

Continuous Performance Management



Continuous Performance Management

Your definitive guide to success

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1. The Problem: Why Annual Appraisals Don't Work

Welcome to our guide to Continuous Performance Management. You may be reading this because you're looking for an effective alternative to annual appraisals in your organisation. Or perhaps you've heard that annual appraisals are dead and are feeling confused about what to do instead.

Either way, this eBook will give you some practical answers.



Forward from Stuart Hearn, Co-Founder, Clear Review

A continuous approach to performance management is something that I've personally advocated throughout my 20 years in HR. Both as an HR Director and a performance management consultant, I've seen first-hand how informal one-to-ones and regular feedback are much more powerful drivers of performance than annual appraisals. In more recent years, research has shown that when these

simple principles are applied within a defined framework, the results can be dramatic. And it's that framework that I'll be introducing you to over the course of this eBook. I hope you enjoy it.

Let's start by understanding why appraisals exist and why they don't work effectively.

How did we end up with annual appraisals?

Imagine you know absolutely nothing about performance management techniques. Imagine also that you've been tasked with coming up with a framework for your managers to help them to get the best out of their staff and maximise their potential. Would your solution be a once-a-year meeting where staff are assessed on their performance over the last 12 months? I doubt it. So how did we get to a point where the majority of organisations are doing precisely this? To answer this, we need to dig into a bit of history.

Appraisals actually date back to World War I where they were used to identify poor performers for discharge or transfer. By the 1970s, around 90% of companies were using them. At that time they made sense. Inflation levels were very high and managers were being tasked with deciding how to allocate pay rises of 20% or more. Annual appraisals and ratings were a convenient way of doing this.

Appraisals remained popular into the early 2000s as flat organisational structures became in vogue.

Supervisors often had up to 25 direct reports to manage (compared to an average of 6 in the 1960s), as well as having to deliver their own work, so having regular, developmental performance discussions was simply not feasible in many organisations.

Fast forward to today and the business landscape is fundamentally different. We no longer have high inflation levels and flat management structures have generally fallen out of favour. Businesses are faster moving so setting annual objectives and assessing staff against them once or twice a year no longer makes sense. Annual appraisals were appropriate for a specific period in history, but they are not the right solution to meet today's business challenges.

What research tells us about annual performance appraisal methods

Research has identified a number of problems with annual appraisals in today's organisations:

Problem #1 – Managers hate doing performance appraisals. Research from the CEB has revealed that 95% of managers aren't satisfied with them. Because of this, managers often avoid doing them, or treat them as a tick-box exercise with little meaningful discussion taking place.

Problem #2 – Employees don't like appraisals either. 75% of employees see them as unfair and 66% say they interfere with their productivity.

Problem #3 – Appraisals are not adding value. A Deloitte study found that only 8% of organisations say they add value and that the majority of companies feel they are not an effective use of time. This is especially worrying considering the amount of time taken up by appraisal meetings, completing forms and collating and moderating ratings – around 210 hours a year per manager according to the CEB!

Problem #4 – Appraisals are not improving employee performance and engagement. A meta analysis of 607 studies of performance evaluations found this to be the case. The study also found that 30% of the performance reviews actually ended up decreasing employee performance.

Why are organisations still doing annual appraisals?

Despite the above research highlighting the problems with performance appraisals, why do organisations continue with annual appraisals? This is a question that the Corporate Executive Board (CEB) asked of the organisations it works with and two main reasons were cited:

1. To assess performance to make decisions about pay and promotions

Yet over three quarters of HR executives say that their performance review process does not accurately reflect employee contributions. This is due to a combination of manager bias (both conscious and subconscious), managers being unable to

effectively differentiate staff performance, and managers reverse-engineering performance ratings to get the reward outcome they want. This has been proven in numerous research studies, with one major study finding that there is zero correlation between individual performance ratings and actual performance.

2. To identify poor performers and hold them accountable

However, less than 5% of employees in an organisation are typically poor performers, so it doesn't make sense to require extensive documentation from everyone. Furthermore, managers frequently rate poor performers as satisfactory, so performance appraisals are not a reliable way of identifying poor performers anyway.

Why performance appraisals don't drive better performance

There are three main reasons why performance appraisal methods are not effective drivers of performance and engagement:

(a) They are trying to achieve too much in one meeting

The average annual appraisal today tries to achieve a number of different outcomes: reviewing performance against past objectives, assessing demonstration of competencies or values, giving feedback, recognising achievements, identifying performance problems, discussing career goals, setting a personal development plan, setting objectives for the forthcoming year and rating performance for pay purposes. Trying to cover all of these in a single meeting is simply not realistic. The end result is typically that none of the components are discussed in sufficient depth to be meaningful and the process becomes a tick-the-box exercise that disengages both the employee and the manager.

(b) Discussing performance once or twice a year is not enough

If we want to improve the performance and productivity of our employees, we can't expect this to happen on the back of one or two performance discussions a year. Studies consistently show that employees need regular feedback, recognition and coaching from their manager in order to perform to the best of their abilities. And millennials, who now make up more than half of our workforce, expect it. Getting feedback at an appraisal meeting about something that did or did not go well several months ago will have little positive impact and often leads to resentment.

(c) Appraisals tend to be past-focused rather than future-focused

Appraisals usually focus on whether employees have achieved their objectives over the last year and whether or not they have demonstrated the appropriate behaviours or competencies. However, in order to drive performance, we need to balance discussions about past performance with regular, future-focused conversations. Such discussions should focus on strengths and how they can be leveraged, how past successes can be replicated and, where things haven't gone to plan, what can be learned or improved upon next time.

Summary

In the first part of this eBook, we have explored why appraisals came about, the problems associated with them and why they rarely improve employee performance and engagement in today's organisations.

