



Performance Management in an Agile World:

Embracing a Dynamic Feedback & Goal-Setting Culture

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Introduction

The word 'agile' has certainly been a favourite in COVID-19 business speak. In fact, the term had been gaining momentum in the years leading up to the pandemic, as more and more businesses broke down the traditional siloed, top-down ways of working. Originally used in the context of software development, where requirements and solutions evolved through collaboration between self-organising, cross-functional teams and drew heavily on customer insights, the term 'agile' is today applied across a broad range of business contexts – including in HR.

COVID-19 proved just how critical the concept of agile working could be, as leaders were forced to rapidly switch focus, recalibrate business plans, and reinvent the employee experience. However, it's not actually necessary to be part of an 'agile' organisation for HR to be agile. When we talk about agile in HR, there is a focus on a 'human-centric' approach – where your people are the customer and end-user of HR's services. Once this connection is made, it's easier to assess HR's true value. People practices become informed by the direct feedback of the users – that is, the employees.

One area of HR that can greatly benefit from an agile approach is performance management. Forever a thorn in HR's side, the traditional, fixed-interval approach to performance management is viewed by many as inflexible, a drain on time and resources and something from a bygone era. Agile performance management, on the other hand, favours dynamic, continuous feedback, and ongoing development conversations, with an increased focus on outputs when determining individual goals.

This eBook will suggest some tips for employers looking to shake things up and adopt an agile approach to performance management, with a particular focus on the importance of building a culture of continuous, 360° feedback, and how to approach agile goal-setting.

Why adopt an agile approach?

The agile way of working has many benefits. Its responsive nature enables organisations to adapt quickly to changing market conditions or customer feedback, while also mitigating the risk of budget blow-outs, since it allows a degree of testing while the product is being developed, rather than waiting for its launch to gauge customer response.

The description on the previous page refers to agile as a concept in the context of software or product development, but its principles apply to many facets of business today. Before diving into agile HR and more specifically, agile performance management, let's quickly outline what it means to be an agile organisation.

What is agile?

Agile is a philosophy, a culture, and a set of management practices. Put simply, the agile approach is a collaborative way of working that responds quickly to changes in the marketplace or environment. An agile organisation embraces change and drives efficiency by focusing on constant improvement and customer testing and tends to measure success through outcomes rather than inputs.

In practice, agile principles grant teams more flexibility to make decisions about how best to work to achieve their goals, which is especially important in today's rapidly changing business environment.

According to McKinsey & Company, there are five trademarks that distinguish agile organisations:

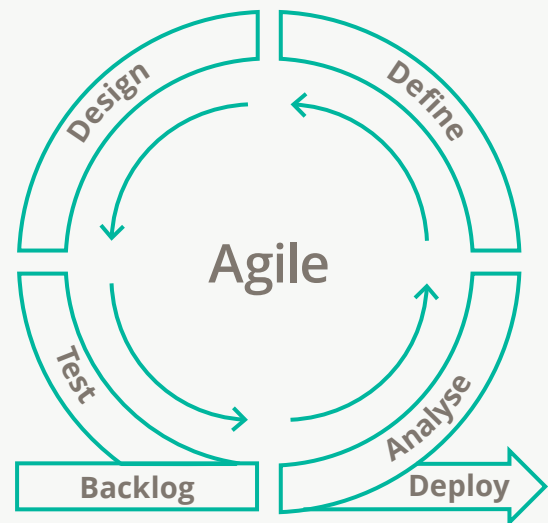
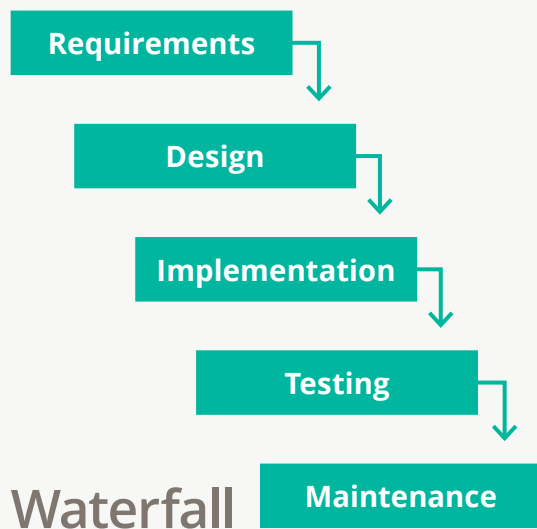
1. A 'North Star' (a mission or statement demonstrating commitment to agile) embodied across the organisation
2. A network of empowered teams
3. Rapid decision and learning cycles
4. A dynamic people model that ignites passion
5. Next generation enabling technology



Waterfall versus agile

The agile approach is often compared to what is termed the 'waterfall' approach. While agile is an incremental and iterative approach, the waterfall approach is sequential and linear – flowing from the top-down with little interaction between those conceiving and those implementing the strategy.

