



Making the Case for Continuous Performance Management®

Top HR Industry Experts Weigh In

Your workforce
accounts for 70%
of your total
business costs

70%



With unemployment at its lowest rate in 50 years, competition for talent is increasing in every industry. It takes significantly longer to fill open roles, and new hires are able to demand the highest average salaries in a decade.

This situation creates overall workforce costs that can account for as much as 70% of total business costs.

Millennials comprise a growing portion of the workforce, and present unique challenges when it comes to managing, motivating and retaining them. Only 29% of them are actually engaged at work, and 45% plan to quit their current job within two years. Millennial turnover alone costs the U.S. economy more than \$30 billion dollars annually.









29%

Less than 1/3
of Millennials
report feeling
engaged at work

Meanwhile, despite an unprecedented rate of technological innovation, companies are struggling to increase employee productivity. According to [Deloitte](#), “improving productivity comes down to how businesses organize, develop and align people at work.”

It’s clear: business and HR leaders can no longer continue to operate according to the same old paradigms and expect different results. Annual performance reviews do not adequately support a modern workforce and cannot ensure that an organization’s business goals can be met. As a result, organizations are increasingly adopting Continuous Performance Management practices as the preferred way to motivate, develop and align their workforce.

HR leaders have identified these as the top goals for performance management in their organizations:

-  Achieve the top goals and priorities of the organization
-  Increase employee engagement
-  Attract and retain top talent
-  Train the workforce on skills needed for businesses to succeed today
-  Develop the workforce to meet future needs and skill requirements
-  Create, nurture and sustain a feedback culture

Research and insights from the top HR industry and technology analysts and experts validate that a Continuous Performance Management process, supported by the right HR technology, can deliver these desired business outcomes.

To help you build the business case for Continuous Performance Management within your own organization we’ve compiled some of the latest findings from top analysts, thought leaders and researchers in the field. Whatever outcome your organization is looking for from its performance management process, you now are equipped with all of the best information, all in one place.

A Continuous Performance Management process comprises:

Q1



Goals or Objectives

- Employee goals, set at least quarterly, that are transparent and aligned to top company goals
- Career development goals for each employee are included in each performance period
- Cross functional team goals — for visibility and accountability
- Transparent communication of goal progress across the organization



Frequent Conversations Between Managers and Employees Regarding:

- Goal creation and alignment
- Goal progress and completion (for both organizational and career goals)
- Feedback, coaching and recognition

Q2



Q3



Multi-source Feedback

- Both managers and employees are able to solicit and give feedback
- Feedback conducted both ad hoc and at scheduled intervals
- HR can solicit confidential feedback from both employees and their managers



Up-to-Date, Data-driven Workforce Insights

- Workforce insights fuel other talent processes such as compensation/bonuses, leadership succession planning, calibration and more
- Insights also inform cross functional team staffing

Q4



Business Outcome: Increase Enterprise Agility and the Ability to Consistently Meet Organizational Goals

Executives want to feel confident that everyone is focused on “the right things” — those activities and objectives that matter the most to the organization. They want to feel confident that what needs to be achieved will be achieved. Studies show that organizations with Continuous Performance Management processes see improvements in agility and consistently meet their stated goals faster and with greater degrees of success.

McKinsey
& Company

McKinsey reports that organizations must adapt their performance management practices appropriately to support needed agility. That means supporting team goal setting, frequently reviewing objectives, ensuring transparency of targets and performance, focusing on continuous feedback and on-going development conversations and collecting input from multiple sources.

MIT Sloan

This is due, in part, to the fact that a continuous process ensures people set measurable goals that align with desired business outcomes. Compared to vague exhortations like “do your best,” research out of MIT’s Sloan School of Business shows that a handful of specific, ambitious goals increases the performance of an average team or individual to the 80th percentile of performance.

Companies that embrace a continuous performance program, and continually improve it, cite the ability to confidently target relevant business outcomes at a rate of 2-1.