In Part 2, we'll be going back to basics and looking at what the purpose of performance management should be and uncovering the five key principles of effective performance management.

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2. Back to Basics: The Fundamentals of Performance Management

What is the purpose of performance management?

Most organisations have some form of employee performance management or performance appraisal process. Yet how many of us have genuinely considered why we do performance management?

What is it really about? It's vital that we ask ourselves this question if we are going to make performance management a success.

Few of us would disagree that the fundamental purpose of performance management should be to improve the performance and engagement of employees. Yet, as we established in Part 1 of this eBook, this core objective has often been largely neglected in a desire to measure and rate employee performance in order to facilitate decisions about pay and promotions, or to identify poor performers and hold them accountable. Ironically, such a focus has culminated in a situation where annual performance appraisals frequently end up decreasing employee performance rather than improving it.

The five key principles of effective performance management

So if performance management should really be about improving employee performance and engagement, let's consider what the key ingredients of this are:

1. Aligned, Near-Term Objectives

For employees to perform to the best of their abilities, they need to understand in clear terms what is expected of them. Furthermore, for organisations to succeed, they need all their employees to contribute to the overall goals of the organisation. The most effective way to achieve this is for each employee to agree meaningful objectives or goals with their manager that are aligned to the organisation's or team's goals.

Objectives are not a new concept. However, organisations have traditionally tended to ask their employees to set long-term objectives on an annual basis. The problem with this is that the objectives often become irrelevant as the business changes

and they take so long to complete that employees lose motivation. Because of this, forward-thinking organisations are now encouraging their staff to work on near-term or 'agile' objectives, typically with a 1 – 4 month time frame.

Researchers have found that objectives are more likely to be achieved if the employee takes ownership of setting their own objectives rather than being dictated to from above. Whilst the manager clearly needs to be involved in this process, Linda Hill, Professor of Business Administration at Harvard Business School advises that

66 A manager's job is to provide 'supportive autonomy' that's appropriate to the person's level of capability.

2. Frequent Feedback

When it comes to reviewing performance, research has shown that the biggest factor in improving performance is giving employees effective and frequent feedback. A Corporate Executive Board (CEB) Study found that giving fair and accurate feedback during performance reviews improved performance by a massive 39%.

Yet feedback is most powerful when given frequently and 'in-the-moment', rather than at formal performance reviews or via a 360 degree feedback process. A study reported by consultancy Mind Gym found that getting fortnightly feedback is the optimum frequency for people to perform at their best.

3. Regular Support from Manager

For employees to succeed in their roles and genuinely improve their performance, they need support from their manager, and they need it regularly. A once or twice-a-year performance appraisal simply doesn't cut it. A 2015 survey by TriNet found that 9 out of 10 millennial employees would feel more confident in their role if they could have more frequent performance conversations with their manager.

Another global study by Gallup found that employees whose managers have regular performance discussions with them are almost 3 times as likely to be engaged. This is hugely powerful considering that highly engaged employees perform better, are far more productive and can deliver 22% higher productivity for your organisation.

Of course it's not just about the frequency of performance conversations, but also the quality. We need to educate and train line managers to have one-to-ones that support employees to overcome barriers to success, focus on the future as well as the past and which result in clear action points for both parties.

4. Employee Recognition

For employee performance and engagement to be maintained, we need to recognise employees' successes. And there are significant rewards for organisations who make employee recognition a priority.

A study by Bersin & Associates found that companies that practice a "high-recognition" culture

have 30% lower voluntary turnover than average, and tend to outperform their peers in a variety of other metrics.

Whilst organisations have put significant time and effort over the last decade into perfecting their performance related reward processes, giving a regular “thank you” has been shown to be much more powerful than a bonus or pay rise. Today’s employees want to be acknowledged for their achievements and have their successes celebrated, so we need to incorporate processes that encourage this into our performance management.

5. Personal and Career Development

Discussing and agreeing personal development and career plans with employees is often paid lip service to in performance reviews, especially where the priority is placed on assessing and rating performance.

Indeed, research has found that only 8 percent of organisations’ development plans are effective.

Yet, companies who don’t put aside regular time to discuss employee development are at risk of losing their key talent – enterprising employees will go elsewhere to find a company who does.

Personal development is also essential for increasing employee engagement – AON’s 2018 Global Engagement Survey found that Career Development is one of the top 5 drivers of employee engagement.

Summary

In this second part of our eBook, we have established that the purpose of performance management should be to improve employee performance and engagement.

We have also considered five key principles of performance management involved in achieving this. In Part 3, we’ll be exploring the key components of our recommended Continuous Performance Management framework.

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3. The Solution: Continuous Performance Management

So far in this eBook, we've looked at why annual appraisals don't contribute to improved employee performance and engagement and we've explored five key principles of effective performance management.

In this section, we'll set out a practical framework for embedding these principles in your organisation based on Continuous Performance Management methodology.

Don't throw the baby out with the bathwater

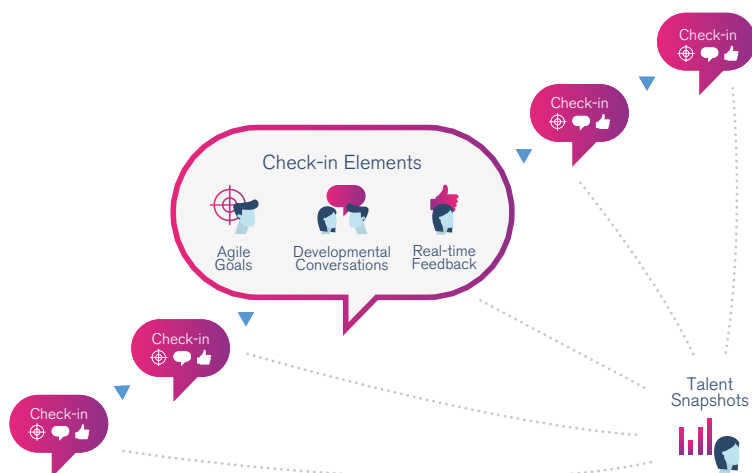
Before we look at our continuous performance management framework, it's important to understand why having a defined framework is important. If appraisals are not providing value in terms of improving employee performance, it may be tempting to simply stop doing them and leave it at that.