The agile approach to working, on the other hand, is characterised by its devolved nature. That is, strategy and implementation require input from multiple sources – regardless of seniority level – and can be frequently adapted according to feedback or a changing environment.



Agile during COVID-19

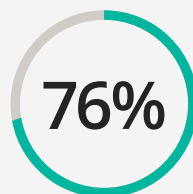
COVID-19 served as the ideal testing environment for the agile business approach – since the quickly changing environment demanded agility to weather major, unforeseen disruption.

According to research²...

Of the businesses that adopted an agile approach during COVID-19:

93%

reported improved customer satisfaction



reported better employee engagement

93%

reported better operational performance

2. "An operating model for the next normal: Lessons from agile organizations in the crisis", McKinsey & Company, 2020

A photograph of two women in a modern office setting. One woman is seated at a desk, smiling and gesturing towards a laptop. The other woman stands behind her, also smiling and pointing at the screen. The image has a blue and purple color overlay.

The agile approach to HR: an overview

HR has adopted elements of agile methodology to better manage volatility and become more adaptable and productive – an ‘agile lite’ approach.

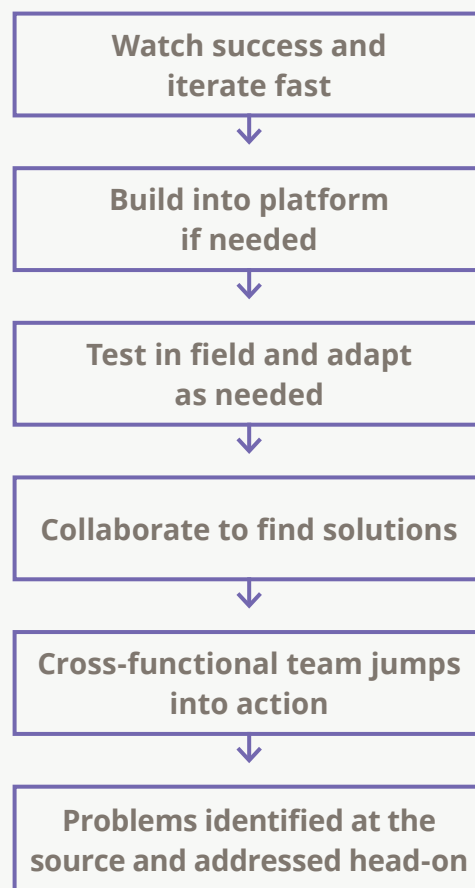
As with the traditional application of agile, agile HR is often compared to its 'waterfall' counterpart, which is linear and flows from one stage to another in a downward, hierarchical fashion.

However, it's important to remember that most corporate structures today are relatively flat. Plus, employees want to have more say in what they are doing and how their contribution adds to the success of the organisation.

As demonstrated by the diagram below, the 'agile' approach to HR on the right contrasts with the traditional 'waterfall' approach highlighted on the left.



Waterfall HR versus agile HR



The benefits of agile HR

By designing HR solutions in smaller, devolved teams where the HR strategy is decided by those who are much closer to its implementation, HR can operate in a more responsive manner and can quickly pivot to the changing needs of its people and those of the business.

To cite one example, a HR team is testing a new employee feedback app as part of a wider employee engagement initiative. The team decides, after testing, that the employee feedback app is not user-friendly, disliked by employees and what's really needed are more 'pulse'- type surveys that provide better data insights. As an agile team, on realising the app

does not meet requirements, HR can end the app experiment there and then, rather than see its implementation through to the end simply because this has been directed from the top – usually by someone far removed from HR's day-to-day operations.

In agile HR, ideas or hypotheses can be tested first, and the project only begins once there is evidence that HR has discovered what works and what doesn't.

In summary, the agile approach to HR reinforces the employee-employer relationship and encourages greater trust, growth, and learning.

Agile HR...

