cognology

Performance Management
Trends

2020

Contents

Performance management is changing

From the COVID-19 pandemic to continued exponential change in technology, the world is rapidly changing and business is changing with it. People management has become more complex, with an imperative to meet the evolving needs of today's workforce and tomorrow's economic realities. Performance management (PM) is no exception.

Forward-thinking Human Resources (HR) professionals understand the importance of keeping up with the latest trends and research in the field. Read on to learn how today's organisations are responding to increases in remote working, manager responsibility, agile methodologies, and data analytics; a focus on development and transparency; and the need for ultra-personalised development and *team*-based objectives.

Why performance management matters

Before we dive into the latest research and real-world trends, here's a quick refresher on the basics.

What is performance management?

Performance management covers such a breadth of organisational activities that defining it can be challenging. One succinct and **commonly cited definition** describes it as "a systematic process for improving organisational performance by developing the performance of individuals and teams." Led by HR, the primary activities in that process are identifying and measuring employee performance.

The term "performance management" is actually **understood to have first come into use** when organisations started considering performance appraisals to be less of an *event* and more of a *process*. These days, performance appraisals (performance reviews) are considered a *subset* of performance management.

Why does it matter?

Effective performance management matters because it's essential for any organisation in meeting its strategic goals and remaining competitive in the marketplace. It allows them to align their employees and resources to meet their objectives and also serves as a dashboard for identifying early warning signs, alerting leaders to the need to make changes.

More specifically, the performance management process ensures that employees...

1
Understand what is required of them in terms of both behaviours and results (inputs and outputs)

2
Understand how they as individuals contribute to the organisation's mission, vision, and goals

3
Are motivated to perform

4
Possess the skills and abilities to perform as required

5
Are supported by the organisation in meeting those requirements

6
Understand how well they are performing so they can take action to improve

7
Actually deliver what is expected

8
Are appropriately rewarded for doing so, financially and otherwise

It also strengthens the employer brand and helps ensure legal compliance and an ethical stance in managing employees.

Performance management trends to watch

Adapting to increased remote working

As we're all aware, the COVID-19 pandemic forced many organisations to implement a remote work arrangement for its employees. Through the first and now second wave of lockdowns, some organisations have learned that the arrangement has worked quite well for them and therefore decided to offer the option as a permanent benefit to employees. Others have considered the cost savings of reduced office space and mandated a transition for some or all staff. A **recent Gartner poll** showed that before the pandemic, 30% of employees worked remotely at least part time. Organisations now say a whopping 48% are likely to work remotely after the crisis ends.

