Performance based bonus

Performance review

+572

Continuous feedback

Schedule cycle

Goals

Manager reviews

Self reviews

Peer reviews

Upward reviews

Performance management guide

How to build a high-performance culture for your organisation

Personio

Just over a quarter (28%) of employees have systematic performance management in place.

Source: CIPD, 2023

Why performance management is key in tackling the employee engagement crisis

Is retention a major concern for your business? We are currently experiencing a worldwide employee engagement crisis, with only 33% of employees considering themselves to be 'actively engaged' at work.

The good news is that performance management can help to transform that disconnection into a culture of high performance. For example, research by CIPD found that 89% of employees with robust performance management processes achieve their objectives, compared to only 76% who don't have them in place.

Performance management and employee development are absolutely critical to business outcomes. To create a high-performance culture, you'll need a system that has the flexibility and the insights you need to make better talent decisions.

Read this guide to learn how to:

· Set up strategic performance management

· Optimise processes and measure performance

· Support, motivate and retain employees

· Use practical tips to grow performance each day

Build better performance management processes in five easy steps

1   **Take stock of your status quo**
Determine the current state of performance.

2   **Create a culture of continuous feedback**
Enable employees to grow each day.

3   **Support your managers**
Ensure your people get what they need.

4   **Trial your new review cycles**
Focus on what's really important.

5   **Track your results**
Measure what success looks like.

Take stock of your status quo

What's the current state of performance management at your company?

HR managers are responsible for strategically driving talent management, performance, engagement and development. In order to formulate strategic initiatives in these areas, you need to understand the data that defines them.

The first step is to familiarise yourself with your performance management process as it is right now. With this essential information, you can make the necessary adjustments to your performance management processes and initiate change processes.

Quiz: 6 questions to analyse where you're at

1 **Do you have a set performance management process in place?**

Yes   No

Why is this important? You'll need a standardised process to ensure performance management is consistent and done correctly throughout your company.

2 **Who do you currently collect data on during performance evaluations?**

Individual employees   Entire departments

Managers   All of the above

Entire teams

Why is this important? In order to truly drive performance across your business and fix issues at scale, you'll need to evaluate individuals, managers, teams and departments.

3 **Which performance management methods are you currently using?**

Evaluation scales

Continuous feedback

360-degree feedback

Setting and tracking goals

Team or department evaluations

Why is this important? Data is only valuable if it is still accurate by the time it's analysed. For example, feedback should be given when it's needed and without delay.

4 **How do you organise evaluations during performance reviews?**

Consistently using a standardised evaluation form for all employees

Individually with customised criteria for each employee

On a team-specific basis with customised criteria for each department

Why is this important? It enables you to define standards so that you can keep an eye on the bigger picture and deal with each employee on an individual basis.

5 **How do you measure performance in your organisation?**

Using HR software

We don't measure it

Using employee feedback

On the basis of staff turnover

On the basis of the promotion rate

Why is this important? Ideally, you'll want to use metrics that are particularly relevant for your company and part of a process so you can collect data consistently over time.

6 How often do you monitor performance?

Weekly

Monthly

Quarterly

Every six months

Once a year

We have no set cadence

Why is this important? The more frequently you are collecting data, the more you can track trends over time and set expectations for your employees and their growth.

Why performance management matters

Don't underestimate how important it is to continually develop employees and measure performance in a fair and transparent way. Ask yourself the following questions:

- **How much would a demotivated employee cost the company?**
- **How much is an employee's performance affected once they become disengaged?**

Example:

A sales employee with an annual salary of £40,000 may generate £125,000 per year. If they are demotivated or disengaged, they may only perform at 70% of their full capacity, bringing in only £87,500 per year — costing the company around £40,000.

Assessing your answers:

How do your performance management processes look now that you've considered them on a broader scale? Did anything surprise you? What would you like to improve and how would you like to do it? If you'd like help, you can speak to one of our experts here.

Create a culture of continuous feedback

Why is feedback so important?

Feedback discussions should not take place a few times a year but on an ongoing and as-needed basis. For younger employees, they're absolutely essential. CNBC reports that 73% of Gen Z employees would resign if they didn't get regular feedback from their manager. Meanwhile, Unleash found that 63% of employees want more regular feedback.

While annual discussions may still be the norm in many businesses, if you want to support your employees, you need to integrate performance management into your daily routine.

80%

of employees who have received meaningful feedback in the past week feel fully engaged.

Source: Gallup, 2024

To-dos for HR managers

1 Provide a centralised place for real-time feedback

2 Support managers to focus on actionable feedback

3 Help employees see the value of continuous feedback

Support your managers

Managers are currently spending nearly one full day a week on administrative tasks.

Source: McKinsey, 2023

Enabling managers to do what they were hired for

When budgets tighten and pressure increases, middle managers are the first to feel it. And we're not setting them up to encourage the growth we need to tackle challenges.

Research by McKinsey found that nearly half of their time is dedicated to non-managerial work. So it's no wonder that performance reviews are often seen as a time-consuming chore. if you want to support your employees, you need to integrate performance management into your daily routine.