In fact some organisations have tried this and have left it up to their managers to have informal performance conversations with their staff and give them feedback on an ad-hoc basis.

However, studies have found that when you completely remove formal performance management processes, managers spend less time having meaningful performance conversations. This, on average, leads to a drop in employee performance of 10% and a 6% fall in employee engagement – clearly not a desirable outcome. So you'll need a framework that sets expectations for performance management and provides a structure for goal setting, performance conversations and feedback.

Our Continuous Performance Management framework

Continuous performance management differs from traditional performance management in that it is an ongoing cycle of performance and development discussions and feedback, as opposed to a process that starts and ends each year. This is summarised in the diagram below:



Let's take a closer look at the key components:

Agile Goals

Rather than setting a large number of 12 month objectives at the start of each year, under the continuous approach, employees agree a small number of near-term objectives or 'agile goals' that they are going to be working on over next 1-4 months (although longer term objectives can still be set where appropriate). The objectives may be related to performance, personal development, or a combination of the two.

These goals are then reviewed periodically at 'check-in' meetings (see below). When objectives are completed, new objectives are discussed and agreed to ensure there is a sustained focus on key priorities. This cycle continues on an ongoing basis.

There are a number of advantages to this approach. Firstly, near-term goals are achieved more quickly which improves employee motivation and builds momentum. Secondly, the objectives are less likely to become irrelevant over time as business needs change, which is a major flaw with annual objective setting. Thirdly, the onerous task of having to set a large number of objectives in one go, covering a whole year, is removed.

Setting objectives and reviewing them regularly makes sense from a bottom-line business perspective too. A study found that 50% of companies who review their goals each month are in the top quartile of financial performance, whereas only 24% of companies where goals are reviewed once a year are in that top bracket.

Regular 'Check-in' discussions

At the core of our continuous performance management framework are regular, meaningful performance and development conversations ('Check-ins') between employees and their managers.

Unlike annual appraisals, the focus of a check-in is the conversation, rather than completion of forms. Check-ins should ideally be future-focused and action oriented, rather than attempting to assess past performance.

Many organisations already encourage their staff to have informal one-to-one meetings. However, those one-to-ones tend to focus on day-to-day work. The purpose of a check-in is to step back from what is urgent and discuss what is important from a performance and development perspective.

Exactly what is defined as important will vary from organisation to organisation but the most common themes discussed at check-ins are:

- **Progress against objectives**
- **Achievements and strengths**
- **Recent feedback**
- **Forthcoming priorities**
- **Personal development and career goals**
- **Values and behaviours**
- **Issues or concerns from either party**
- **What support is needed**
- **Actions points to complete before the next check-in**

Done right, check-ins are far less time consuming than annual appraisals so they can be conducted more frequently – typically every 1-3 months.

Real-time feedback

In section 2 we looked at how having regular feedback can dramatically improve employees' performance.

Yet research has found that employees, on average, don't receive anywhere near enough feedback and in many cases, the only time they receive feedback is at their annual appraisal meeting.

There is nothing more demotivating than being told at an appraisal that you did something wrong several months ago! Even positive feedback loses its value if it is given a long time after the event.

So a core component of continuous performance management is to encourage your staff to give and request feedback in-the-moment, as events occur. When done this way, managers can avoid the dreaded 'feedback sandwich' where they wrap negative feedback behind a façade of positive feedback (which employees all too often see right through). If employees receive regular positive feedback, then they will be more receptive to receiving constructive feedback in an open and honest way when it needs to be given.

This kind of real-time feedback is much easier to achieve if you have a digital tool (such as our Clear Review software) which enables employees to give or request feedback instantly from their desktops or mobile phones. We'll be looking at software in Part 6 of this eBook.

Measuring performance

The purpose of having regular Check-in meetings and getting frequent feedback should be to improve and develop performance, rather than measuring it. This is because performance development and performance measurement do not sit well together. Employees are less likely to engage in honest conversations if they know that the outcome of that conversation might affect their pay, bonus or opportunities for promotion.

The need to separate out developmental discussions from pay and promotion decisions was reiterated by the Chartered Institute of Personnel and Development (CIPD) in their recent Performance

Management research report:

We recommend that any single process or meeting focuses on one or the other of these, but not both. Introducing some clear water between assessments that inform pay and promotions and those that help employees improve should make performance management a far smoother, more productive and less fraught process.

In our Continuous Performance Management framework, we recommend having a separate process for measuring performance for pay and/or promotion purposes, that sits outside of regular Check-ins and feedback. We call this process Talent Snapshots (although it can be renamed in our software) and it involves asking managers to answer a small number of questions and/or ratings about each of their team members, typically once a year, although some organisations do it more frequently.

Our Clear Review software then compiles the answers and the organisation can then run reports to analyse the data to feed into pay, promotion or talent management decisions.

A similar approach is used by organisations such as Microsoft and General Electric who were among the forerunners of Continuous Performance Management.

Summary

In this third part of our eBook, we have explored the three key principles of Continuous Performance Management – Near-term Objectives, Regular Check-ins and Real-Time Feedback – and established that performance measurement, where this is needed, should be a separate process.

