



WHITEPAPER

Performance Management: Back to Basics





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Introduction

The essence of HR is to create a workplace that produces happy and engaged employees. Yet, in the rush to achieve this, HR professionals often take a reactive approach, building systems and processes that don't effectively support the organisation's goals. In some cases, such processes can be too employee centric. Performance management is a good example of when the scales are off balance.

Engaging employees through the performance management process is important, but HR must not lose sight of the true purpose: to assess an individual's performance and contribution to the organisation. Ultimately, performance management is a means to implement organisational strategy by letting staff know what is important to the organisation, setting accountability for behaviour and results, and helping to improve performance.

The boost in productivity from balanced organisational-employee alignment helps to deliver increased profitability and success. With a balanced approach, organisations can become more agile and respond quickly to new opportunities or challenges. Costly employee turnover is reduced, workforces are more stable, and organisations can plan more effectively for emerging trends.



Beware of the “employee focus” runaway train.

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This whitepaper covers the following areas:

- Creating alignment between individual and organisational goals
- Common performance management pain points and shortfalls
- Best practice performance management • How technology can improve processes.

Productivity has become a burning issue for organisation leaders over the past twelve months, sparked in part by the 2023 report which warned that Australia is facing a 'productivity predicament'.

As a result of the dire warnings, Boards and C-suite leaders began questioning the productivity of their own workforces. But productivity is not a straightforward equation.



Creating alignment to boost organisational outcomes

The key to successful performance management is an alignment between the individual and the organisation, but certain processes can inhibit this.

Performance management isn't as straightforward as it once was. For decades, organisations have been able to supervise employees via a traditional working model steeped in tradition – that is, the expectation that most white-collar workers be onsite from 9 to 5. Attendance was a key performance indicator – managers could quantify hard work with hours worked.

What happens in a hybrid environment where employees work remotely, teams are geographically dispersed or spread across multiple time zones, and therefore are not under the noses of their managers? The answer has a lot to do with shifting perceptions around performance when workers aren't onsite and how perhaps managers mistake “busyness” for productivity and high outputs.

Most challenges stemming from the traditional performance management framework are:

- Lack of consistency between managers, departments, etc.
- Lack of manager training
- Lack of personal development plans
- Lack of meaningful feedback
- Manual processes

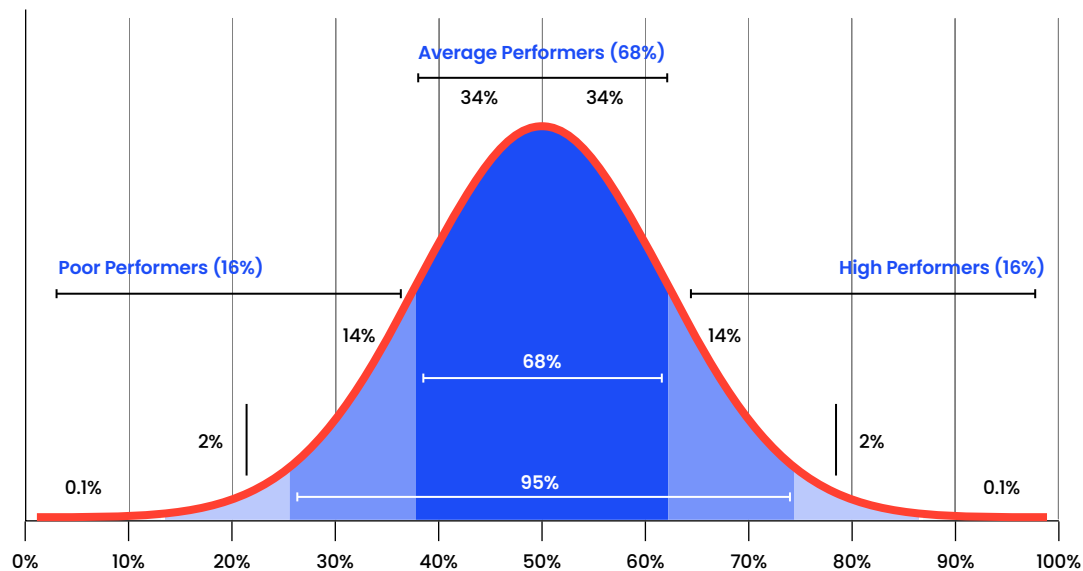
Ineffective performance management can affect every level of an organisation. Symptoms of poor performance management processes include:

- Line managers become cynical as they perceive the performance management process to be too lengthy and over-engineered. They see it as a ‘tick and flick’ exercise that delivers little value.
- This attitude in turn exasperates HR managers’ well-intentioned efforts to increase employee engagement, complete performance reviews on time and according to policy. Having a paper-based system makes maintaining version control a logistical nightmare.
- The CEO and other senior executives know that performance management is a fundamental HR practice but are unable to see the connection between individual performance and organisational strategy and, in turn, ROI.
- Employees are disillusioned by long and seemingly complicated processes, the lack of transparency, and the impact on remuneration

The consequences of decoupling individual and organisational performance

If the individual review process is not clearly aligned to the organisation's goals, it can derail outcomes. For example, a team member might believe that they are performing well, but since their work is not clearly connected to overall organisational objectives, their overall performance is 'moderated' to fit into an assessment bell curve.