- ✓ Helps improve team collaboration
- ✓ Allows for constant improvement and iteration
- ✓ Enables HR to be innovative by testing initiatives with employees
- ✓ Drives ownership of goals
- ✓ Enables more frequent dialogue between employer and employee
- ✓ Puts people over process

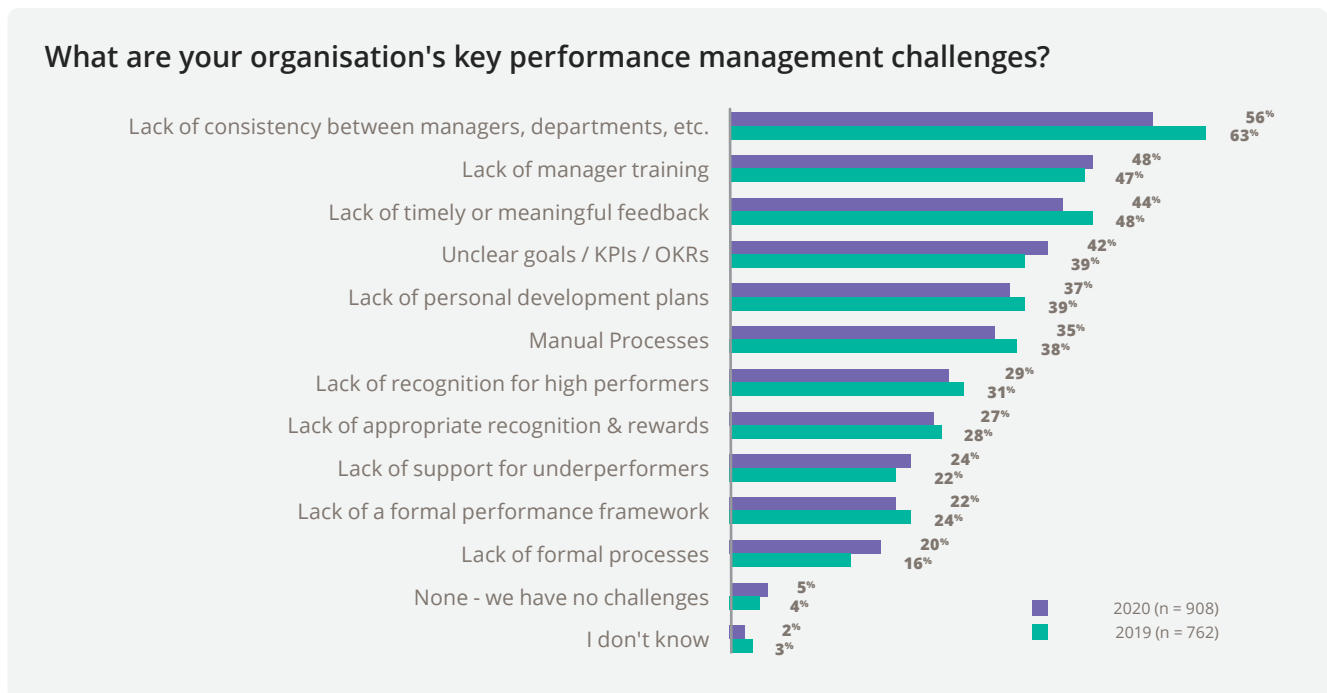


Current performance management challenges

While many organisations have adopted newer approaches to performance management, the traditional once-a-year format is still very much a reality for many. It's a common HR gripe that is deemed inflexible, restrictive and laden with paperwork.

In the eyes of many professionals, this traditional way of handling performance is no longer effective, with research by Mercer revealing only 2% of companies believe their performance process delivers high value.³

The graph below is taken from [ELMO's 2021 HR Industry Benchmark Report](#), which surveyed 1,800 HR professionals across Australia & New Zealand. These results highlight some of the performance management challenges faced by HR professionals today.



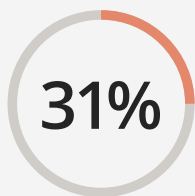
Many HR professionals describe traditional, fixed-term performance cycles and reviews as:

- Time-consuming
- Inflexible
- Focused on the past rather than the future
- Damaging to morale
- Incompatible with rapidly evolving business needs
- Ineffective in addressing issues, allowing performance concerns to build up into significant problems

Rethinking performance management has been at the top of many corporate agendas in recent years – and yet interestingly, according to [ELMO's 2021 HR Industry Benchmark Report](#), 39% of respondents said they don't measure the performance of these processes in their organisation.

3. "Managing performance in a virtual world", Mercer, 2020

According to research⁴...