48%

23%

Business Outcome: Increased Employee Engagement

GALLUP®

Gallup's decades-long research on employee engagement makes clear the positive impact of an engaged workforce. When compared to bottom quartile teams, organizations scoring in the top quartile of engagement enjoy:

21%

higher profitability

20%

higher sales

17%

higher productivity

24%

lower turnover
in high turnover
organizations

59%

lower turnover in low
turnover organizations



Deloitte.

Deloitte reports that when companies redesign their performance management programs to be more continuous, they see direct improvements in employee engagement. Frequent conversations up, down and across the organization are another essential pillar of any continuous performance process, and this also has a significant positive impact on workforce

Gallup found that employees who had conversations with their manager in the past six months about their goals and successes are 2.8x more likely to be engaged.

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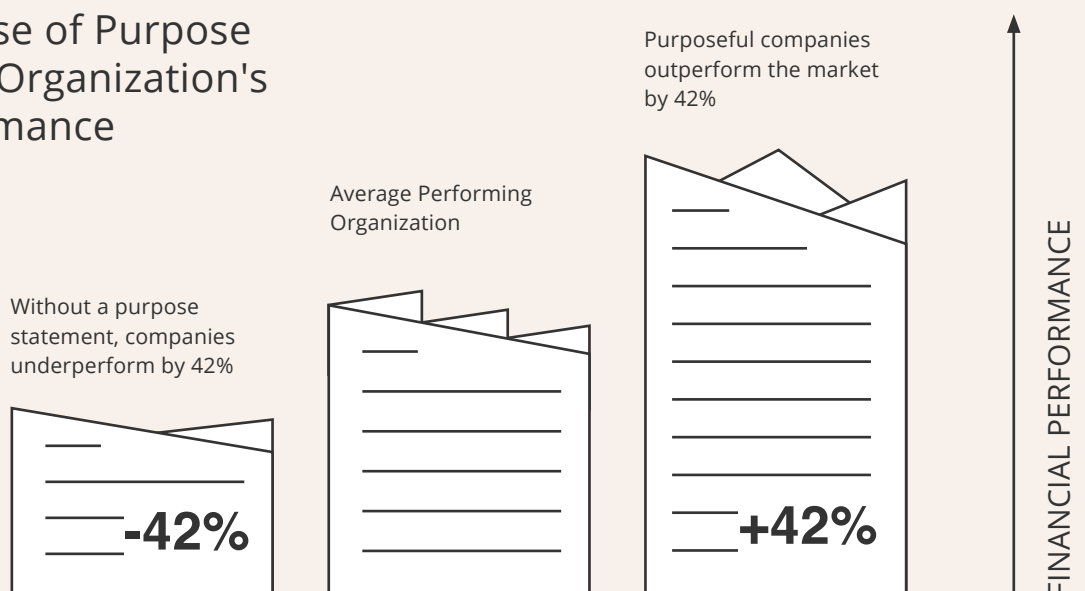
Another critically important part of designing these programs to maximize engagement is ensuring that employees are able to link their goals to the top priorities — or the purpose

GALLUP®

— of the organization. When your organization has a strong and active sense of purpose and your employees are able to link their day-to-day work to that purpose, Gallup found that engagement increases by 3.5x.

Fostering this sense of purpose unifies and engages managers, employees and the entire organization and can have a significant positive impact your bottom line. In a survey of 1,500 global C-Suite executives, research from DDI found that those companies who clearly define and then act on a sense of purpose outperformed the financial markets by 42%.

Nurturing a Sense of Purpose Can Boost Your Organization's Financial Performance



Source: <https://www.ddiworld.com/glf2018/purposeful-leadership>

Business Outcome: Attract and Retain Top Talent



Many companies still struggle to both identify and recognize their best-performing talent because their practices and systems remain rooted in outdated hierarchical models. Today's employees spend more time participating in cross-functional teams than in the confines of their functional workgroup. Consequently, to be able to recognize the impact of their top talent and identify opportunities for their growth and development, managers and HR need visibility into the goals and progress of these cross-functional teams. And they need tools to gather developmental feedback from the people with whom their employees work most closely. HR technology that is purpose-built for Continuous Performance Management supports these requirements by increasing the visibility of individual and team goals, ensuring alignment around an organization's top priorities and facilitating managers in having those crucial conversations around feedback, development and recognition of top talent.

