Making Performance Management Work for Everyone
The Future of Performance Management

It’s time to rethink your employee review process. Why? Experts agree¹ that the traditional annual employee review is holding business performance back. You know the drill: *that time* of year rolls around, and a stress-filled meeting is set on the calendar, dreaded by both manager and employee. These annual sessions place an enormous burden on managers to squeeze 365 days’ worth of feedback into an hour at a conference table, and can be a source of negative anxiety for those being reviewed.

The solution is not to eliminate the employee review process completely. Instead, you can transform the employee review from a dreaded once-a-year event into a valuable, ongoing opportunity for mentoring and motivating personal performance and career growth.

The review process is best viewed as a continuous, collaborative effort between managers and their teams. Rather than saving up every comment about an employee’s performance for a single meeting, managers should offer this feedback to their employees on a regular basis, regardless of time of year. This could be as simple as a quick, informal comment in the hallway about a recent task or as sophisticated as logging a career milestone in an online performance management tool, to be accessed by employees at any time. This kind of ongoing stream of feedback holds extreme value to employees, especially younger, millennial hires who thrive in response to continuous reinforcement in the workplace. In contrast, if certain feedback is glossed over or left out of a traditional annual review, there can be potentially serious consequences with regard to long-term employee performance. Essentially, there is less risk of a manager communicating *too much* to an employee, but very high risk associated with providing too little coaching and feedback.

By following these six simple steps and taking advantage of the right tools, you can transform employee performance management at your organization.

Align Performance Objectives with Business Strategy

Aligning an employee’s career goals with the strategic goals of the organization is essential to the success of the individual and the company as a whole. However, research shows that as many as 95% of employees aren’t aware of, or simply don’t understand, their company’s corporate strategy.²

²https://hbr.org/2005/10/the-office-of-strategy-management/ar/1
Take the time to map out high-level corporate goals with your people, and then establish employee performance milestones that help to advance those goals. Managers should be able to communicate these milestones clearly to employees and check in on them often, reinforcing how they tie into the company’s top-level corporate strategy. That way, any time one of these milestones is achieved by any given employee, it will also be an accomplishment for your organization at large. Rather than having no stake in an organization’s business strategy, employees will see that any individual advancement in job performance will be directly tied to strategic advancement for the entire company.

**Keep All Performance Reviews Online**

By taking advantage of a unified human capital management solution, every employee performance review and instance of formal and informal feedback from a manager can be stored in the cloud for easy access. What this means is that employees can view their individual career progress anytime, from anywhere.

A far cry from the highly stressful but easily forgotten annual review, online access provides both a simple way for employees to see a real-time assessment of their performance, as well as a record of their progress over time. Today’s industry-leading solutions also support mobile access. Enabling employees to access their goals and a history of their career progression from anywhere, on any device, further supports performance management as a continuous and collaborative employee experience. Access to this technology from employees’ preferred mobile devices also helps build engagement and motivation to succeed.

By keeping everything online, your managers can also leverage the aggregated performance and compensation data you’ll build over time, along with other important workforce data metrics, to gauge an employee’s future performance and even the likelihood of retention. This potent new trend in predictive analytics is even enabling best-in-class HR technology solutions to suggest valuable actions and next steps for managers to support and retain their top performers.

**Set Measurable Goals and Objectives Year-Round**

We've already acknowledged that a "yearly checkup" is antiquated in terms of gauging employee performance and providing feedback. Instead, managers should provide feedback in smaller, more digestible chunks throughout the entire year. This ensures that no critical feedback is skipped by the manager, and that the information is more likely to be retained by the employee.

Feedback needs to be continuous, clear, and frequent—especially for the growing pool of millennial employees who perform best when
communicating and collaborating openly and often. Management can create a “blueprint for success” that employees can follow, with structured, measurable goals that reflect key performance milestones.

Ideally, managers should strive to gather multi-contributor feedback to paint a complete picture of an employee’s performance. Performance information from peers can be just as valuable as a manager’s impressions. With performance management as part of a unified HCM solution, this is easy for your team members to engage in using the same online system of record as your managers.

Create a Purpose-Driven Environment for Compensation

Fostering consistently outstanding performance is a combination of finding the right career and cultural fit for employees and providing incentive to grow. The traditional annual review process is ineffective with regard to the latter, because many employees consider the ultimate outcome of these reviews to be an automatic pay raise for satisfactory performance. This creates a twofold problem, where employees may experience intense anxiety leading up to their review, but only pay close attention to the last few minutes of it—when the pay increase is mentioned (or omitted). This cycle can also lead to tunnel vision, with both sides viewing feedback on performance solely in terms of pay, neglecting the sense of purpose that many employees crave.

Instead, contextualize work in light of the strategic goals of your organization and consider their value to your organization when making compensation decisions. Using reviews as an opportunity to remind employees how their work impacts the big picture can be a powerful motivator for personal performance and growth. Consider separating merit-based pay from annual cost-of-living raises, and make sure that your employees understand that their ongoing contributions to the company’s goals are a critical factor in determining their overall compensation. Using a unified HCM solution, managers can enact approved pay increases seamlessly at any point throughout the year, using the same gateway through which they can leave performance feedback.

Analyze Performance Management Data and Trends

Making changes to the methodology of the employee review is just the beginning when it comes to perfecting performance management at your organization. To take it to the next level, employ cutting-edge reporting and analytics to back up your assessment of your workforce’s performance. From comparing retention metrics across different teams to getting a more accurate picture of employees that have held multiple positions over the
course of years, comprehensive business intelligence tools put a wealth of performance data at your fingertips.

This kind of analysis can enable your business to set a performance baseline to be applied to every new hire, or tailored to fit the needs of unique teams and positions. Track long-term trends, empowering your organization to adjust proactively at any point during the year to reflect the most up-to-date feedback and consistently enhance performance.

**Manage Everything in One Place**

The antiquated annual employee review process often goes hand-in-hand with unwieldy tracking and storage solutions that involve multiple sources of data, manually updated spreadsheets, and even completely separate providers for different tasks. The more convoluted the system becomes, the less likely it is for the necessary feedback to have a positive impact on employee performance.

In transforming your organization's performance management, embrace a solution that provides the full array of tools a manager needs to track and review every aspect of an employee's performance, while making this information accessible to your employees at any time in the cloud. Comprehensive HCM can deliver this functionality alongside all areas of business that relate to performance management, including compensation management, career development, succession planning, trend forecasting, and more. New advances have been made in predictive workforce analytics that can harness all of the relevant data points that impact performance and even offer proactive recommendations on actions for managers to take to further engage their employees, such as setting up a career development plan or offering public recognition of an accomplishment.

A best-in-class, cloud-based solution will provide all of this in one single system of record, accessible online at any time and even on the go. To truly future-proof your performance management, adopting unified HCM is the first step.