in having regular check-ins and giving frequent feedback, you need to make sure that they understand the benefits. For managers, this includes:

- A better performing, more productive and motivated team
- Reduced staff turnover
- Enhanced ability to delegate
- Fewer mistakes to fix
- Time saved

Some organisations who have made continuous performance management a success have made it their employees' responsibility to arrange check-ins, rather than their managers'. So you'll need to sell the benefits to them too, such as:

- More ownership over their work
- Receiving more timely feedback
- Increased one-to-one time and support from their manager

However, remind staff that they will need to be proactive to get these benefits.

There's plenty of research evidence throughout this whitepaper that you can draw on – but it's even more powerful to draw on successes from within your own organisation. When you've identified teams that have already been having regular one-to-ones and giving feedback on an informal basis, share their success stories and communicate the benefits that they have achieved.

5. Provide training and guidance

Good quality performance conversations and feedback rely on the participants having the necessary skills. Reinvest the time you currently spend administering annual appraisals on training staff on:

- How to have effective one-to-one conversations
- How to give and receive feedback
- How to set near-term SMART goals
- The fundamentals of coaching

If you become our customer, we'll provide you with training materials that you can use for this at no cost.

Support your training with fact sheets, eLearning and short videos – the more interesting and interactive the better. Our performance management software comes with integrated animated 'whiteboard' videos on the key skills required for continuous performance management.

6. Communicate – and listen

It's well recognised within change management that you need to communicate a message between three and six times before everyone can understand and internalise it. Plus, it will take time for your staff to build the necessary new habits of giving in-the-moment feedback and having regular performance and development conversations.

Support your journey to continuous performance management by building a 12-month communication plan that addresses your three main audiences:

1. Senior leaders
2. Managers
3. Employees

Don't make the mistake of relying only on email. Use a variety of communication methods, such as:

- Face-to-face briefings
- Videos
- Webinars
- Intranet pages
- Fact sheets
- Newsletters
- Posters
- Desk-drops
- Roadshows
- Coasters or mouse mats

We recognise that not everyone is experienced in designing communication plans, so we provide our customers with a full communications guide and a templated 12-month plan.

Remember, communication should not all be one-way. Make sure you regularly seek feedback from team members about how they are finding the new process using surveys, interviews and focus groups. Share the successes and the benefits that your staff have achieved in order to build momentum. Use any constructive feedback on the new approach to hone both your processes and your communication and training materials.

7. Use continuous performance management software

As we outlined in Chapter 6, using purpose-built continuous performance management software will minimise administration and significantly improve the adoption of your new approach. Specifically, it will:

- Allow employees to update their progress against their objectives in real time, making one-to-one discussions more focused
- Provide online agendas for check-in meetings, so action points can be captured and followed up
- Give HR and senior management visibility of how frequently one-to-ones are taking place across your organisation, as well as other key performance and development data
- Enable your staff to give 'in-the-moment' feedback and share it immediately
- Automatically chase up people who are not having regular one-to-ones, setting objectives or giving feedback
- Capture performance data or ratings from managers, which you can feed into your reward and talent management decisions

Summary

To make the transition to continuous performance management, follow these steps:

1. Start now – don't wait for your culture to change
2. Find out who's already having regular performance discussions
3. Engage your senior leadership
4. Sell the benefits to your people
5. Provide training and guidance
6. Communicate – and listen
7. Use continuous performance management software

8. Take your next steps

Performance management doesn't have to be complex or difficult if you have the right framework and supporting technology. We hope that you've found this whitepaper interesting and useful. But don't stop here. Take the next steps towards making continuous performance management a reality in your organisation:

1. **Watch our seven-minute video on continuous performance management**

Watch now

2. **See our performance management software**

Book a demo

3. **Talk to our performance management experts**

Book a 15 min call

advanced

We would love to show you more

To discover how our performance management software can help you achieve your goals, get in touch today.

Book a Demo

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