Attracting, developing and retaining top talent becomes a lot easier when you know what your highly performing employees need to remain motivated and engaged long-term. Motivating your top performers requires a continuous process that includes quarterly goals that focus on their personal development. It also means that managers must regularly provide timely feedback and coaching that supports employee growth and development.

According to DDI, by ensuring conversations are continuous and development goals are tracked and updated on an ongoing basis performance improves by **24%**.



Another key element for motivating your high potential employees is providing them with ample opportunities for learning and career development. The number one reason employees give for looking for a new job is an inability to learn and grow, so ensuring your top performers are given the opportunity to continuously develop their skills and advance their careers must be a top priority. This requires leaders engage each employee's sense of purpose through helping them focus their work on what matters most to the organization, and to them personally. High-performing employees want to feel their work is connected with the purpose and priorities of the organization, and when they do DDI reports their intent to stay is 14% higher.

Finally, high-performing employees expect recognition for the outsized impact they have on the organization. These individuals are well aware of the increased business impact they deliver compared to their peers, and it's important they know that their managers, HR, senior leadership and whomever is part of deciding who is on the fast-track recognize it too.

When companies differentiate pay to more fairly compensate top performers for their impact to the organization, McKinsey found that more than half (52%) self-report that their organizations have outperformed their peer organizations over the last several years.



52%

McKinsey
& Company

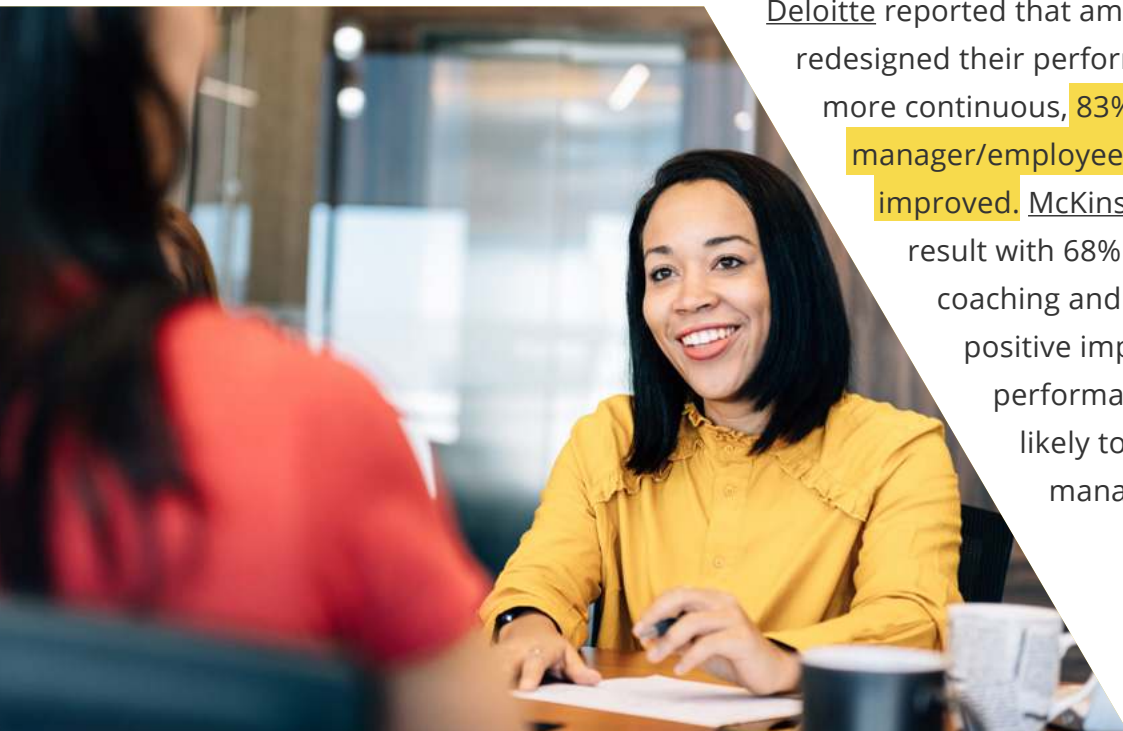
Business Outcome: Develop Your Workforce and Nurture a Feedback Culture

Continuously developing your workforce ensures your organization is able to achieve its current goals today and be ready to address tomorrow's challenges. Creating a culture of feedback within your company that fosters frequent coaching conversations between managers and direct reports as well as peer-to-peer facilitates that continual development.