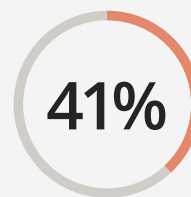


of organisations only conduct performance appraisals once a year

Managers spend a significant

76 hours per year

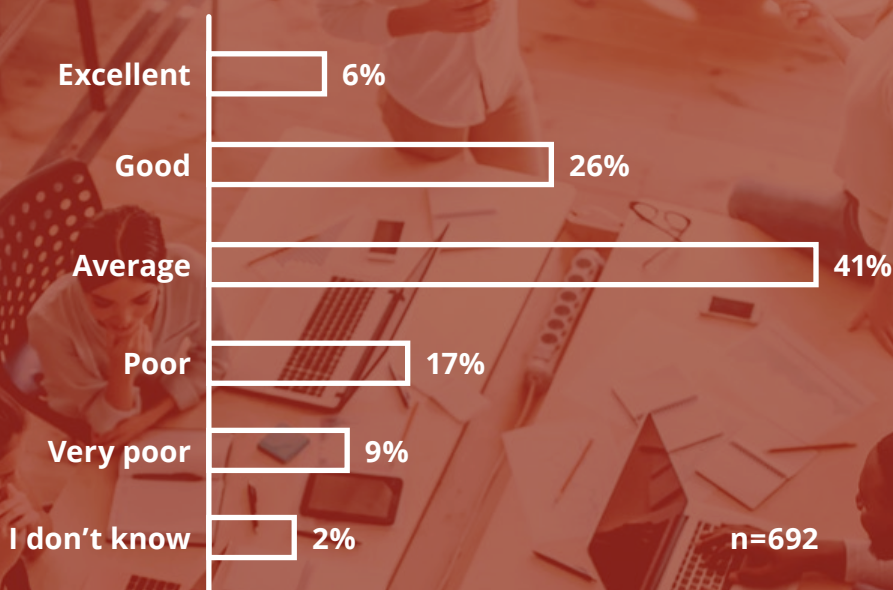
doing performance appraisals



of organisations describe their internal systems and processes for efficiently and effectively managing employee performance as 'average' (see graph below)

Satisfaction with existing performance management systems and processes

Overall, how would you rate your organisation's internal systems and processes for efficiently and effectively managing employee performance?



The characteristics of agile performance management

The previously outlined challenges associated with traditional performance management point to a growing need to shake things up. Indeed, a Deloitte survey revealed 79% of global executives rated agile performance management as a high organisational priority.⁵

5. "Rewriting the rules for the digital age", Deloitte, 2017

So, what are the hallmarks of agile performance management? Below are four key elements.

1) Continuous, 360° feedback

Unlike with traditional feedback formats – in which feedback flows from the top-down in a hierarchical fashion – with agile performance management, feedback is collated from multiple sources: from managers, subordinates, peers and sometimes even customers and suppliers. Conducting feedback in this manner has several benefits: increasing self-awareness, re-affirming important messages, and increasing the likelihood of performance improvement in the case of negative performance feedback.

Rather than being a traditional once-a-year event, performance is discussed frequently, with a focus on ongoing development. This mode of feedback-giving creates a fail-fast environment that encourages employees to take risks and boosts innovation, while also allowing them to course-correct as is needed.

2) Transparent and flexible goals

As part of the agile framework, all goals – including, in some cases, those of the CEO – are visible to all employees. This helps employees to align their goals with those of their peers, managers, and members of other teams, and enhances perceptions of fairness.

In agile performance management, goals are also flexible and can be adjusted at any time according to changing business requirements or feedback from others.

3) A focus on team performance, rather than the individual

Successful agile organisations focus on team performance when setting goals and evaluating performance rather than focusing solely on the individual. The agile approach often encourages teams to define their own goals to increase ownership.

Many rightfully wonder how individual performance is fairly differentiated when



the focus is more on team performance. The agile approach doesn't disregard individual performance altogether, but rather emphasises that these individual goals serve the higher purpose of driving the team towards collective outputs.

Team-focused goal setting is inclined toward collaboration. These collective team goals are referred to as OKRs (objectives & key results), which means starting with top-line corporate objectives that are broken down into actionable objectives for teams or departments, called key results. This eBook covers OKRs in more detail over the next two pages.

4) Focused on the here and now and the future

Traditional performance reviews are typically set in the past, focusing on an employee's past performance and behaviours. Understandably, this can be damaging to morale and less constructive than real-time feedback. The agile style of performance management is very 'in the now' and future-orientated, working towards employee career development.

