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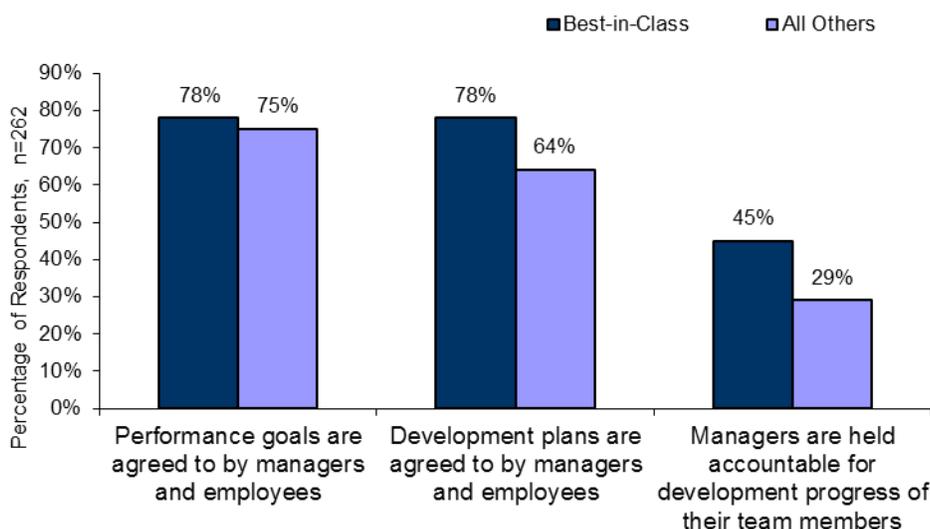
## Employee Performance Management: Creating a High-Performance Culture

Building and sustaining high performance among employees requires a mix of tools and processes, along with a commitment from the organization to support managers in having better conversations about employees and their performance. Effectively assessing an employee's skills, effort, and talent is critical in the workplace but truly supporting the respective manager is paramount to the enterprise's success. Data from Aberdeen's October 2012 *Learning and Performance* survey indicates that Best-in-Class companies are more likely to implement automated performance management solutions to support their employee performance management (EPM) process, and to use these tools to help managers drive better performance. With the use of EPM, managers' efforts yield higher performing employees, which leads to a higher performing work environment, business, and culture.

### Defining What Performance Looks Like

When it comes to delivering organizational performance, Best-in-Class organizations agree that conversations between employees and managers are the most important priority (Figure 1).

**Figure 1: Process Supporting Employee Performance Management**



Source: Aberdeen Group, October 2012

### Research Brief

Aberdeen's Research Briefs provide a detailed exploration of a key finding from a primary research study, including key performance indicators, Best-in-Class insight, and vendor insight.

### Defining the Best-in-Class

In its October 2012 *Learning and Performance: Developing for Business Results* study, Aberdeen used three key performance criteria to distinguish the Best-in-Class (top 20% of aggregate performers) from the Industry Average (middle 50%) and Laggard (bottom 30%) organizations, with mean performance among the Best-in-Class as follows:

- ✓ 92% of organizational goals achieved over the past year
- ✓ 82% of key roles have at least one ready and willing successor identified
- ✓ 74% of employees exceed performance goals

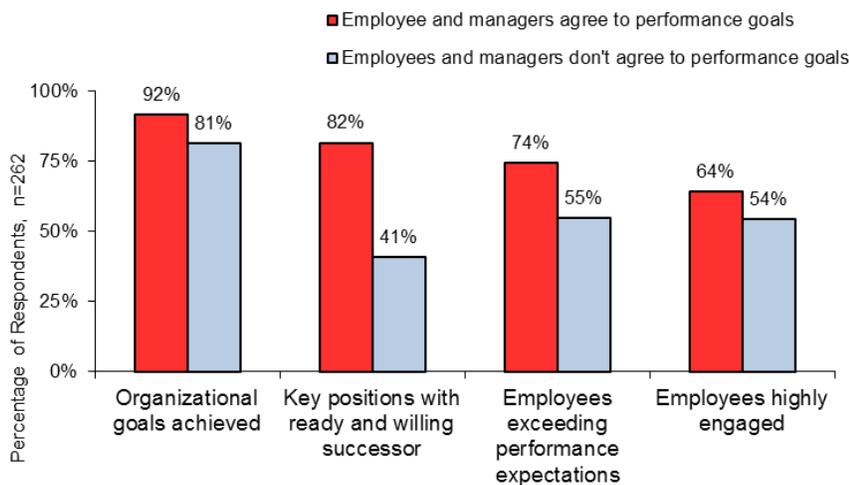
Discussing and agreeing upon performance goals and development plans are an essential step in ensuring individual and organizational performance. In order for employees to meet these goals and development priorities, and then outperform them as well, managers need to consistently keep them up-to-date on targets and performance against them. One way companies can help ensure that this happens is to hold managers accountable for their employees' development progress. In fact, managers at Best-in-Class companies are 55% more likely to be held accountable for their employees' progress, which aids not only in their individual growth, but the growth of the company.