Expected Employee Distribution Post-Pandemic

On site

48%   52%

Remote
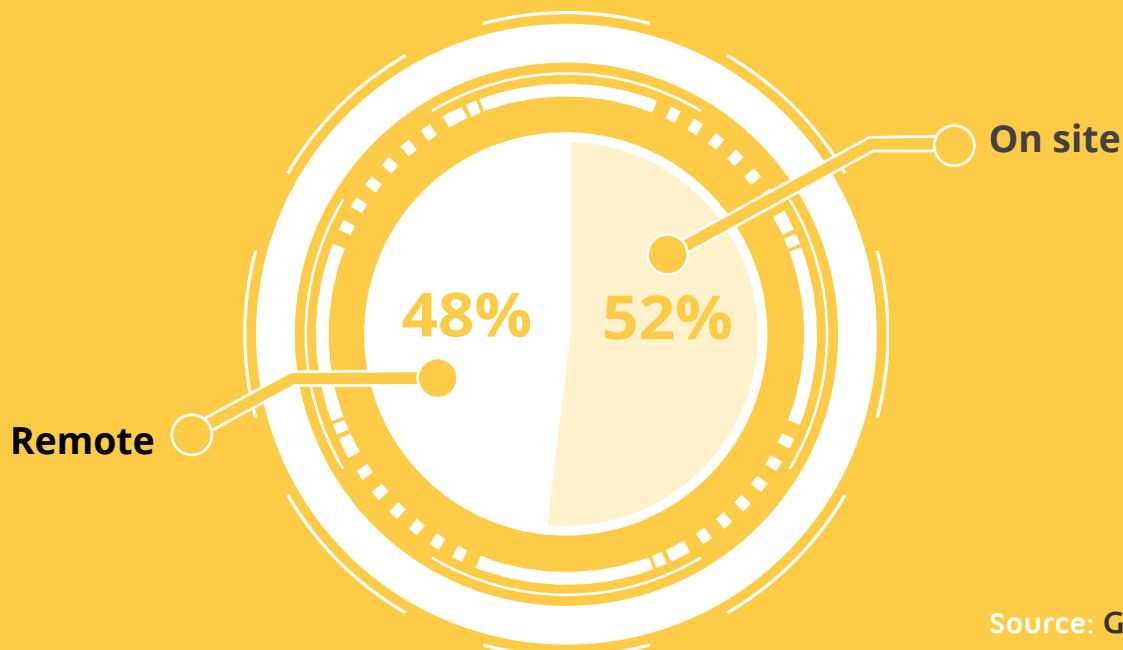
Source: **Gartner**

What does this mean for performance management? Without the organic, real-time feedback employees are used to receiving working alongside managers in an office, organisations may need to "force" the feedback in a more systematic way. For many, this may mean redesigning the performance management process.

As far as metrics, core measures of performance should still apply, but you'll also want to collect information on an employee's ability to work remotely.

Additionally, COVID-19 has put a lot of stress on all of us, so it's more important than ever that managers connect with their remote staff. Managers must embrace this opportunity to practice showing empathy for employees, and reassure those who may be worried about being laid off. Monitoring and measuring morale, from both a qualitative *and* quantitative perspective, is especially important.

Further, managers can leverage that information in what should be a continuous evolution from being the boss to being a coach, based on the **three dimensions of coaching**: guidance, facilitation, and inspiration. We recommend prioritising training in this area for new or less skilled managers.

Not sure where to start? Cognology's Learning Library is already full of recommended resources that teach managers how to coach. Just click to assign a course, video, or reading to managers who need development in this area (**evidence suggests** there are quite a few).

Focus on skill development

Rapid changes in technology seem to be a constant on trends lists for good reason. Now more than ever, advances in technology are leading to some human skills becoming obsolete. In fact, 53% of **Deloitte survey** respondents said between half and all of their workforce will need to change their skills and capabilities in the next three years. Therefore, it's no surprise that 74% perceive reskilling as important. What's concerning is that only 42% feel ready. Today, investing in skill development is truly a business imperative.

Organisations on Workforce Reskilling

74% ● — Perceived as important

Ready to address — ● **42%**

0%   25%   50%   75%   100%

Source: Deloitte
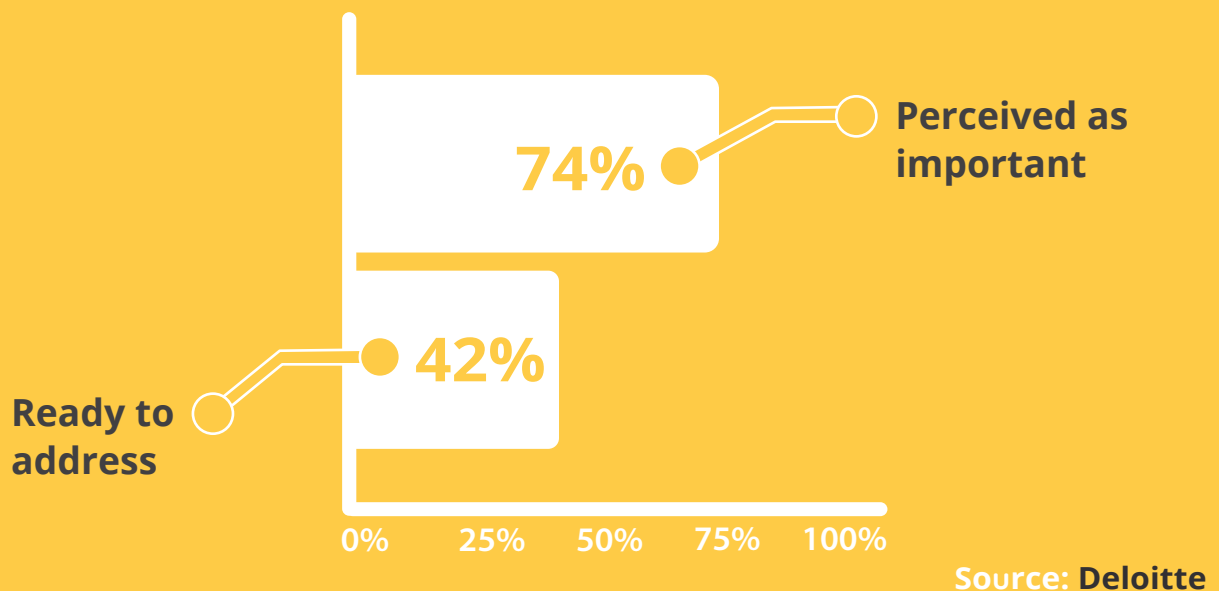
Therefore, performance development focus needs to shift away from a focus on roles to a focus on skills. Developing a well-rounded skill set opens more career opportunities for employees and allows the organisation to be more flexible in a business environment of constant change. Support your people in reinventing themselves to succeed in the increasingly dynamic nature of roles in the short term *and* long term.