A guide to OKRs (objectives & key results)

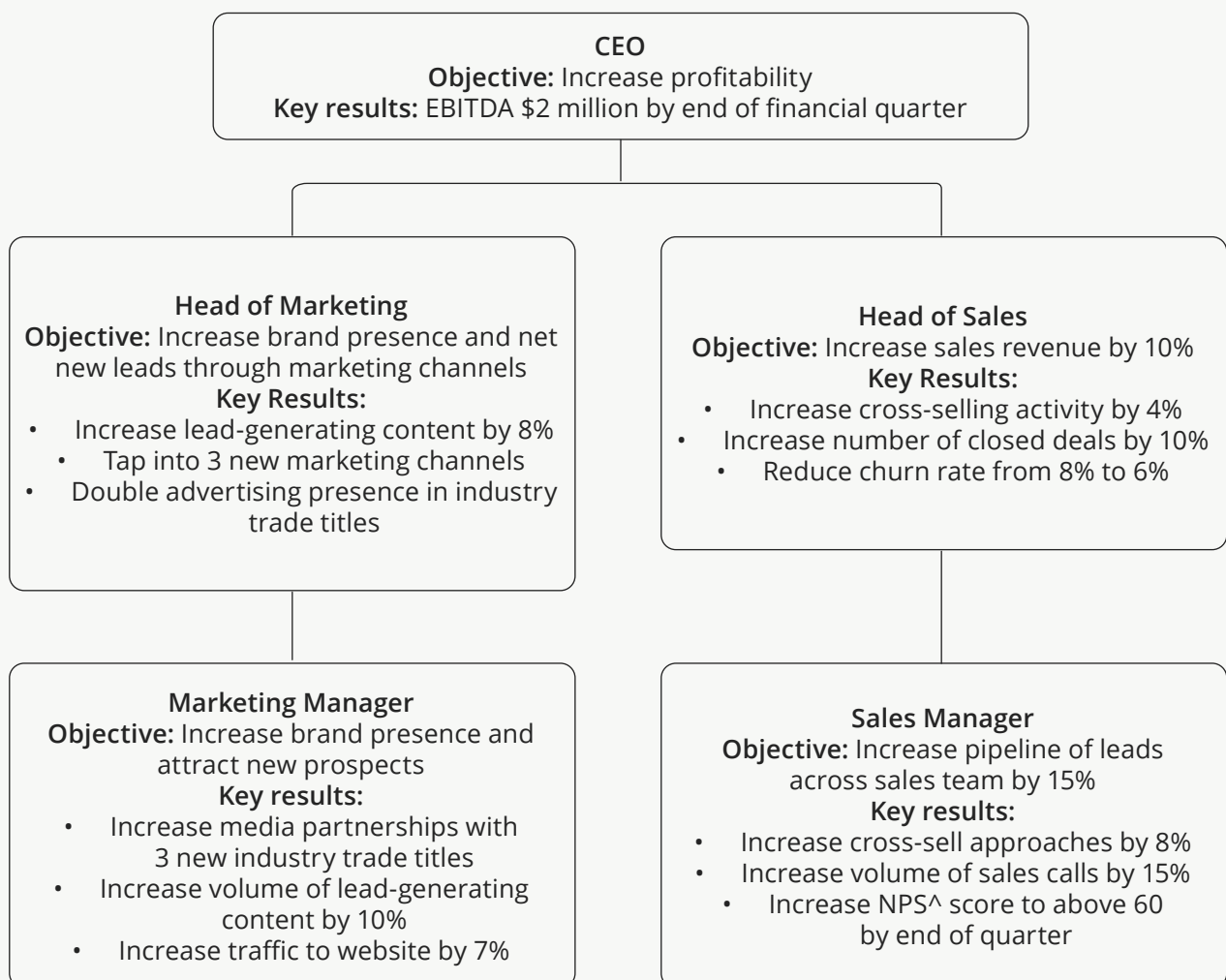
OKRs are gaining popularity as a framework for organisations to enable employees to track goals and outcomes against overall corporate objectives.

Distinctly different from the traditional key performance indicator (KPI) model, the OKR formula is to set an objective, which is “what I want to have accomplished”, and the key results, which are “how I’m going to demonstrate I’m getting it done.”



An example of OKRs – in the case of a sales team – might be to grow sales in the A/NZ region (the top-line corporate objective). This then translates at a team level to developing relationships with 100 new contacts, increasing the number of resellers by 10%, and increasing new leads per week by 25% (key results).