Managers that orient themselves toward building and maintaining a culture of performance are critical to Best-in-Class performance management. And this focus on performance yields significant results. These Best-in-Class companies saw nearly twice the year-over-year growth in revenue (8% vs. 5%), double the improvement in customer retention (12% vs. 6%), and 37% greater employee engagement (74% vs. 54%). These results indicate that a performance management-oriented culture allows companies to succeed financially for their customers, and for their employees.

### Aligning for Results

The number one activity that organizations have said made the biggest impact on employee performance is aligning individual goals with overall organizational goals, cited by 41% of all organizations. Managers are the link to make this connection for employees, helping provide them with visibility between their day-to-day actions and the overall goals of the organization. Where organizations have a process in place to ensure that managers and employees have agreed to performance goals, it has tremendous performance results (Figure 2).

**Figure 2: Defining Goals Yields Results**



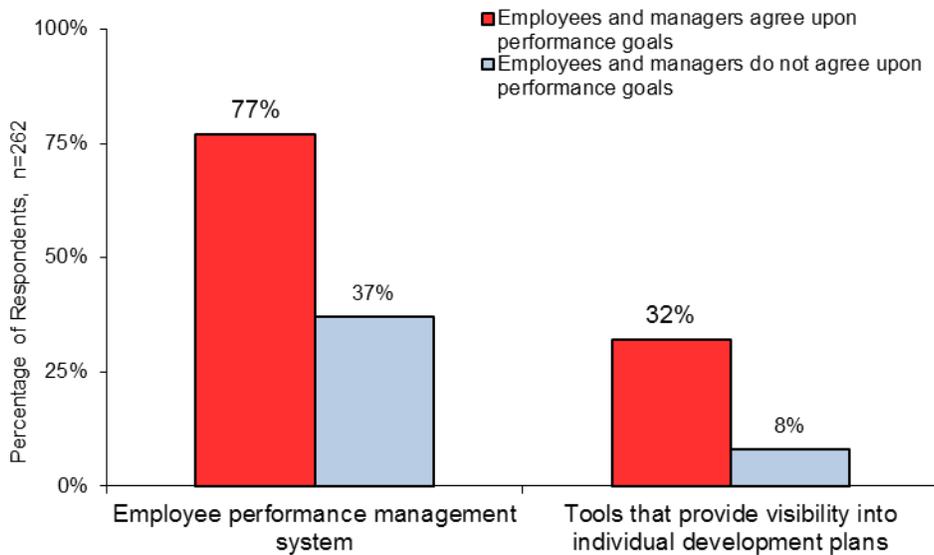
Source: Aberdeen Group, August 2012

Where this simple, but far from easy, capability is in place, it drives significant organizational performance. In fact, these organizations achieve, on average, 14% more of their overall organizational goals (92% vs. 81%). There is also twice the chance that a key position will have a ready and willing successor available (82% vs. 41%) In addition, companies reported almost a 35% greater rate of employees exceeding performance expectations (74% vs. 55%) when both the employee and manager agreed upon individual goals beforehand. With results like these, companies dramatically increase their ability to rise to new challenges and to prosper.

### Supporting a Performance Culture

Despite the importance of performance conversations, the ability to have effective goal setting and feedback conversations is not something every manager is universally good at. Top-performing organizations support managers with tools and technologies that help them have better performance and goal-setting conversations. Organizations that indicate they have a process in place for managers and employees to agree on performance goals are more than twice as likely (77% vs. 37%) to have an automated performance management system in place supporting this capability (Figure 3).

**Figure 3: Supporting Managers with Technology**



Source: Aberdeen Group, August 2012

#### Fast Facts

✓ **67%** of Best-in-Class respondents reported that employee performance management was fully or partially automated.

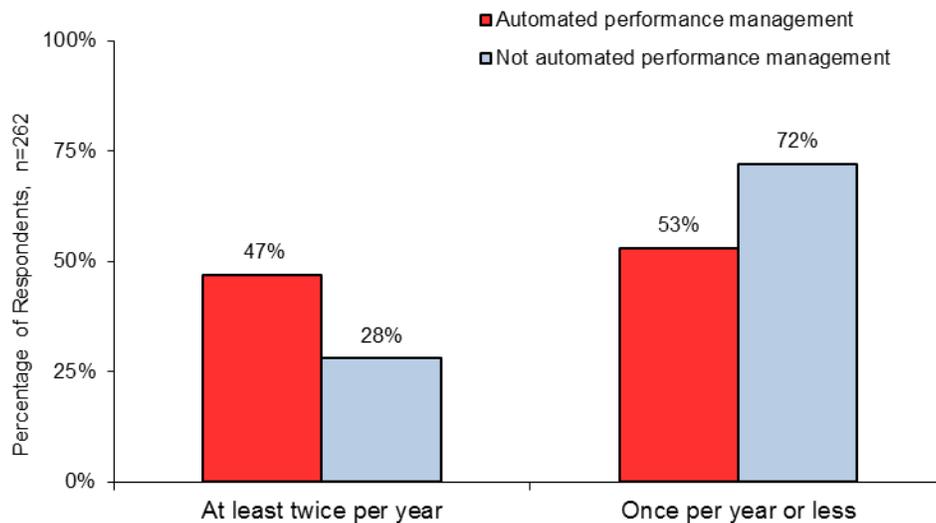
These organizations are also four times as likely (32% vs. 8%) to provide tools that give visibility into progress against development plans. Technology that provides visibility is an essential component to support the ongoing performance conversations within an organization. Sixty-seven percent (67%) of Best-in-Class respondents reported that employee performance management was fully or partially automated, as compared to just 46% of All