In Part 4, we'll be providing answers to the three most common questions and concerns relating to Continuous Performance Management: Ratings, Pay and employee/manager adoption.

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4. Common Concerns: Ratings, Pay & Adoption

Many organisations that we speak to are attracted to the benefits that Continuous Performance Management offers, but are confused about whether they should still use ratings, how they will manage pay decisions and how they will get managers and their employees to adopt the new approach.

We were mindful of these issues when we were developing our Continuous Performance Management framework, and through working with a wide variety of customers, we have developed practical, workable solutions to each of these questions. Let's explore each of them in turn.

Should you use performance ratings?

The debate about whether or not performance ratings should be used has been going on for a number of years. There are arguments on both sides. On one hand, evidence has found that they are demotivating and negatively impact performance, except for those who receive the highest ratings.

On the other hand, they are a convenient way of allocating performance-related pay and bonuses.

This article summarises the pros and cons of performance ratings in more detail.

If you do choose to use ratings, be mindful of the fact that research has found that there is little correlation between the ratings and actual performance. This is for a number of reasons, including rater bias and the fact that managers frequently reverse-engineer the performance rating to get the reward outcome they want for the employee. So whilst ratings can tell you who your managers wish to give the highest rewards to, be aware that those employees are not necessarily your highest performers, so be cautious about the decisions you make using those ratings.

Can you use performance ratings with Continuous Performance Management?

Yes, you can. Although the continuous elements of performance management (regular check-ins and frequent feedback) should be developmental and not involve any form of rating, you can collate performance ratings periodically as a separate process. In our own Clear Review performance management software, we call this process Talent Snapshots (which can be renamed in the software), and it enables organisations to quickly and effectively gather data about their employees' performance and potential using ratings or other targeted questions.

A big advantage of Continuous Performance Management over annual appraisals is that the managers views and ratings are based on a number of discussions that have taken place throughout the year. The resulting ratings are therefore likely to be more objective those based on a single annual appraisal meeting.

One thing we encourage the organisations who work with us to consider is whether ratings are the most effective way of measuring their employees' performance. Organisation such as Deloitte have replaced their traditional ratings with targeted questions which can be more objective indicators of performance and potential. For example, if you want to know who your top performers are, instead of asking managers to rate each of their team members as good, excellent, outstanding, etc., you could ask a simple question like:

66 When compared to other people you've worked with in a similar role, is this person the best you've ever worked with?"

It would be hard for your managers to answer Yes to that question for lots of employees, whereas with traditional ratings, HR professionals frequently complain of too many people getting the highest ratings. You can find out more about this kind of approach in our Performance Related Pay eBook.

The key thing to take away from this is that there is no right or wrong answer when it comes to ratings, each organisation's needs and situation are different. That's why we've made the Talent Snapshots functionality in our Clear Review software flexible so that you can use ratings, targeted questions, or a combination of both. And you can use your own terminology, so instead of Talent Snapshots you could call it a Talent Review, Pay Review, Career Review, PDR etc. And if you don't need to measure performance at all, you can simply switch the Talent Snapshots module off.

How do you manage
pay decisions
with Continuous
Performance
Management?

Closely linked to the question of ratings is how to allocate performance-related pay and bonuses using a Continuous Performance Management approach. The answer is to focus your check-in discussions and feedback on performance improvement and personal development, then run a separate pay review process that incorporates performance measures. As we established in Part 3, this is the approach advocated by most academics and researchers, including the CIPD.

It is also what organisations such as Microsoft and General Electric have implemented with great success. Both companies famously abandoned appraisals and ratings and introduced regular checkin style conversations throughout the year. At the year end, they carry out a standalone pay review process which looks at the impact that each employee has had on the business or team over the last 12 months. This year-end process works in a similar way to our own Talent Snapshots process outlined above. Since GE moved away from appraisals in favour of continuous performance management,

77% of managers have said they are better able to differentiate performance for pay purposes.

Many organisations who are introducing Continuous Performance Management have taken the opportunity to question whether they should have performance related pay at all. Earlier on in this eBook we learned how performance related pay first became popular at a time of very high inflation.

Now that inflation and average pay awards are consistently low, you may wish to consider whether performance-related pay is worth the administrative effort (and associated pain) that typically goes with it.

For further guidance on how to manage performance-related pay with continuous performance management, read our dedicated eBook on this subject.

How can you get your staff to adopt continuous performance management?

A question that we often get asked by HR professionals is:

66 It's hard enough to get my managers to do appraisals with their team members once a year. How are we going to get them to meet with them more frequently?

Indeed, in a recent pool of 500 HR professionals that we conducted, 77% said that this was their number one concern in moving away from annual appraisals. However, in our experience in working with hundreds of organisations to implement Continuous Performance Management, we have found that getting managers to have regular, meaningful conversations with their staff is not as difficult as people fear...as long as it's done right.

Let's look at why managers avoid doing appraisals. Firstly they take up a lot of their valuable time – it can often take several hours per team member to prepare, have the discussion and then complete the associated documentation (whether on paper or online). Secondly, if there are ratings involved, appraisals are often onerous discussions that both parties would rather avoid. Thirdly, managers frequently question the purpose and value of the annual appraisal – rightly so in most cases.

Taking this into account, if you say to your managers that they will no longer have to do appraisals, and that instead you want them to have shorter, more informal Check-ins with their staff a few times a year, we have found that most managers are generally positive about this change.

There are a couple of provisos here. Firstly, don't make the mistake that some organisations have made whereby they expect their managers to have informal one-to-ones during the year and still do an annual appraisal at the end of the year. Managers are unlikely to buy into that. It's asking too much of their time and, as one HR Director I spoke to recently put it, if managers are having quality conversations during the year, they don't see the point of having another one at the end of the year to summarise what has already been discussed.