Below is a microcosm of what an agile OKR goal-setting framework would look like. In larger organisations, there would be many more contributing factors involved in revenue generation, but the below diagram helps to explain how each person's goals align with those of the wider organisation.



^ Net Promoter, Net Promoter System, Net Promoter Score, NPS and the NPS-related emoticons are registered trademarks of Bain & Company, Inc., Fred Reichheld and Satmetrix Systems, Inc.

Looking at the seemingly top-down structure of the flowchart on the previous page, there might be some confusion about how this model fits into an agile way of working, since agile is thought to shun the downward-flowing, hierarchical structure.

As seen in the diagram, the 'Objectives' component of an OKR provides a vision for what needs to come (the 'what'), while the 'key results' part allows the team to decide how to get there. Teams are relied upon on to take high-level objectives and refine them for each specific area. This means a team can own its goals and plans (the how) to achieve the 'what', instead of having the 'how' dictated to it.

When used correctly, OKRs and agile are a powerful combination. OKRs help to create alignment and engagement around measurable goals, and indeed, studies show that team members are more engaged in their work and more productive when they have a clear idea of what the team is trying to achieve and, more importantly, the significance of the task.

The benefits of agile goal setting and OKRs

Agile goal setting is one of the key principles of agile performance management. Goals become flexible and transparent and can be adjusted at any time based on feedback from others or changing business requirements. Having transparent goals also allows employees to align their goals with those of their peers.

According to research⁶...

3% of organisations
involve peers in the
goal-setting process

20% of organisations
involve teams in the
goal-setting process

47% of employees
understand the
broader goals of their
organisation

6. Gartner Performance Management Benchmarking Survey, 2019



Why build a culture of continuous 360° feedback?

In successful agile organisations, feedback is essential in creating a culture of risk-taking, failing fast, and pursuing continuous personal development at all levels. It enables employees to revisit their goals often and to course-correct while keeping them engaged.



Feedback: the current state of play

14% Only 14% of employees agree that the performance reviews they receive inspire them to improve.⁷

As for Millennials, who by 2025 will occupy the largest percentage of the global workforce...⁸

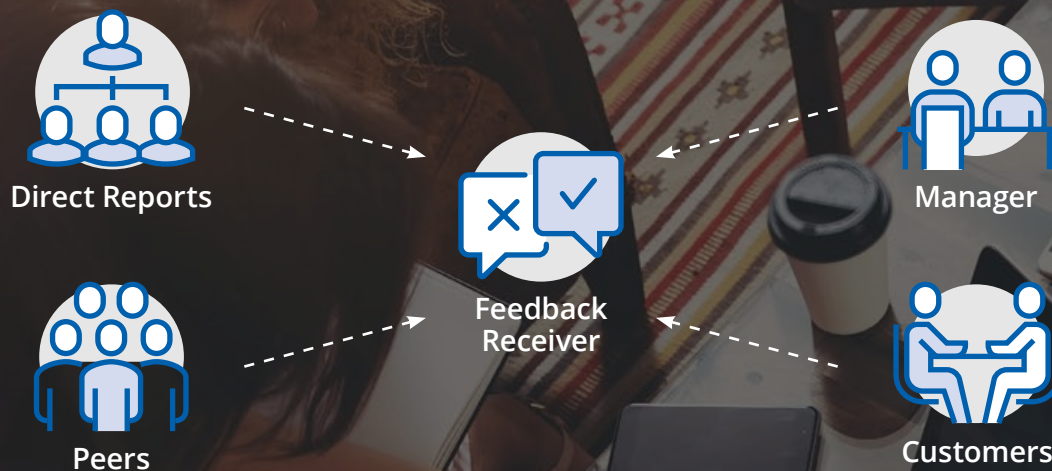
15% of Millennials strongly agree that they routinely ask for feedback on their work.⁹

19% Only 19% of Millennials strongly agree they receive routine feedback at work.⁹

17% Only 17% of Millennials report receiving meaningful feedback.⁹

⁷. "Give Performance Reviews That Actually Inspire Employees", Gallup, 2017 ⁸. "Raising the bar: Australian Millennials in the Workplace", Haworth, 2017 ⁹. "What 'Meaningful Feedback' Means to Millennials", Gallup, 2020

And just like all business operations successfully using an agile approach, feedback should flow in a 360° fashion, as seen in the diagram below. With a 360° approach, feedback is given to the employee by managers, peers, direct reports and in some cases, customers.