Particular focus on capabilities

More and more organisations are shifting PM focus from competencies to capabilities. The words are often used interchangeably, but there's a subtle difference between the two.

While a *competent* employee has the skill or knowledge to fulfil current needs (e.g. expertise in corporate tax law), a *capable* employee has holistic attributes broadly applicable to a variety of needs beyond technical or functional boundaries (e.g. creativity, emotional intelligence, ability to motivate others).

Capable people know *how to apply* competencies in both familiar and unfamiliar situations, effectively helping their organisations better adapt in an always-changing business environment––and therefore an obvious imperative in today's performance development programs.

Cognology allows for total customisation to match your organisation's culture and strategy, with the option to evaluate based on skills, values, behaviors, abilities, and more.

Fostering a sense of belonging

More and more people are seeking a sense of *belonging* at work, which can be particularly challenging in a work-from-home environment. Beyond that, employees have come to expect transparency. Leadership focus on ethics and transparency increases both trust *and* a sense of belonging.
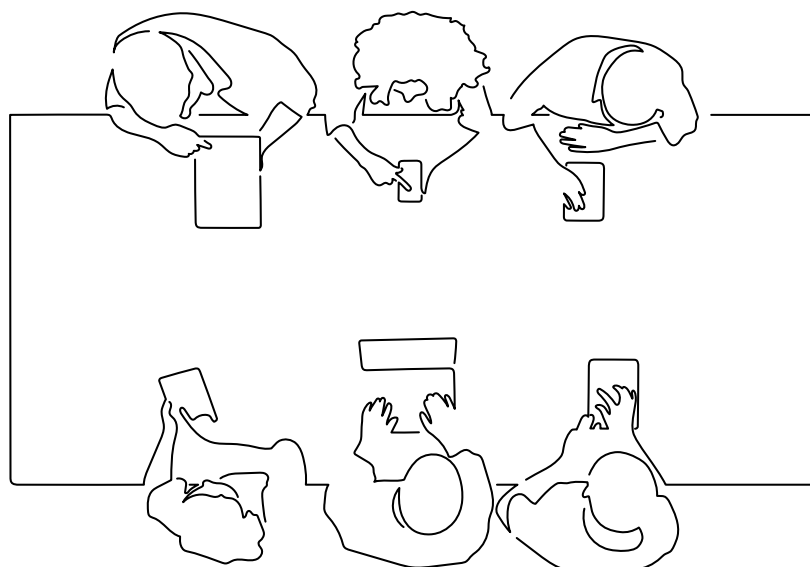
So how does a sense of belonging impact employee performance? Let's first define what we mean by belonging. An employee that feels a sense of belonging feels *respected* and that they're treated *fairly*, and they also understand what their personal role is in contributing to the goals of the organisation. They want to know, "Why does *my* work matter?" Alignment of employee values with those of the organisation creates an even stronger sense of belonging.

Feeling significant and valued by one's employer provides an intrinsic satisfaction with **a powerful impact** on retention and motivation to perform. Employee perceptions of unfair organisational practices lead to lack of cooperation, rise in absenteeism, rise in conflict (e.g. grievances), and quitting.

One way to foster a sense of belonging in PM is to *involve* employees as partners in defining goals, development activities, and even the process. PM today is less of a controlling activity and more of a partnership.

Did you know? **Cognology's performance management system (PMS)** allows employees to add their own notes on feedback and achievements at any time.