The second proviso is that you need to make it incredibly easy for managers to have check-in discussions.

Keep bureaucracy and form filling to an absolute minimum, ideally by using software that is purpose-built for Continuous Performance Management.

Software is also essential in order to provide structure for Check-in conversations and feedback, to generate reminders to staff and to enable HR and senior management to keep track on who is and isn't having regular conversations and getting regular feedback. We'll look at why you need software in more detail in Part 6 of this eBook.

Summary

In this section, we have explored the most common concerns that organisations have when considering Continuous Performance Management and laid out some practical options for addressing them.

In Part 5, we'll be proving the theory by looking at case studies of four diverse organisations who have successfully embedded Continuous Performance Management.

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5. Proving the Theory: 4 Case Studies

In Part 3 of this eBook we laid out a practical framework for Continuous Performance Management. In this section we'll look at how four different sized organisations have implemented such a framework and the results they have achieved.

Adobe – the early innovators

Adobe were the first well-known company to abandon appraisals in favour of a continuous approach to performance management back in 2012.

Prior to the change, Adobe's performance management approach was pretty standard – once a year, managers would collect examples of past performance, conduct 360-degree evaluations for each employee, and complete a written document summarising each employee's performance for the year. Then the manager would assign an overall rating to each employee from four categories: high performer, strong performer, solid performer or low performer. Following this, the ratings were moderated into a forced distribution, so no more than 15% of a manager's team could be a "high performer".

The process was incredibly time consuming, taking an estimated 80,000 hours of managers' time each year. Additionally, they noticed that they had a spike in resignations each year in the months following the annual review, which was attributed to disappointed employees leaving after receiving ratings below their expectations.

So they completely redesigned their performance management system to eliminate

the annual performance review and ratings, and replaced it with more frequent and less formal check-ins. Each employee must check-in with their manager at least once a quarter to discuss expectations, feedback, growth and development.

To support the transition Adobe ran training sessions for their managers and created a resource centre with guidance and one-pagers on how to have good quality check-in conversations.

The results have been impressive and Adobe has seen a 30% decrease in the number of employees leaving voluntarily and a 50% increase in involuntary leavers (as it is now able to deal with underperformers more quickly and effectively). Donna Morris, SVP of HR at Adobe says that having regular check-ins:

66 ...completely changes how employees feel about their jobs and opportunities. It has really helped to create teamwork instead of individualism, which is critical in a creative company. Feedback is now viewed as a gift.

General Electric (GE) – the global giant

General Electric is one of the largest companies in the world, employing over 300,000 people globally across numerous business sectors. Under the reign of its former CEO, Jack Welch, GE was the most well-known proponent of annual performance ratings and forced distribution curves.

For decades, GE operated a 'rank and yank' system, whereby employees were appraised and rated once a year, following which the bottom 10% were fired. Not exactly a recipe for employee engagement.

So when they announced in 2015 that they were abandoning formal annual reviews and ratings, it came as a surprise to both the business and HR worlds.

Under GE's new process, employees and their supervisors have regular check-ins (which they call 'touchpoints') throughout the year. These are forward-looking discussions that focus on priorities, personal development and coaching. Staff can give or request feedback at any point. Feedback can be given to any employee in the organisation, so it's not limited to managers giving downward feedback to their team members. At the end of the year, managers summarise the impact each of their team members has had during the year which then informs decisions about pay.

The whole process is supported by an online app, similar to our Clear Review software, which was developed by their own software team.

Since adopting continuous performance management, some teams have seen a five-fold increase in productivity. Staff surveys have revealed that employee satisfaction with the new process is higher than it was with annual appraisals and ratings. Additionally, 77% of managers have said they are better able to differentiate performance for pay purposes.

Clydesdale & Yorkshire
Banking Group (CYBG)
– the financial services
success story

Few people would have imagined that one of the most successful organisations to ditch annual appraisals in favour of Continuous Performance Management would be a bank, considering how financial services firms traditionally placed so much emphasis on yearly ratings.

However, according to Francis Lake, Head of Organisational Development at CYBG, it was clear that everyone within CYBG recognised a need for change when it came to performance management.

He explained: "Virtually every one of our employees had had a bad performance management experience." Detailing some of the flaws with CYBG's previous performance model, Francis pointed to a focus on process over purpose, leading to futile performance scorecards, ratings and appraisals being forced upon both employees and managers, creating resentment and demotivation.

When rolling out their new performance management approach in 2017, Francis and his team spent time educating their people as to why frequent feedback and continuous conversations lead to significantly better performance outcomes.

They also invested in experiential training for managers in how to have effective check-in conversations and give feedback, so that managers could practice these skills in a safe environment. Alongside this, they chose to adopt Clear Review as their digital tool to support their new framework and underpin the behavioural changes.

The adoption of the new approach by their staff was impressive and after just 6 months, 99% of employees were having quarterly check-ins and 78,000 pieces of real-time feedback had been given.

And 18 months after making the switch, CYBG achieved a double-digit increase in year-on-year employee engagement scores relating to performance management. You can learn more about how CYBG achieved their success in this insightful webinar featuring Francis and some of the line managers at CYBG.

Star – the SME

Star is an award-winning outsourcing and resourcing company focusing on the pharmaceutical and healthcare sectors. Star was acquired by Uniphar, a leading provider of outsourced services to the pharma-medical sector in Ireland and the UK, who invested heavily in Star's infrastructure and people.

The business experienced rapid growth and the priority throughout was making sure they attract, retain and develop great people.

Traditional performance measures were no longer fit for purpose and Star was looking for something with greater structure and efficiency that could scale with the business.