Others. This contrast between Best-in-Class and All Others companies reflects the great amount of development room available to companies looking to mature their EPM processes.

### Early and Often

The frequency with which organizations address employee performance has a dramatic effect on its efficacy as well. In fact, companies with automated performance management in place are almost twice as likely to have performance conversations two or more times per year as those without automated performance management (47% and 28%, respectively) (Figure 4). On the flipside, companies without automated performance management in place are 36% more likely to only have one or fewer performance conversations. This contrast reflects the importance of addressing performance management on a more frequent basis. These automated solutions help managers maintain more frequent performance conversation cadence, by helping them manage the process as well as provide visibility into performance data to support these conversations.

**Figure 4: Frequency of Performance Conversations**

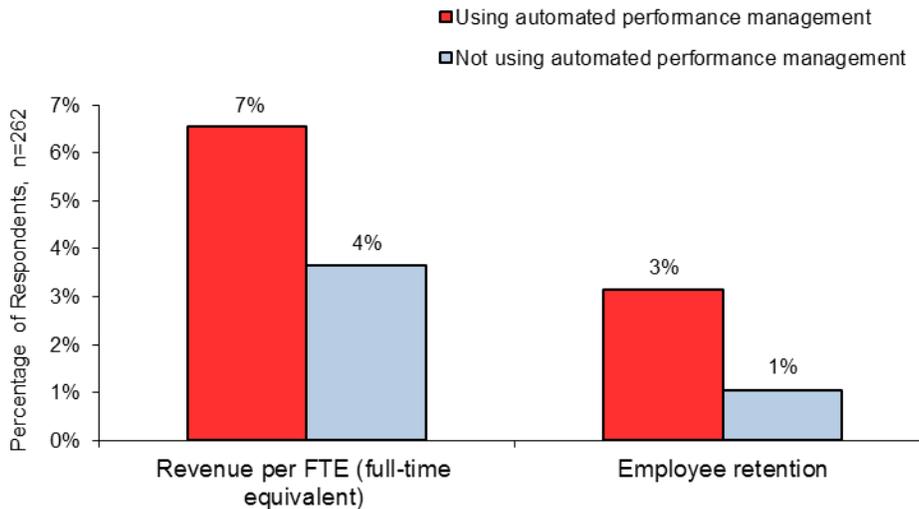


Source: Aberdeen Group, August 2012

Further, the impact of automated performance management is even clearer when considering the benefits it brings a company. Technology is notably useful for companies employing automated performance management because there is nearly twice the year-over-year improvement in revenue per full-time equivalent (FTE) (7% vs. 4%, respectively). In addition, companies with such technology using automated performance management noted three times greater increase in employee retention than companies without automated performance management in place (3% vs. 1%, respectively) (Figure 5). Knowing that their performance is noticed and

valued can be critical to retaining top performers — an important strategy given the critical skill shortages many organizations face today.

**Figure 5: Impact of Automated Performance Management**



Source: Aberdeen Group, August 2012

Top performers know that both formal and informal performance conversations are essential. Having the right tools and performance information at managers' fingertips can help enable both the formal and informal conversations that are critical for driving employee performance. Without such tools in place, managers must rely on their memory or observations when having performance conversations, or even worse, they may simply not have them at all.

## Key Insights

Employee performance management can yield significant results when employed in an effective, supported manner. Without full support of the manager, employee growth, development, and maturation will be slow and unproductive. Thus, remember to:

- **Create a mindset around performance conversations.** Managers must understand the value EPM brings to your company, so establish a dialogue about what effective employee performance really means. Also, double-check that your managers are able to articulate its value to their employees, which will ensure employees internalize its importance, too. Pride in performance is paramount.
- **Enable managers with technology to support performance management.** With the right tools in place, EPM is a powerful lever for any company. If you don't have the appropriate technology available to your managers — notably automated performance

management resources — make sure to identify and invest in the tools that will allow them to best manage their employees.

- **Increase the frequency of formal and informal performance conversations.** Formal conversations once or twice a year is a great starting point, but your managers can start now by keeping their employees abreast of their progress in a more informal, open way. Remember — the more the employees know how they are performing, and how that affects overall business performance, the better they will do and the better the company will do, too.

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