

Employee Performance Management Needs A Promotion

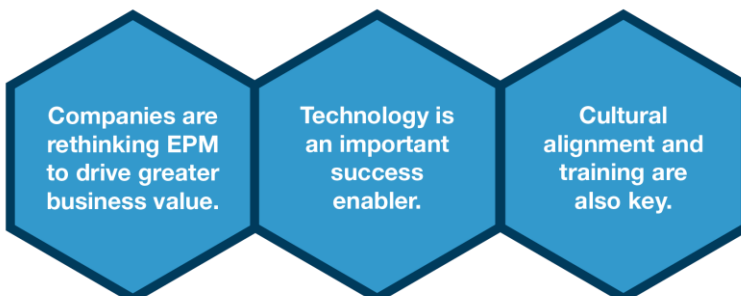
A Summary For Medium Enterprises

To keep up with competitors and an evolving talent landscape, medium enterprises around the world are evolving their approaches to employee performance management (EPM). Traditional, periodic performance reviews — which often don't deliver enough value to employees or the business for the time required — are giving way to more continuous and engaging methods. Next-generation employee performance is forward-looking, business-aligned, collaborative, continuous, and engaging. Modern software plays a key role in delivering these qualities.

KEY FINDINGS

Forrester's study yielded the following key findings for medium enterprises:

- › **Companies seek to promote more continuous performance processes, with a sense of urgency to keep up with competitors.** Sixty percent of medium enterprises worry they are falling behind their peers. Given this urgency and challenges with current processes, 82% are actively evolving their performance management approaches.
- › **Technology plays a big role in helping companies achieve their employee performance goals.** Decision makers prioritize human capital management (HCM) systems that support continuous coaching, analytics on team and company performance, and integration with other business systems.
- › **Culture change is critical.** Decision makers advocate for aligning on a set of goals, training managers, and revamping rewards and recognition programs as key first steps to evolving their processes.



Summary of medium enterprise results from the Workday-commissioned Thought Leadership Study, "Employee Performance Management Needs A Promotion."

METHODOLOGY

In this study, Forrester conducted an online survey in 14 countries representing North America, Europe, and Asia Pacific to evaluate employee performance management methods and solutions.

To achieve these objectives, Forrester conducted an online survey of 600 respondents and five interviews with employee performance decision makers. This summary highlights results from the 300 medium enterprises we surveyed with 500 to 3,499 employees.

[Click here to read the full results of the study.](#)

Medium Enterprises Seek More Agile, Continuous Performance Management Processes To Keep Pace With Peers

Attracting, retaining, and developing employees is vital to business success, yet many companies treat employee performance management as annual business maintenance, as opposed to a strategic initiative. Performance management decision makers at medium enterprises are beginning to prioritize innovating their performance processes to better align with business needs. Four in five (82%) agree that they need more agile processes to keep pace with business and technology changes. In exploring current approaches and future priorities, we found that:

- › **Periodic employee performance reviews do not add enough value.** Nearly two-thirds of medium enterprises (64%) conduct periodic performance reviews on an annual or semiannual basis. This cadence creates challenges for many companies. For example, a third of respondents (33%) feel that employees and managers don't get enough value out of the process for the time required, and roughly the same proportion (32%) feel their current processes are too time-intensive. Continuous coaching helps acknowledge wins and address performance issues in real time and, when documented through an HCM system, also helps participants streamline their periodic reviews. However, 36% of respondents feel that managers at their companies lack coaching and people development skills.
- › **Medium enterprises seek to evolve their performance processes, with a sense of urgency to keep pace with the market.** Sixty percent of medium enterprises worry that they are falling behind their peers when it comes to employee performance management. To keep up and address current challenges, 82% are actively evolving their performance management approach. What specific objectives are driving this evolution? Decision makers believe that more continuous performance processes will boost employee development and retention, and they also need a better way to connect employee performance with measurable business results (see Figure 1).

Culture Change And Supporting Technology Pave The Path Forward

Medium enterprises know they need to innovate their approaches to employee performance management to deliver greater value to employees and business stakeholders alike. What best practices should companies embrace on their journey and what are the benefits of these efforts? Our study showed that:

- › **Decision makers are looking for technology that can serve their analytics, integration, and coaching needs.** Technology can help firms turn their vision for performance management into reality; in fact, 41% of respondents cited newly available technologies as a reason to evolve their processes now. Medium enterprises prioritize



“The annual program does not lend itself for internal recognitions . . . to be a part of promotion opportunities, expanding relationships, expanding skills.”

*Director of human resources,
US construction company*



Figure 1

What specific factors drive your company's need to evolve its performance processes?

(Showing top three responses)

48% We feel a more continuous process will be more effective for employee development.

46% We believe improvements will boost employee retention.

44% We need to better connect employee performance to measurable business objectives.

Base: 300 employee performance management decision makers at medium enterprises across the globe
Source: A commissioned study conducted by Forrester Consulting on behalf of Workday, December 2017

technologies that can help them align employee performance evaluations to measurable business outcomes and close the coaching gap. Three in four respondents seek technologies that can provide analytics on team and company performance. Other highly desired features include the ability to provide managers with contextual coaching guidance and the ability to provide ongoing feedback. Integration capabilities also resonate with decision makers (see Figure 2). Integration with sales and career management systems further supports analytics and coaching goals. The ability to leverage data from various systems also creates a more seamless experience for cross-functional teams.

- › **Culture and change management are crucial to long-term success.** Technology is an important enabler, but change must come from within the organization for companies to achieve their performance management goals. Forty-five percent of respondents felt that establishing a performance philosophy and set of goals is one of the most important first steps to evolve their processes. Training managers for better coaching skills is another important first step for 44% of respondents. To motivate employees to buy into new processes, 38% advocate for creating stronger rewards and recognition programs. Decision makers also understand that employee performance management affects the entire company, and 45% underscored the importance of clear and transparent communications as they evolve their performance programs.
- › **Employee and business benefits await those who commit to change.** Among medium enterprises who updated their performance management programs within the past two years, 60% cited improved employee engagement and 53% reported improved employee productivity as benefits of their efforts. These improved employee experiences trickle down to improved customer experiences; 42% cited improved customer satisfaction as a result of their employee performance management improvements.

Figure 2

“Very” and “critically important” features and capabilities in an HCM technology solution:



Base: 300 employee performance management decision makers at medium enterprises across the globe
 Source: A commissioned study conducted by Forrester Consulting on behalf of Workday, December 2017

To read the full results of this study, please refer to the Thought Leadership Paper commissioned by Workday titled, “Employee Performance Management Needs A Promotion.”

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