Another way is to ensure transparency in reward practices, expectations, and feedback. This places high value on effective performance management systems and data governance. More data, visible to leaders *and* employees, means more transparency. A culture that encourages data collection is essential, and that takes time. But it's increasingly important in managing employee expectations and organisational performance today.

Super-individualised development

In recent years, there's been a deluge of articles and studies looking at generational differences in the workplace and what that means for managers. Of particular interest has been millennials, of course. However, we are now experiencing a shift from a generational lens to an individual one.

Just as we've all become accustomed to personalised products and services as consumers, employees now also expect the same in the workplace. Of course, performance management has always had an individualised focus, but this is new for performance *development*. The future of development is *curated, personalised* learning experiences with a focus on capabilities (see above!). New technologies that can identify differences in employees based on behaviours, values, etc. will be invaluable in the future.

When both the manager and the employee are invested in the creation of a development plan, expect to see higher engagement, higher job satisfaction, and an increased likelihood of follow-through. **Cognology** makes collaboration and progress tracking easy.

Incorporating team-based objectives

Ways of working are continuing to shift from inflexible reporting structures to networks of teams. This change in structure suggests it may not be long until teams become a core unit for analysis and action in performance management. But we're not quite there yet. Right now, **only 46%** of organisations use team-based objectives as part of individual performance reviews. And **only 17%** of reviews include feedback from team members.
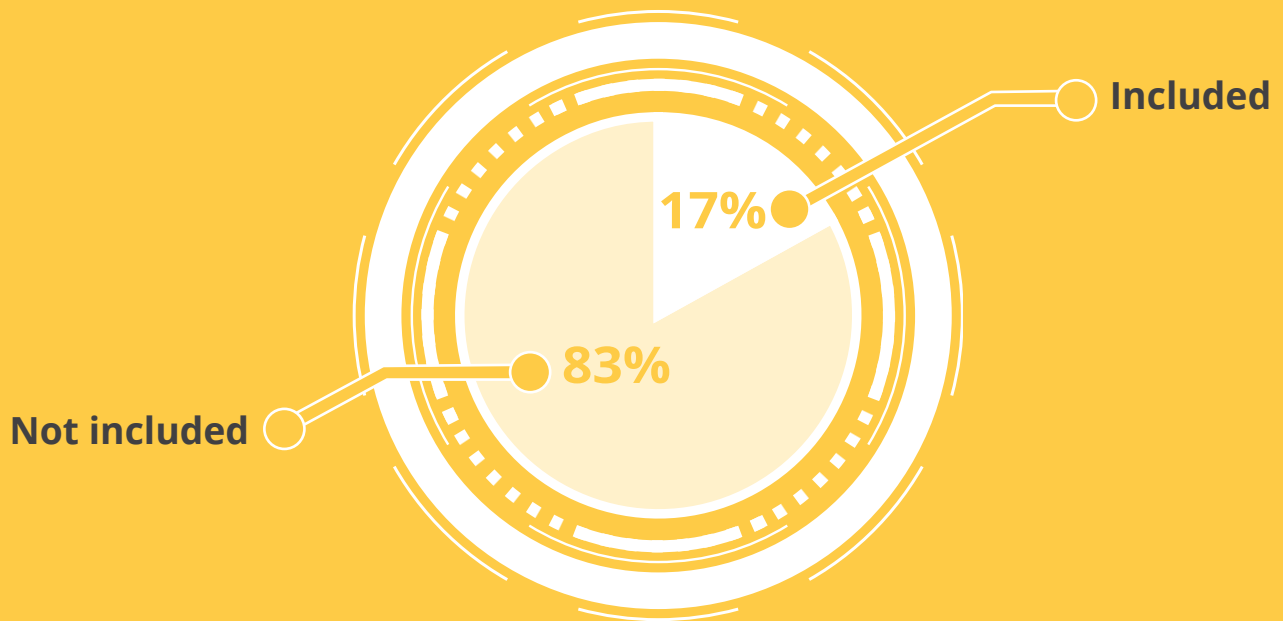
Organisations Inclusion of Team-Based Objectives %