According to the DDI Global Leadership Survey, employees who receive daily feedback are 3x more likely to be engaged than those who receive feedback on an annual basis.

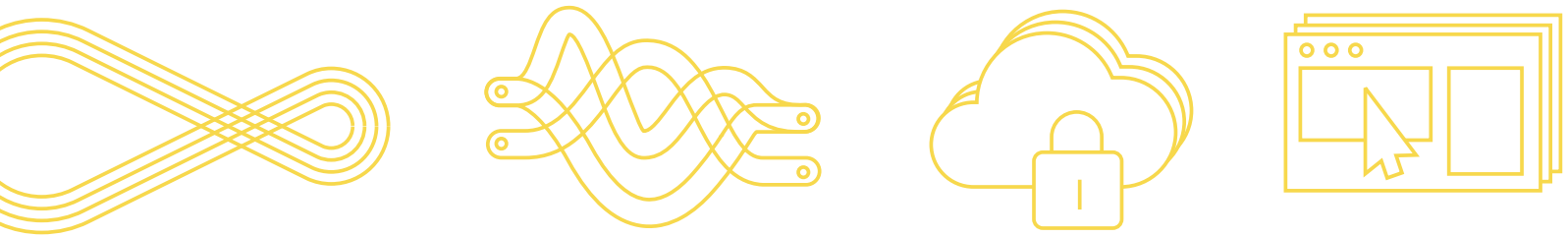
A huge benefit of a Continuous Performance Management process is that it gives managers the up-to-the-moment insights they need to deliver frequent and effective constructive feedback to employees. DDI found that when managers hold employees accountable for their performance, they are 2.5x more likely to be engaged at work.

Deloitte reported that among companies that have redesigned their performance management to be more continuous, **83% say that the quality of manager/employee conversations significantly improved.** McKinsey research shows a similar result with 68% reporting that ongoing coaching and feedback has the most positive impact on an individual's performance and were 10x more likely to rate their performance management process as effective.



Conclusion:

Process is Key, and the Right HR Tech is Essential



In order for HR to deliver these business-critical objectives with their performance management process, the right technology is crucial. McKinsey abbreviates in their report that organizations are three times more likely to outperform the competition when they have an effective performance management system in place.

Importantly, it's not enough that the performance management technology solely benefits HR; it has to be valuable to managers and employees in your workforce. If your workforce doesn't see value from the process, they won't use it and consequently your business won't reap any benefit. Today's workforce expects their technology — even their HR tech — to be intuitive and integrated seamlessly into their flow of work. Noted HR industry analyst Josh Bersin calls this the "Employee Services Layer," and identifies it as "the single most important technology investment" HR can make. This is validated by research from Deloitte, which found that performance management technology integrated into day-to-day workflow systems results in 4.3x higher change in agility and 5.5x better ability to develop leaders.

Today's business challenges demand a new approach to aligning, managing and motivating every organization's greatest asset: its people. A Continuous Performance Management process, supported by robust technology that can be tailored to support your business' unique requirements, offers a solution to these survival-critical challenges.

According to Deloitte, organizations with effective performance management systems perform 92x better financially than those with ineffective, often annual, reviews. Betterworks is the complete software and service solution for forward-thinking organizations wanting to motivate their modern workforce to deliver needed business results. Our solution supports truly global workforces, and is used daily by workers from 119 countries in more than 20 languages.



Flexible enough to support every organization's unique program comprising goals, conversations, multi-source feedback and workforce insights, Betterworks helps organizations align work to goals, develop their employees and accelerate business growth.



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