In response, Star implemented Continuous Performance Management using Clear Review Software in 2016 and have since seen their employee engagement score rise to an impressive 82%. Employees now take more ownership over their objectives and their check-in meetings, and automated email reminders have increased adoption rates, helped to build new habits and have freed up HR to focus on other initiatives. The system has increased visibility of performance data, both for HR and for managers, which is particularly important as many of Star's employees work remotely. Kirstie Difford, HR Business Partner at Star adds:

66 People are more engaged and motivated. We've seen a huge increase in proactive feedback across functions. The system's efficiency has also enabled our HR team to devote more time to other tasks."

Summary

In this section, we have looked at four very different organisations who have successfully transitioned away from annual appraisals to year-round performance management, and we have seen the tangible benefits they have achieved. It's important to note that all four of these companies used specialist continuous performance management technology to realise those benefits. So in the next part of this eBook, we'll be looking in more detail at why software is vital for successfully embedding Continuous Performance Management.

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2. Back to Basics: The Five Principles of Effective Performance Management
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7. How to Make the Transition

6. Why You Need Purpose-Built Software

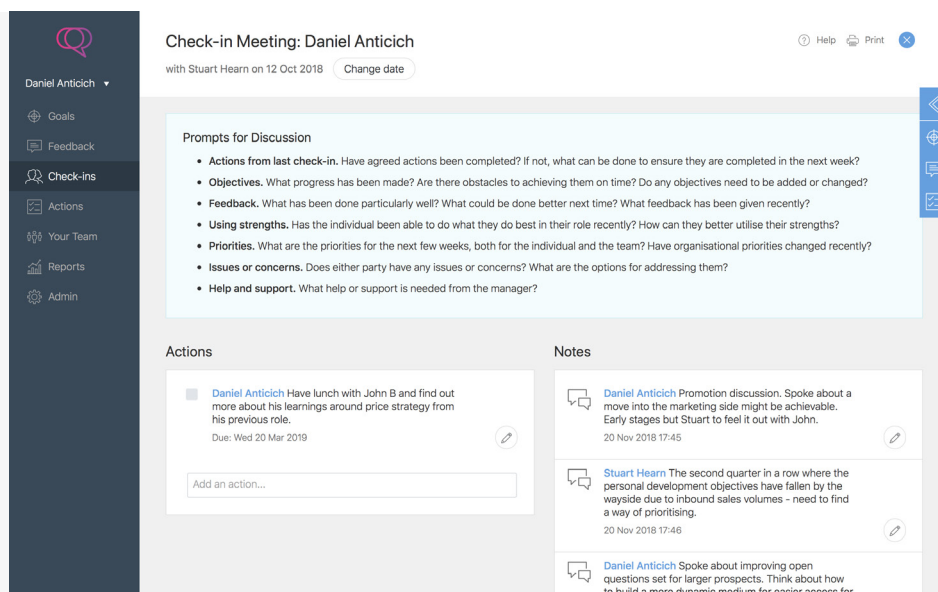
In the previous section we looked at how four different organisations had successfully transitioned to Continuous Performance Management and saw that they had all used technology to support their new process. In this penultimate chapter we'll look at the reasons why they choose to do so and explain why it's difficult to change behaviours without using software that is purpose-built for year-round performance management.

Without a clear framework, quality of conversations can decrease

Some organisations, having realised that appraisals are not working for them, have tried removing formal performance management processes and instead have encouraged their staff and managers to have regular, informal performance conversations and give feedback as and when they see fit.

However, research from the CEB has found that without a clear structure for performance management, managers struggle to have meaningful discussions and the quality of performance conversations declines by 14%.

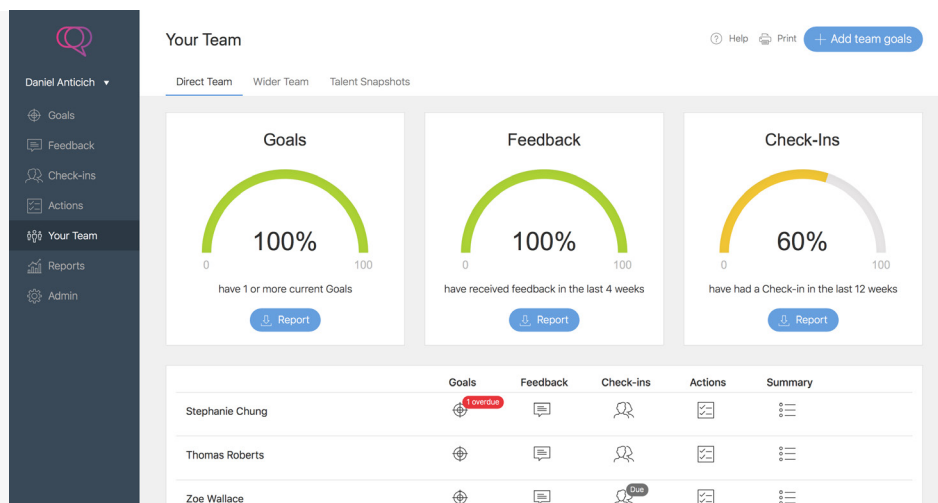
This has been echoed by organisations who have ended up becoming our customers after trying an informal approach to Continuous Performance Management which resulted in a wide disparity in the quantity and quality of performance conversations. These organisations have since successfully used our software to provide a structure for effective performance and development conversations and feedback, as shown in the example below:



Without software, you have no visibility of performance management activity

Another problem with an informal approach to Continuous Performance Management is that you have no visibility of whether people are doing the things they should be – i.e. setting objectives, getting feedback and having regular conversations. We've spoken to numerous organisations whose managers were telling them that they were having regular one-to-ones with their team members, only to find out later via a staff survey that these conversations weren't actually happening at all.