The assessment bell curve



What's worse, if individual performance is rewarded with a bonus, the company might just be paying out for perceived high performance that falls short of the organisational goals that need to be met to green-light the reward.

The advantages of using OKRs

Most organisations rely on performance appraisals as a method for undertaking performance management. Using key performance indicators (KPIs) is also a common method, but the implementation of objectives and key results (OKRs) has gained popularity as a framework for organisations to enable employees to track goals and outcomes against overall corporate objectives.

In the OKR formula, the 'Objectives' component of an OKR provides a vision for what need to come (the 'what'), while the 'key results' part allows the team to decide how to get there. Teams are relied upon 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 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.



KPIs vs. OKRs: what's the difference?

OKRs Defined

OKRs form part of a goal-setting framework that helps organisations define their top strategic priorities, breaking down strategy and execution into two components:

- Objectives (this is your direction or what you would like to achieve); and
- Key Results (in other words, how you will know that you've achieved those goals).

Essentially, you set a goal and then define how you will achieve it. OKRs are particularly useful for establishing high-level, yet measurable goals for your business by establishing ambitious outcomes that can be tracked over a set timeframe – typically a quarter. OKRs are a good fit for organisations heavily focused on growth. The Key Results are set in quarterly performance reviews and are tracked via regularly scheduled performance check-ins.



KPIs Defined

If OKRs form the framework, KPIs are measurements that exist within the framework. A KPI is a metric or measurement for monitoring how well individuals, teams or entire companies are performing against their goals. These metrics tend to be quantitative in nature, using simple numbers, ratios or percentages. A net promoter score[®], or NPS, (an indication of how likely customers are to recommend your business) is a prime example of a KPI. These metrics allow you to assess whether the business (or team or individual) is on course to meet its goals, and where improvements or action might be required. KPIs tend to be static, relating to ongoing activities or metrics already in place.





What does best practice performance management look like today?

A well-defined and executed performance management strategy exhibits a few key characteristics, two of which are coherence and uniformity: all stakeholders understand the intention and execution is consistent.



Best practice tips

Once you've established a culture of open communication that is supported by an inspiring management style, you're halfway there. Communication is essential for conveying that the review process is a constructive activity that benefits the company but, more than that, it advances the individual's career.

It's also important to ensure that the ways in which employees are recognised and rewarded for high performance are closely aligned with organisational values and objectives.

If there are staff members that complete the performance review process to discover that their performance is not up to the mark shouldn't worry. They should know that opportunities for improvement through training and development exists within the organisation and they they're still valued as contributing members of the larger team.



Champion continuous feedback

Feedback is essential in creating a culture of continuous personal development at all levels. Therefore, a once-a-year appraisal and rating created from the top down is redundant.

Instead, performance management should involve regular check-ins, ongoing feedback, and recognition. Weekly employee-manager check-ins should be the priority because it will help to boost satisfaction, build connections, engage in learning opportunities, and improve retention.

Ideally, feedback occurs in real-time, not weeks or month after a project has been completed or a particular behaviour (good or bad) has been displayed, as that is when it is most meaningful. This is particularly important for younger workers, who crave regular, timely feedback. Given that millennials will make up 75% of the global workforce by 2025, this is an important consideration.



Millennials and Gen Z want more feedback than their older peers*

14% of millennial employees agree the performance reviews they receive inspire

19% of millennials strongly agree they receive routine feedback at work

19% of millennials report receiving meaningful feedback



Design processes around the hybrid model

The rise of hybrid work is the result of how the pandemic has redefined the way we work – and is here to stay. Old mindsets that don't value hybrid work models or endeavour to make them work will curtail the growth of an organisation. For example, the mentality of, "If I can't see you, you mustn't be working" creates proximity bias, and says to employees that presenteeism is top priority, regardless of work output.

To uplift employees in today's hybrid world and help them to reach their full performance potential, traditional approaches to performance management must be left behind. Below are three steps to redesigning performance for flexible working:

1. Set clear goals

Outlining clear goals and objectives is the first step to ensuring alignment across a dispersed workforce. When employees know what the individual and organisational goals are, they will feel more connected to their teams and more motivated to succeed, regardless of where they are based.

To ensure goals are meaningful, use a formula like SMART. Smart stands for: Specific, Measurable, Achievable, Relevant, and Time-bound. Another popular goal-setting framework is using objectives and key results (OKRs), to ensure alignment between individual and organisational outcomes.

2. Recognise and reward high performers

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3. Dignify employees throughout the entire process

Traditional performance management is a top-down affair, where executives and managers design goals and objectives and then feed them down to employees. The problem is that in today's working world, employees want and need more transparency and involvement in major decision making. Therefore, the goalsetting process should be a project shared with employees from the outset, meaning employees and managers have more meaningful and proactive conversations about performance. This method is also a retention tactic as it will boost employee empowerment and engagement.