The benefits of 360° performance management:

- ✓ Provides a well-balanced view of the employee's skills and behaviour
- ✓ Increases self-awareness, shining a light on any blind spots the employee or their direct manager may have
- ✓ Improves working relationships by creating more of a dialogue between manager and subordinate, rather than the feedback flowing one way
- ✓ Reduces the chance for managerial biases to occur
- ✓ Creates an open culture in which everyone feels their opinion is valued



Implementing continuous 360° feedback

Implementing 360° feedback is not a transformation that can take place overnight; it requires a dedicated culture shift and an organisational mindset of growth.

Below we outline some steps organisations can take to implement 360° feedback:

Communicate the process:

If implementing 360° feedback for the first time, many employees may be unfamiliar with the process, so it's essential to communicate how it all works. Take time and communicate it to everyone over one-on-one meetings, group meetings, and emails.

Create a feedback-safe environment:

Transparency is key when it comes to creating a feedback-safe environment; it's a principle that should underpin any organisation's values. Create dedicated sessions and channels through which employees can confidently express their thoughts.

Upskill employees in providing feedback:

When talking 360° feedback, it's important that employees at all levels are upskilled in providing feedback. This includes everything from having difficult conversations to motivating employees to develop their skills.

Adopt several feedback channels, including surveys:

Surveys are an excellent way of gauging employee sentiment and taking the 'pulse' of your organisation. Encouraging employees to participate in surveys will help staff to feel their voices are being heard and that their opinions are valued.

Use the right technology:

Technology with a range of ready-made, customisable HR survey templates built by industry professionals will help HR to gain actionable insights into their employees' attitudes and opinions towards work.



Key take-aways

There are several foundational aspects of the agile methodology that workforces looking to adopt an agile performance management process must have in place. What COVID-19 demonstrated is that uncertainty and complexity can strike at any moment, and that organisations with agile systems in place will be the best-placed to weather unforeseen events.



Below are some key aspects of agility that businesses must consider before adopting an agile approach to performance management.

Link goals to business priorities:

This is effectively the ‘North Star’ of agile performance management. A key part of this is introducing team objectives or OKRs, as outlined previously in this eBook. It requires setting objectives as a team, discussing results frequently and pivoting as required.

Invest in managers’ coaching skills:

Successfully scaling an agile operating model requires new skills, behaviours, and mindsets across the organisation. The role that managers and leaders play in development and evaluation should be clearly and regularly articulated.

Create transparency of targets and performance:

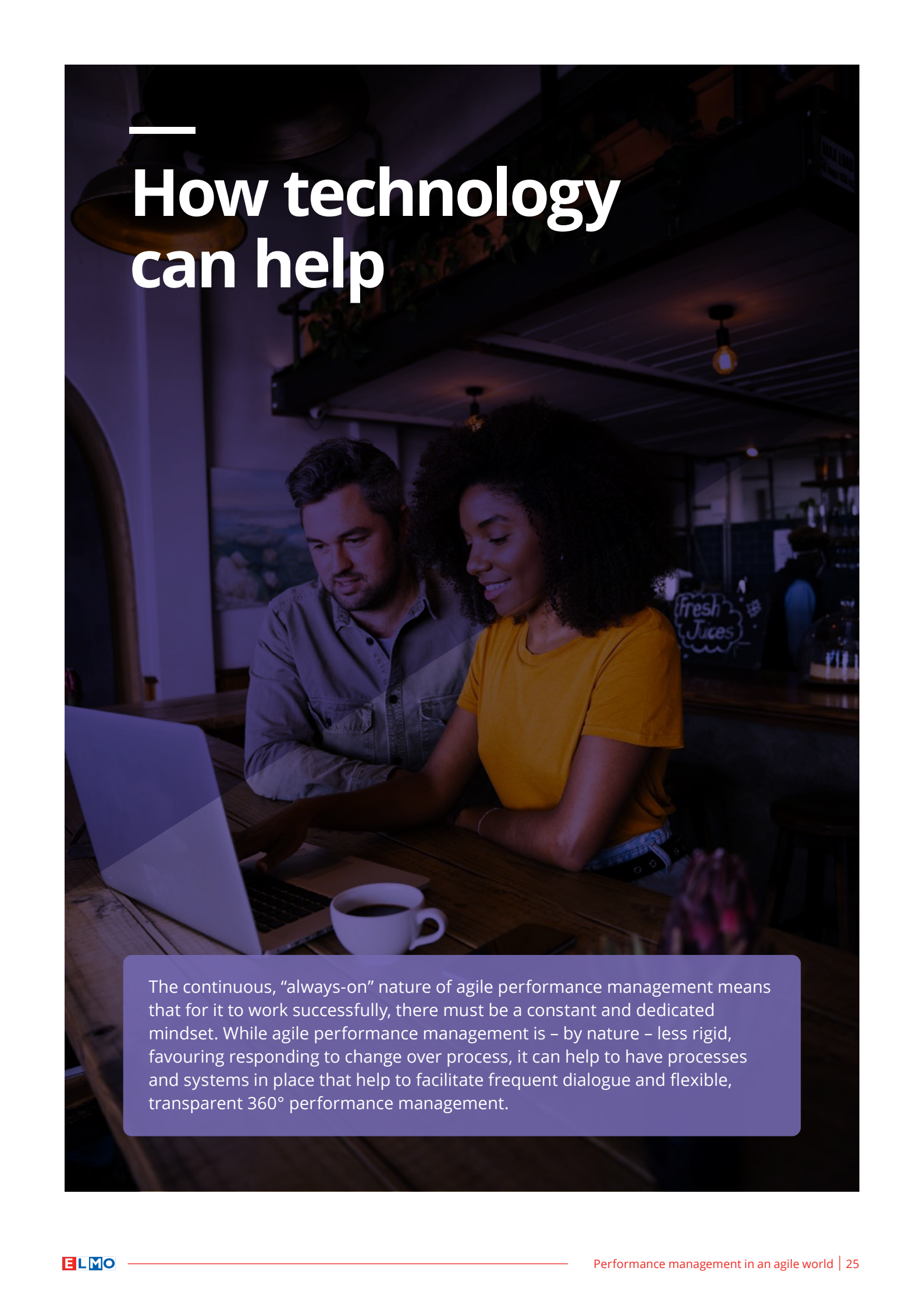
This is a major principle of agile performance management. Creating transparency helps employees to feel more motivated and this mode of goal setting is considered fairer.