Included

54%   **46%**

Not included
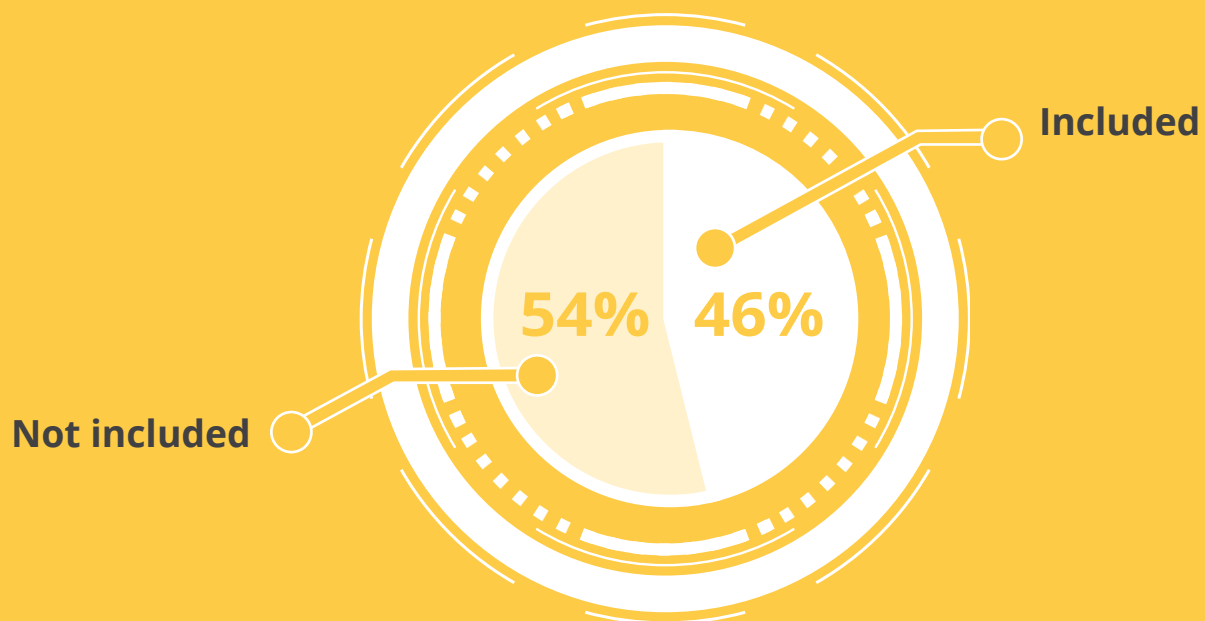
Source: International Journal of Selection and Assessment

Inclusion of Team Member Feedback in Performance Reviews (%)

Included

17%

83%

Not included

Source: **Gartner**

Individual development is key, but you'd be smart to consider incorporating more team-based objectives and development activities into your PM process. Also work to strengthen individuals' connections to their teams to help foster a sense of belonging (see above). How well an employee meshes with their team is just as much a manager's responsibility as individual development, and it **often drives performance.**

As we move to more team-based structures, performance management will become more and more complex, leading to greater reliance on sophisticated PM systems to orchestrate team performance.

TIP
Use the
SMART framework
for setting strong goals: specific, measurable, attainable, relevant, and time-bound.
**Cognology** has an objectives library to get you started.

Rise in HR data analytics

Today's uncertain business environment has led to an increase in executive interest in workforce data, primarily to gauge organisational ability to meet new business demands. There's also increased external pressure for data. Some regulators are beginning to require disclosure of human resources information. The US Securities and Exchange Commission has proposed such a change.

Here's the problem: A recent survey showed that while 83% of organisations produce information about the state of their workforce, only 11% can get the data in real time. They also aren't able to get the information they need, and it's technology that's holding them back. Fifty-two percent said they lacked the systems to produce the kind of data they're looking for.

