

Employee Performance Management Needs A Promotion

A Summary For Large Enterprises

Companies around the world are innovating employee performance management to drive employee engagement and business value. 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 large enterprises:

- › **Companies are striving for more continuous and data-driven performance processes.** Large enterprises are looking to evolve in these areas to drive employee development and team success.
- › **Most large enterprises conduct annual or semiannual reviews without continuous coaching to bridge the gap.** Difficulty decoupling salary and performance conversations and lack of manager coaching skills are the biggest barriers to implementing the continuous and data-driven performance processes enterprises seek.
- › **Decision makers seek technologies that support coaching and performance insights.** Technology investments are further supported by a culture of agility and continuous improvement. Large enterprises that embrace these values see greater benefits from their performance management efforts.



Summary of large 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 large enterprises we surveyed with 3,500 or more employees.

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

Large Enterprises Strive For More Continuous, Data-Driven Processes

Large enterprises see employee performance management as a way to promote team success. In fact, 87% in our survey said helping teams succeed is one of their primary goals. To achieve this goal and support business success, 82% are actively looking to evolve their performance management approaches. In exploring current approaches and future priorities, we found that:

- › **Large enterprises are emphasizing more continuous and data-driven processes.** When asked to cite the top drivers for evolving their approaches, half of respondents (51%) felt that more continuous performance processes will better support employee development — and by extension, boost employee retention (45%). Additionally, 45% said they need to better connect employee performance to measurable business objectives.
- › **Current processes are business-aligned . . .** Large enterprises are making progress toward their goal of aligning employee performance to business metrics. Most combine qualitative methodologies — like manager ratings and skills evaluations — with quantitative, business-aligned metrics. For example, 46% measure the employee's contribution to business outcomes like sales and customer retention, 44% evaluate employees based on productivity metrics, and 43% use frameworks like SMART goals.
- › **. . . but are not yet continuous.** Two in three large enterprises (65%) still conduct performance reviews on an annual or semiannual basis. This cadence is largely tied to salary reviews over the employee's professional development. In fact, 40% cited difficulty in decoupling performance and salary conversations as a barrier to revamping their processes. Coaching and development conversations help close the gap between review cycles and make the performance process more continuous. However, 35% of large enterprises feel that managers lack coaching skills.

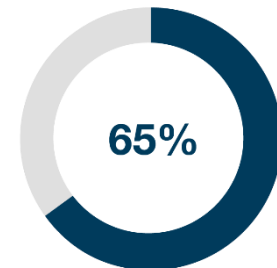
Technology Investments Foster Agility And Continuous Improvement

Continuous coaching and business agility are the biggest gaps large enterprises need to address as they evolve their employee performance management programs. Technology plays a big role in filling these gaps. Our study showed that:

- › **Decision makers look to invest in technology that helps drive continuous coaching and data-driven evaluations.** Large enterprises are prioritizing more specific goal management, increased coaching, and better measurement in their efforts to evolve performance processes. Performance management decision makers consider a range of technology capabilities as “very important” or “critical” to achieving these goals. Seventy percent or more seek:



Two-thirds of large enterprises conduct annual or semiannual performance reviews, driven primarily by salary review cycles.



“Ideal state . . . [employees and managers] get quite comfortable using the [HCM] system on a regular basis, versus once a year where it becomes an annual chore”

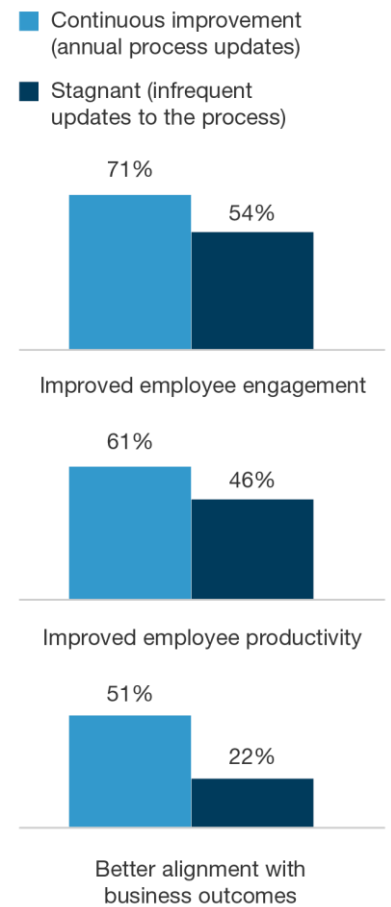
*Head of people and performance,
New Zealand building materials
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technologies that can provide contextual guidance to managers to support better coaching (73%); analytics on team and company performance to support business-aligned evaluations (72%); and the ability to provide feedback on an ongoing basis (70%).

› **A culture of agility and continuous improvement further supports HR and talent goals.** Four in five respondents (82%) agreed that they need to be more agile with their performance management processes to keep pace with business and technology changes. This includes fine-tuning performance processes over time. Our survey showed that large enterprises which embrace continuous improvement — i.e., they recently updated employee performance processes or technologies and plan to update them further in the next year — see greater benefits from their performance programs. For example, continuous improvers cite the ability to target relevant business outcomes as a benefit of their efforts, at a rate of over two to one (51% versus 22%) over those with stagnant processes (i.e., not recently updated nor are there plans to make any changes). Companies that continually improve their processes also saw improved employee engagement at a rate of 17 to 18 percentage points over those who update their performance processes less frequently (see Figure 1).

Figure 1



Base: 163 employee performance management decision makers at large enterprises across the globe (N = 80 to 83 per segment)
 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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