Focus on continuous feedback and ongoing development conversations:

Continuous feedback to enable swift course correction and the frequent revisiting of goals is an integral part of a successful agile performance management program.

Embrace performance management technology:

Using HR technology helps to streamline the performance management process and free up time spent on complex and burdensome manual processes. Performance management technology platforms can also help managers stay on top of the administrative and reporting aspects of performance management – which may be vital to determining employee remuneration, learning & development, and succession plans.

A man and a woman are sitting at a wooden table in a cafe, looking at a laptop. The man is on the left, wearing a grey shirt, and the woman is on the right, wearing a yellow shirt. They are both smiling and looking at the laptop screen. In the background, there is a bar area with a sign that says "Fresh Juices".

How technology can help

The continuous, “always-on” nature of agile performance management means that for it to work successfully, there must be a constant and dedicated mindset. While agile performance management is – by nature – less rigid, favouring responding to change over process, it can help to have processes and systems in place that help to facilitate frequent dialogue and flexible, transparent 360° performance management.



As always, technology can help. [ELMO Performance Management](#) provides organisations with the tools to drive and monitor organisational workflows, productivity, and objectives.

Technology helps to...

Simplify and automate workflows:

HR technology that incorporates appraisal cycle periods, effective stakeholder management and automated notifications, sign-offs, and approvals helps to prompt managers and employees when it's time to check in and discuss the status of a project. This approach helps to establish how components of the project are progressing and whether any change in tactics is required to execute.

Create tailored performance appraisals:

Performance management technology that can be configured to requirements, including goal setting capabilities, competency models and development plans help to support 360° feedback processes.

Build a constant flow of communication:

A HR technology interface with built-in instant messaging and Zoom functionality helps to

facilitate ongoing dialogue in all directions – supporting regular 360° feedback and goal readjustment.

Improve data management:

The well-known adage of 'what gets measured gets managed' is one that applies to performance management processes. By tracking the efficacy of agile performance management using technology, businesses can assess which elements of it are and are not working well.

Agile performance management, in particular, relies on regular communication and feedback. By tracking the frequency and take-aways of one-to-one meetings using HR technology, employees and managers can keep track of which conversations happened and when – to better assess whether the frequency of such meetings is effective.

How ELMO can help

ELMO Software offers people, process and pay solutions in an all-in-one cloud-based platform. This includes recruitment, learning, performance management, payroll, expenses, and more. ELMO has helped thousands of organisations across Australia, New Zealand and the United Kingdom better manage, engage and inspire their people.

For further information:

Contact us