Organisation Production of Workforce Data %
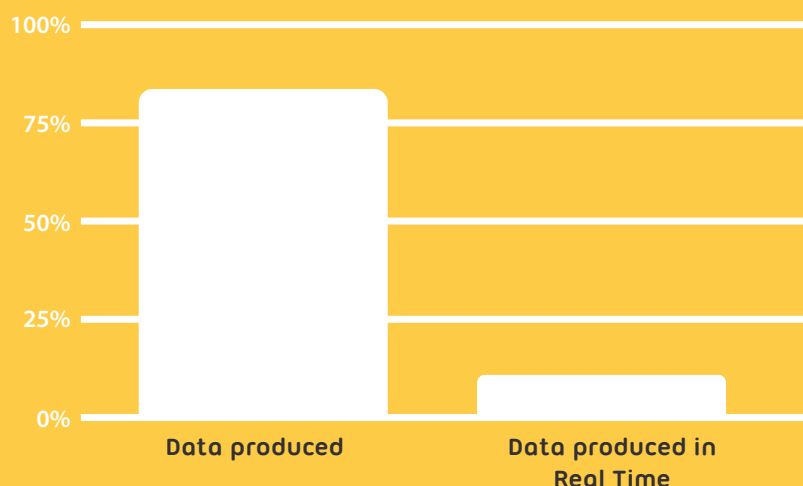
Source: **Deloitte**

Here's the good news: We're seeing **a steep rise** in HR data analytics as PM systems close the gap between supply and demand, a trend that will continue indefinitely. In fact, 40% of respondents in **a recent KPMG survey** said enhancing analytics capabilities is among the top three reasons for their organisations' investment in HR technology. "High-performance management depends on high-performance measurement," as **a recent MIT article** puts it. This year **we'll see high demand** for platforms that can analyse high volumes of accurate, relevant data in real time to reflect an always-changing workforce.

Cognology's dashboard automatically populates with the latest data every time you log in. Filter your data to build custom reports of endless variety––or use a standard report, like those for locating people with specific skills or those in need of training.

Responsibility shift from HR to managers

We continue to see a shift in people management responsibility from HR to managers. This can be a challenge when it comes to performance management. Increased responsibility requires increased buy-in, and managers aren't always an easy sell. PM can feel like a painful exercise in box-ticking for many. The key lies in demonstrating clear value in the process for the manager. Of course, the value to managers is much of what benefits the organisation as a whole: better relationships with and performance from their staff, which in turn makes their lives easier and reflects well on their own performance.

Research has shown the following to be the most important responsibilities of managers in performance management:

- Setting clear expectations, priorities, success criteria, and standards

- Revising expectations in real time

- Providing informal feedback daily to praise, coach, and course-correct employee performance

- Checking in regularly with employees to stay in touch and provide guidance

- Coaching employees and helping them solve problems to enable success

However, despite shifts in responsibility, HR still has plenty on their plates:

- Advising on the PM process itself, ensuring efficiency and effectiveness in supporting the goals and values of the organisation

- Analysing and interpreting PM data to inform organisational decisions going forward

- Serving as an employee advocate throughout the process, helping them feel confident speaking up

- Ensuring a focus on employee development

- Functioning as a role model within their own HR teams

Pay particular attention to that second point. **A recent KPMG survey** found that three in five believe the HR function will rapidly become irrelevant if it doesn't modernise its approach to understanding and planning for future needs of the workforce. Data analytics should be a primary focus for HR professionals today.

Three in five HR leaders believe the HR function will rapidly become irrelevant if it doesn't modernise its approach to understanding and planning for future needs of the workforce."

Do your managers feel comfortable fulfilling their PM responsibilities? **Cognology** supports managers every step of the way with integrated customisable adaptive guides throughout the entire PM process.

Increased adoption of agile methodologies

agile

adjective | ag·ile

having a quick resourceful and adaptable character

- Merriam-Webster Dictionary

While agile performance management is not a new concept, it's only now starting to become the dominant PM methodology across organisations. Indeed, not only is performance management now agile, the term is increasingly embraced to describe organisations as a whole.

Here's a quick review. What makes performance management agile is the emphasis on a series of shorter, but more regular formal and informal reflection, goal setting, coaching, and feedback discussions that support performance. It's an ongoing process, not a once-a-year exercise in form filling.

Experts agree that feedback should be considered a separate activity than the more formal performance evaluation. **Gallup** found that workers who receive weekly (vs. annual) feedback are five times more likely to strongly agree that they receive meaningful feedback, three times more likely to strongly agree they are motivated to do outstanding work, and twice as likely to be engaged at work.