Using software gives you and your managers visibility of performance management activity at all times via dashboards and reports, enabling you to identify which areas of the business may need further support with setting quality objectives, having check-ins, or giving feedback.



	Goals	Feedback	Check-ins	Actions	Summary
Stephanie Chung	100%	100%	60%	Report	Report
Thomas Roberts	100%	100%	60%	Report	Report
Zoe Wallace	100%	100%	60%	Report	Report

Using paper or Word forms is an administrative burden

Organisations often look to provide structure to their performance management by using Word or Excel forms. Whilst this sounds like a simple solution, in practice it's administratively time consuming for all involved. Employees and managers end up emailing different iterations of the forms back and forth to each other. The forms usually then have to be sent to HR who have to copy and paste data into spreadsheets in order to work out who has and hasn't had review meetings and to collate the information they need to make decisions on personal development, training, pay and promotions.

All this leads to staff becoming disengaged with the process and takes the focus away from having meaningful performance and development conversations.

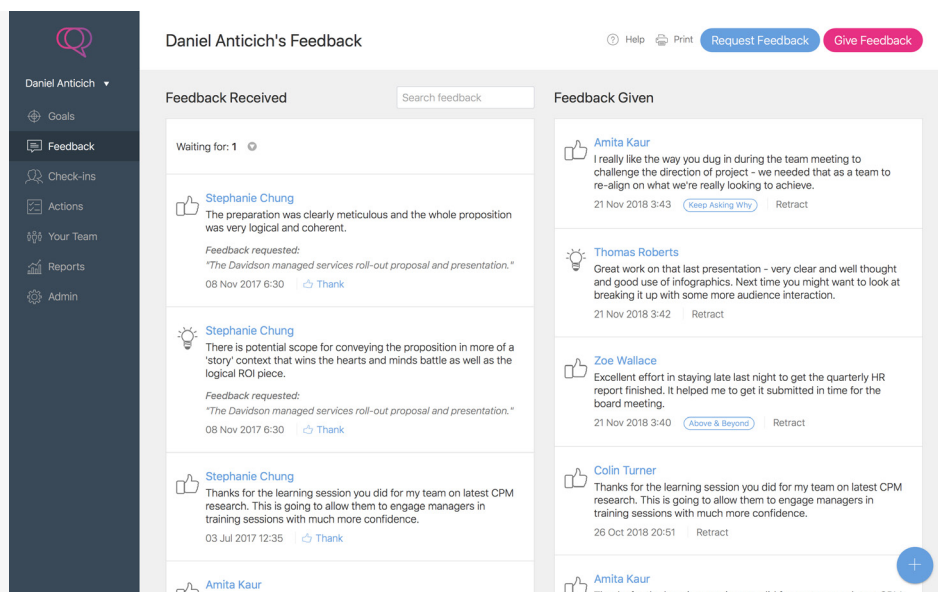
By contrast, when you use cloud-based performance management software, employees, managers and HR all have a shared, real-time view of their performance management data at all times on any device. Email notifications are generated automatically so both employees and their managers can keep abreast of progress and what they need to do, and HR don't have to send out chaser emails as the software handles this automatically.

People are unlikely to give regular feedback unless you make it easy for them

Giving real-time feedback is one of the most powerful ways of improving performance. Yet employees typically don't receive anywhere near enough feedback to make a difference to their performance.

A common cause of this is when a feedback opportunity arises, the recipient is often not present to receive that feedback, and so the feedback is forgotten and never given.

Continuous Performance Management Software provides a quick and simple means of giving and requesting feedback in real-time as events occur. Feedback can be given at any time in a couple of clicks or taps from a mobile phone, desktop or tablet:



The screenshot displays the 'Daniel Antich's Feedback' dashboard. On the left is a dark sidebar with navigation links: Daniel Antich, Goals, Feedback, Check-ins, Actions, Your Team, Reports, and Admin. The main content area is divided into two columns: 'Feedback Received' and 'Feedback Given'. The 'Feedback Received' column shows three entries from Stephanie Chung, including feedback on a proposal and a learning session. The 'Feedback Given' column shows four entries from various users (Amita Kaur, Thomas Roberts, Zoe Wallace, Colin Turner) praising a presentation and a learning session. Each entry includes the feedback text, date, and options to 'Thank', 'Retract', or 'Keep Asking Why'. At the top right of the dashboard are links for 'Request Feedback' and 'Give Feedback'. A 'Waiting for: 1' indicator is visible at the top of the 'Feedback Received' column.

The recipient is then notified by email so they receive the feedback immediately. This is important as the quicker feedback is given, the more impactful it is.

Not just any performance management software will do

Continuous Performance Management is all about doing the things that matter on a regular, ongoing basis. However, the majority of performance management systems were not designed for that purpose – they were built for once-a-year objective setting and formal annual appraisals. Whilst some claim to support Continuous Performance Management, our experience is that they are trying to fit a square peg into a round hole. Taking annual performance reviews and doing them more frequently is not the answer.

Fortunately in the last few years, new technology has been developed that has been specifically designed for Continuous Performance Management such as our own Clear Review system. This kind of software has been purpose-built to support flexible objective setting and to encourage regular, meaningful check-in conversations and real-time feedback.

These systems are lighter touch and quicker and easier to use than traditional performance management software. They can also be implemented rapidly.

Summary

In this section we have looked at some of the reasons why software is important when introducing Continuous Performance Management, and why you should consider software that is purpose built for this approach.

In the last part of our eBook, we will be providing some practical tips for successfully making the transition from annual appraisals to year-round performance management.