Making the most of one-to-one check-ins

During one-to-one check-ins or performance reviews, managers should ask employees the below questions to encourage meaningful conversations:

- For [goal], we set a deadline of [date]. Can you update me on your progress?
- Are you presented with any challenges that are standing in the way of completing [goal]?
- Is there anything I or someone in the team can do to better support you as you work towards [goal]?

- How do you feel about [goal] now that we're this far into [timeframe]? Do you think it is achievable or do we need to adjust expectations?

Not only will these questions prompt honest feedback about the projects at-hand, but they will help to build trust and a bond between manager and employee. Conversations like these will also flatten hierarchical structures and ensure the onus is on outcomes and achieving shared goals.

Once the goals are set, performance management must commence, but integrity and trust must be at the centre. Research by Gartner shows that employers are increasingly using technology more frequently to monitor their employees through methods such as virtual clocking in and out, tracking work computer usage, and monitoring employee emails or internal communications / chat. While some employers track productivity, others monitor employee engagement and wellbeing to better understand the employee experience (EX).

Aside from the obvious surveillance and privacy issues at play here, this degree of employee monitoring will not build trust between the employer and employee. However, used with positive intent, this digital-first approach can enable automated data collection and analysis around employee activities which can be powerful for helping employees understand how they are improving and where there is room to improve – especially within a hybrid working environment. If that degree of surveillance doesn't align with your organisation's values, there is a simpler, more honest way to measure performance.



Better performance management, better financial outcomes

Meaningful performance management is related to better business outcomes: High-impact organisations are 1.4 times more likely to meet their financial targets and 2.4 times more likely to innovate than low-impact organisations.





Using technology and software to amplify performance management efforts

Once these fundamentals of efficient performance management processes are in place, use of technology and software can amplify the benefits. Remember, technology cannot fix a fundamentally flawed process, so ensure solid foundations are in place before implementing a tech solution.



The benefits of technology

Embracing modern performance management technology can be a game-changer, offering numerous benefits that streamline processes and enhance overall effectiveness.

Here's how leveraging advanced performance management software can transform your organisation:

- **Standardisation of processes:** Everyone in the organisation, irrespective of designation, is reviewed using the same structure and communication channels.
- **Transparency:** Employees, line managers, and HR teams gain visibility of the process and understanding which stage the review is at. It becomes easier to align personal and team goals with organisational objectives as well to track the progress of plans to achieve them.
- **Simplicity:** A software-as-a-solution implementation of the performance management process delivers a tool that is simple to use and understand for everybody, and also makes it easier for HR teams to extract and analyse data.
- **Adaptability:** Just as it is not the best idea to force fit the performance management process around the bell curve, a one-size-fits-all approach with performance management solutions should also be avoided. Ideal performance management software includes best practice but is also flexible enough to adapt to your organisation's specific needs and agile enough to change as the organisation evolves.
- **People:** The team that builds and delivers a great performance management software solution needs the best technical experts, but what sets it apart are team members that bring thorough understanding and knowledge of HR processes to the table.



Evaluating a performance management system

When you're evaluating a performance management system, look for benefits that it will bring to staff across all levels in the organisation. Below is a quick list that can help you:

1. Does it connect company strategy performance management objectives?

C-Level and senior management should easily be able to connect overall progress towards company objectives, in terms of actions versus outcomes. The system should present visible improvements in organisational efficiencies while eliminating cumbersome paper-based processes. They should also be able to access high level reporting of performance and capability at the time.

2. Is it flexible enough?

Does the system adapt around HR policies specific to your organisation or does it impose a pre-defined structure?

3. Clarity for line managers?

The ideal performance management software will facilitate line managers to have the ability to give clear directions around performance against goals. The individual goals of team members should be clearly aligned to team goals and ultimately to organisational goals.

4. Can employees interact with the system, track their performance, and share it with their managers?

The connection between personal performance and organisational success must be evident and staff should be actively engaged at all stages of the performance management process. 5. Does it offer analytics and reporting for HR? The system should make it easy for HR teams to report on organisational performance, drawing robust data from the system.

Ultimately, technology is the facilitator of good performance processes. However, HR remains the backbone of a high-quality performance management system. As custodians of employee engagement, it is up to HR to ensure performance management processes are pushing the company forward, not holding it back.

Our recommendation

ELMO Performance Management improves employee productivity, boosts profitability and engagement through continuous feedback. It enables organisations to align individual and team goals with organisational strategies. It also streamlines the employee appraisal process by offering a range of pre-built goals and development objectives, provides 360° reviews that assist in the development of a performance culture that reduces employee turnover. Find out how your organisation can benefit from ELMO's Performance Management [here](#).



RELEASING HR'S FULL POTENTIAL

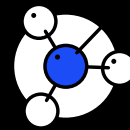
The **only** HR platform that truly fits the needs of mid-sized businesses in Australia and New Zealand, without the unnecessary complexity.



Onboarding



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Management



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Management

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