"It's been really good because we can pull data from every performance cycle across the business into one place. It's so much easier to see who's done what and it's standardised so we know what kind of questions are coming through. Plus we can get both peer-to-peer and bottom-up feedback."

Nina Johansson, HR Manager, British Rowing

Read the case study

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Support your managers

Here's how to do it:

1. Focus beyond the numbers

Motivated and satisfied employees perform better. Managers should demonstrate genuine interest in and curiosity about their team members, continually asking themselves: What impact are my team members making and how can I support and amplify that?

2. Encourage regular check-ins

This not only takes the pressure off managers, it shortens the time per review to around fifteen minutes. Additionally, it helps the atmosphere become more informal which encourages more honest and accurate feedback between them and their direct reports.

To-dos for HR managers

1 **Provide training to develop feedback skills**

2 **Reinforce how crucial motivation is for success**

3 **Try to recognise performance throughout the year**

Trial your new review cycles

20%

Fewer than 20% of employees feel inspired by their current review process.

Source: SHRM, 2023

How can you create clear goals?

Your employees need to know which criteria will be used to evaluate them and which targets they will be measured against. This requires clear communication between managers and employees to create a shared understanding of what is expected.

How do you balance standardisation and personalised evaluations?

Every organisation needs some level of standardisation of their performance ratings, even though 'what good looks like' for different roles will vary. However, having standardised ratings does not mean that goals and reviews cannot be personalised — they should be.

What should you pick to focus on?

To ensure real change, the manager should work with the employee to select one aspect of their performance they can focus on. Create clear documentation of these criteria, past performance and targets.

Best practice

Create a digital employee file where the manager can record employee performance targets and progress. The manager can then use these notes later on to evaluate the employee's performance and justify their conclusions.

To-dos for HR managers

1. Create a documentation framework

2. Enable managers to set specific goals

3. Give a list of questions to answer during reviews

Track your results

People who receive low-quality feedback are 63% more likely to leave, whether high, middling, or low performers.

Source: Fortune, 2023

What should success look like in performance management?

The truth is, it is difficult to measure this until one to three years have passed. But when can you really say that your new performance management process is successful and that the system is working to drive better engagement and performance?

Use the following metrics as a guide:

1. Employee turnover rate:

Measure the turnover rate in your company and compare the figures annually. Of course, attrition from low performers can raise turnover rate overall, but with a good handle on talent data, you will be able to evaluate this with more certainty.

2. Promotion rate:

In the best-case scenario, employee development goes hand in hand with promotions. Here, you can also compare the number of promotions during specific time periods. This will allow you to keep track of the number of management positions that have been filled internally.

3. Goal attainment rate:

Performance reviews generally involve the setting of employee objectives. What percentage of your employees or teams were able to achieve 100% of their targets? The higher the percentage, the better your performance management is working.

How can HR software help performance management?

HR software can help you run your performance management processes clearly and efficiently, automating the more administrative tasks such as setting up evaluation forms and review cycles.

It also allows you to consider each employee's performance individually. This helps you to spot challenges or development points more quickly and take the best course of action to get employees back on track.

The data you can access (for example a 9-box grid) also allows you to keep an eye on the big picture and draw strategic conclusions such as:

- **How are your employees and teams performing overall?**
- **Which teams have performed exceptionally well? Which departments are they from?**
- **Does this allow you to draw any conclusions regarding their manager or coaching?**

Evaluating these metrics not only gives you information about the success of your performance management, but also tells you how engaged your managers are:

The role of employee feedback

Your employees are also a good source of information. Conduct regular surveys to determine the current status of your performance management. How satisfied are they with their own situation and development? What role has the performance review process played in this? What do you think should be improved?
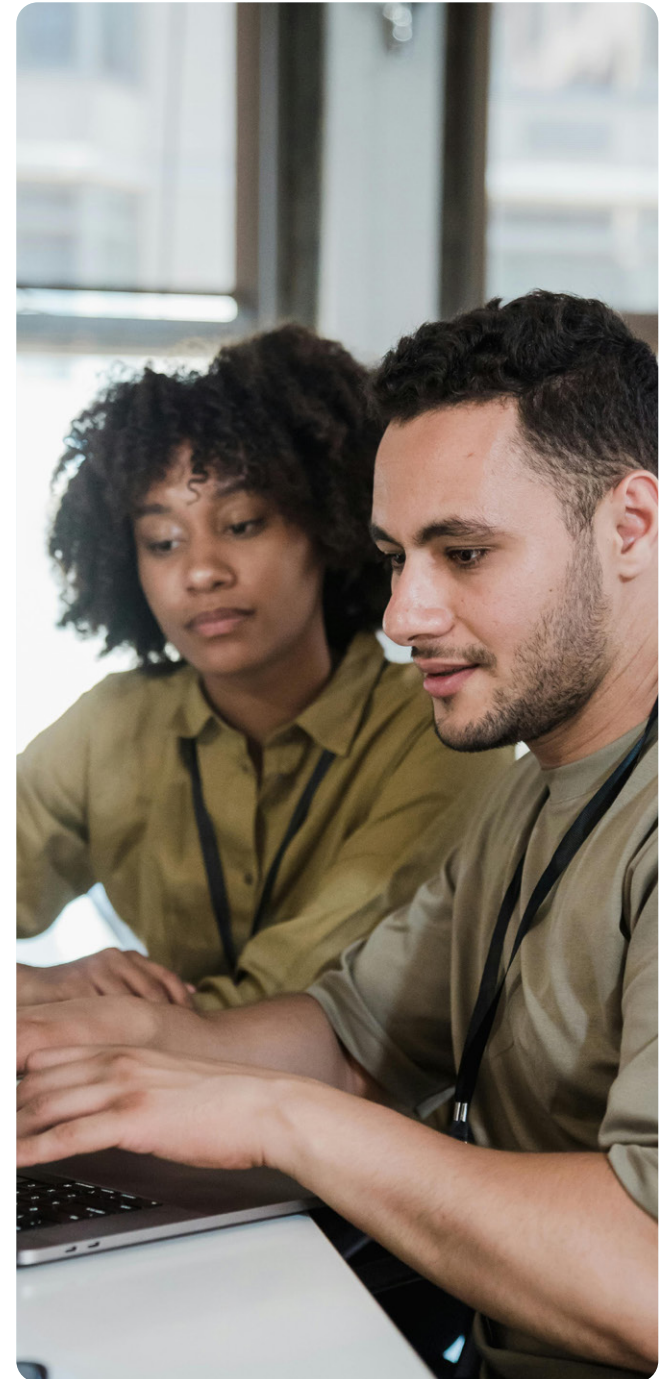
Conclusion

Performance management doesn't need to be complicated

With a holistic solution made up of integrated performance management processes, you can minimise administrative work for HR and give your employees exactly what they need: transparency, appreciation and a fair evaluation that will motivate them to pursue their professional and personal development.

HR managers play a key role in this process because they support every stakeholder. As the link between all parties, you need to understand your employees' needs and give your managers the tools they need to meet them. Only then will your employees enjoy success at work and be equipped to make a real difference to overall organisational performance.

Key takeaways:
· Determine the current state of performance
· Enable employees to grow each day
· Ensure your people get what they need
· Focus on what's really important
· Measure what success looks like

Create a culture of high performance that's right for you

Your culture is unique to your organisation — the way you run reviews and develop your people should be too.

Do things your way
Customise how you run review processes and share feedback.

Bring out the best
Enable managers to give candid feedback and set clear goals.

Get crucial insights
Lead more strategic conversations with easy-to-access analytics.

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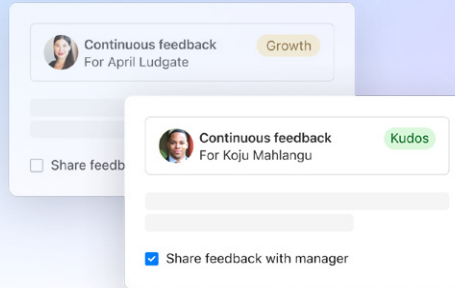
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Build performance your way
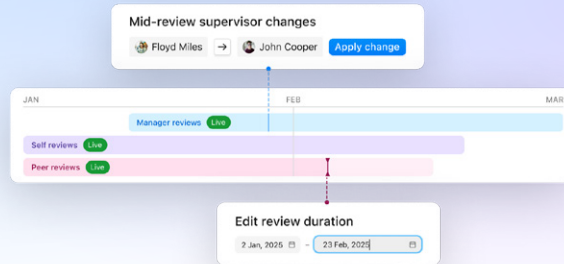
Performance reviews that fit
Flexibly add a variety of review types. Set confidentiality and sharing options that suit your culture. See everything in one place.
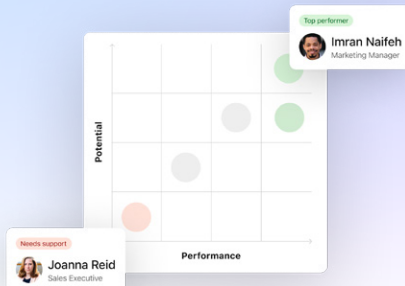
Continuous feedback to fuel growth
Drive a culture of development with anytime feedback in one click. Easily build templates and create your own questions.
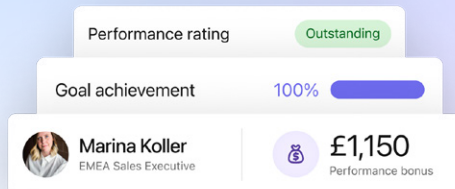
The best from your people
Set and track goals and recognise high performance. Give faster feedback and and manage training in one place.

Actionable insights
Make faster, better decisions with data at your fingertips. Spot challenges and lead strategic conversations with metrics.

Everything you need in one place
No more multitasking between systems. Select employees for reviews with ease and link bonus payments to their goals.

Start your free trial

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