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7. How To Make The Transition

Over the course of this eBook, we've established why annual appraisals don't work, explored the concept of Continuous Performance Management as a practical alternative, addressed some of the common concerns with moving away from appraisals and understood why software is a vital component of effective Continuous Performance Management. In this final part of our eBook, we'll look at how to successfully make the transition from traditional annual appraisals to Continuous Performance Management through 7 practical steps.

Step 1. Start now, don't wait for the culture to change

It may be tempting to wait until you have undertaken a culture change programme before moving away from annual appraisals. However, with research showing that 95% of managers are dissatisfied with their organisation's existing performance management system, why continue doing something that just isn't working? As the HR Director of Adobe commented on their transition to Check-ins, "this is a journey and not a destination", so the sooner you start taking action, the further and faster you will progress on that journey.

Step 2. Find out who is already having regular performance discussions

You might feel that implementing Continuous Performance Management will require a significant shift in attitude from your managers. Whilst this will no doubt be the case for some of your managers, virtually every organisation has certain managers who are already having regular one-to-ones with their team members and are good at giving feedback. So find out who these people are within your organisation, consult with them on your new approach, involve them in rolling out the new processes and get them to champion your cause.

Step 3. Engage your senior leadership

To make continuous performance management a success, you will need to get buy-in from your senior leaders and have them to lead by example. Whilst most leaders dislike doing annual appraisals, they may be nervous about the implications of stopping them, particularly if you are planning to get rid of ratings as well. They are likely to have questions about how you will identify high and low performers and how pay and promotion decisions will be handled. So make sure you support your case for continuous performance management with research-based evidence and have answers to these questions readily available. This eBook should provide most of the information you need. To help you further, you might wish to:

Share this 7 minute video with them which shows how Continuous Performance Management works in practice.



Watch 5 minute Continuous Performance
Management video

Watch Video Now

Prepare a business case presentation. We have a great template that you can use for free. Contact us to request a copy.

Ask us to present to your leadership on the concepts and benefits of Continuous Performance Management and the organisations who are already successfully doing it. We'll do this at no cost – simply contact us to arrange a date.

Step 4. Sell the benefits to your staff

If managers and their team members are going to actively engage in having regular Check-ins and giving frequent feedback, you'll need to ensure that they understand "what's in it for me?". For managers, the benefits include having a better performing, more productive and motivated team, reduced staff turnover, ability to delegate more and spending less time fixing mistakes. Make it clear that it will ultimately save them time.

Many organisations who have made Continuous Performance Management a success have put the onus on team members to 'own' their Check-ins and make sure they happen.. Therefore you'll need to sell the benefits to team members too. Emphasise that they will have more ownership over their work, they will get more timely feedback and more regular one-to-one time and support from their manager. But they will need to be proactive to get these benefits.

There is plenty of research evidence throughout this eBook that you can draw on when selling the benefits to staff. However, it's even more powerful to draw on successes from within your own organisation. So where you have found teams that have already been having regular one-to-ones and giving feedback on an informal basis (see step 2 above), make sure you share these success stories and communicate the benefits that they have achieved.

Step 5. Provide training and guidance

Good quality performance conversations and feedback rely on the participants having the necessary skills. So re-invest the time you currently spend administering annual appraisals on training and coaching staff on how to have effective one-to-one conversations, how to give and receive feedback, how to set quality goals, and the fundamentals of coaching. Should you end up becoming a Clear Review customer, we will provide you with training materials and videos that you can at no cost.

Support your training with quick fact sheets, eLearning and short videos – the more interesting and interactive the better. Our Clear Review performance management software comes with integrated animated videos on the key skills required for Continuous Performance Management.

Step 6. Communicate, communicate...and listen

It's well recognised within change management that you need to communicate a message between 3 and 6 times before it is understood and internalised. Plus, it will take time for your staff to build the necessary new habits of giving in-the-moment feedback and having regular performance and development conversations.

So support your journey to Continuous Performance Management by building a 12 month communication plan that addresses your three main audiences: senior leaders, managers and employees. Use a variety of communication methods in your plan such as face-to-face briefings, videos, webinars, intranet pages, fact sheets, newsletters, posters, desk-drops and roadshows. Don't make the mistake of relying just on email. You could even get creative and have some coasters or mouse mats made up to remind people to give and request feedback regularly. We recognise that not everyone is experienced in designing communication plans, so we provide our Clear Review customers with a full communications guide and template 12 month plan.

Communication should not all be one-way. Make sure you regularly seek feedback from team members about how they are finding the new process using surveys, interviews and focus groups. Regularly share the successes and the benefits that staff have achieved in order to build momentum. Use any constructive feedback on the new approach to hone your processes and your communication and training materials.

Step 7. Use Continuous Performance Management software

As we outlined in Part 6 of this eBook, using purpose-built Continuous Performance Management software will significantly improve the adoption of the new approach as it encourages behaviour change and makes things easier for everyone involved.

Specifically, it will:

Enable employees to update their progress against their objectives in real-time, making one-to-one discussions more focused

Provide online agendas for Check-in meetings and enable action points to be captured and followed up on

Give HR and senior management visibility of how frequently one-to-ones are taking place across the organisation, as well as other key performance and development data

Enable 'in-the-moment' feedback to be given and shared with individuals immediately from any device

Automatically chase up people who are not having regular one-to-ones, setting objectives or giving feedback

Allow you to capture performance and potential data (including ratings if required) from managers to feed into your reward and talent management decisions

Take the Next Step

This is the end of our eBook and we sincerely hope that you've found it both inspiring and practical. If you have, don't stop here. Take the next step towards making Continuous Performance Management a reality in your organisation. Here are two no-obligation next steps:



See our Clear Review Performance Management software

Book a Demo



Talk to one of our Performance Management experts

Book 15 Minute Call