Weekly Feedback Improves Perception and Motivation

5.2 x	3.2 x
I receive meaningful feedback	I am motivated to do outstanding work
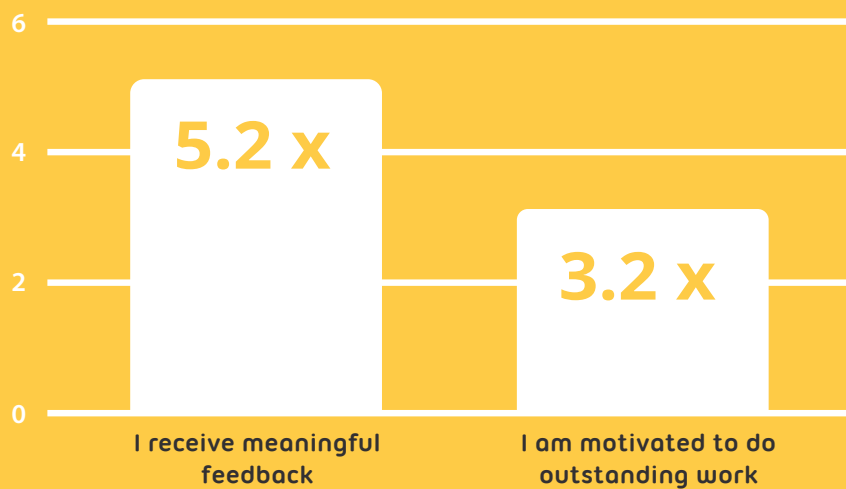
Source: Gallup

But agile is about more than frequency of feedback. *360-degree* feedback is a key element of agile PM, though **only 23%** of organisations are using it today. We expect to see that number increase, especially as new technologies automate the process.

Benefits of Agile PM

1 Provides for more and better quality conversations and relationships between managers and employees

2 Quickly realigns employee performance based on short-term business opportunities

3 Gives employees a greater sense of control over career growth and opportunities

4 Increases employee motivation by decoupling formal reviews tied to incentives

5 Saves time on formal performance reviews, as performance information has already been collected

6 Increases employee engagement, productivity, satisfaction, and retention

Cognology streamlines and automates the agile PM process with everything you need for real-time feedback, development tracking, check-ins, follow-ups, and more.

The role of performance management systems

Whether your organisation practices traditional or agile performance management, you know all too well how complex and time-consuming the process can be. Especially in responding to the trends we've just discussed, modern PM technology is truly essential to efficient and effective implementation.

In fact, 38% of respondents to **the Deloitte survey** said increasing the efficiency of HR activities through automation is one of the biggest changes HR should make to maximise its impact. And it's particularly important in performance management, given the voluminous nature of data collected. Performance management systems make recordkeeping easy, but the enablement of robust reporting and analytics may be the greatest benefit of all.

"The biggest cultural and organizational impact of next-generation performance management systems will be feedback time, tempo, and impact. Instead of annual, quarterly, or impromptu reviews, talent- and accountability-oriented enterprises will encourage and enable near-constant feedback."

MIT Sloan Management Review

Effective PM systems also allow feedback and reviews to be filled out, shared, and processed much faster than traditionally possible, making the process easier for participants and an excellent enabler of agile PM. They also place high importance on learning and development modules, and help employees collaborate with managers to structure their own development goals.

Finally, top PM systems are designed with the employee experience in mind. That means tools are easy to navigate, mobile-friendly, and transparent in sharing personalised performance data. Forward-thinking organisations are prioritising performance management to make it an employee-centric experience. A good PM system says to staff, "We've invested in this because you're important," building trust and meeting the expectations of today's workforce.

Last year, **Mercer found** that only 2% of companies feel their performance management approach delivers exceptional value. If it's time for your organisation to revamp performance management, start with your PMS. **Reach out now** to learn how **Cognology** takes performance management to a whole new level.

cognology

We exist to help our customers bring their people together and achieve great things. The world of work is changing, hurtling toward a more connected, collaborative and fast-paced future. We believe technology is one of the core drivers of this transformation and that we can harness its power to fundamentally improve the way people work together. Our mission is to help you succeed in this new world of work.

Each customer is unique and has their own special requirements. We've built our software to be flexible to move with the changing needs of customers over time.

To help customers succeed we employ a mix of HR, customer and technical specialists. Customers appreciate being able to speak with people who've had real life experience in HR roles to advise and assist them in their technology adoption.

Our software is continually being enhanced and improved using feedback we gather from customers and our own internal R&D process.

We encourage you to reach out and talk to the team about how we can help you automate and improve your people management.

Contact us today

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