

MODERNIZING PERFORMANCE EVALUATION

How improving alignment, soliciting feedback, and deploying technology can revitalize the annual performance review

The very phrase *annual performance review* comes with baggage — and today's pace of work requires a new approach to evaluations and feedback. While employee reviews have existed for decades, they aren't adequate for addressing the needs of today's modern workforce. Organizations are well aware that the performance evaluation process hasn't produced desired results, such as behavior change or on-the-job application. Several high-profile organizations have abandoned their traditional annual evaluation process in recent years in favor of continuous feedback processes enabled by technology.¹

Research also suggests it might be time for a change. Gallup recently found that only 1 in 7 employees (14%) described their own performance reviews as inspiring when it came time to improve their performance. Further, about a third of the time, performance reviews and the traditional feedback process can make situations worse, according to Gallup.²

If traditional performance evaluations don't help workers, what does a modern solution look like? Does it involve technology? Integration with other systems? Should employees be appraised more often — or less?

To answer these questions and more, Workforce.com conducted the *Modernizing Performance Evaluations* survey. We asked HR and learning leaders for their opinions on the current state of performance reviews. How do organizations approach feedback? Do they align expectations against business KPIs? How well do they adopt technology for better integration between evaluations and other systems? We discovered that while organizations may have a way to go, many are taking decisive steps to reinvent reviews and feedback.

Key findings

- Organizations are increasing both the frequency and quality of the feedback they provide employees.
- Organizations are emphasizing an alignment of the performance evaluation process with organizational goals, KPIs, and mission and values.
- Adopting technology to facilitate feedback and performance evaluation has increased, but there is still room for growth. Integration with other HR processes and systems is still lacking.

¹Smith, A. (2018). *More Employers Ditch Performance Appraisals*. SHRM.

²Sutton, R., and Wigert, B. (2019). "More Harm Than Good: The Truth About Performance Reviews." Gallup.

Shortcomings of current processes

Performance reviews and appraisals are commonplace; more than 95% of all organizations use some type of evaluation model. Of these, more than 6 in 10 organizations (60.6%) employ a traditional annual process. Evaluations at other organizations vary and can include 360-degree performance evaluations, technology-enabled continuous feedback, a model custom to the organization, or an ad hoc process used only when performance issues arise. Some organizations use a combination of models.

As they look to transform their current processes, what are organizations doing and why? Respondents point to three general areas for improvement: timing, technology, and alignment. Feedback and coaching sessions are happening more frequently, new technologies are being adopted, and performance evaluations are being changed to reflect new business goals or key performance indicators (KPIs).

Why are organizations giving these areas such attention? Survey respondents say that their current evaluations processes come with a host of challenges.

These include an inconsistency in current feedback quality, inexperience on the part of the managers giving feedback, and a belief that feedback often comes too late to improve performance (Figure 1). Let's examine each of these areas in turn.

Figure 1: Shortcomings of the current performance evaluation process



Frequency and quality

The pace of change in the workplace has become incredibly fast, especially over the past decade or two. Yet in this environment, performance evaluations haven't kept up. By the time employees get feedback during their annual review, the need for such feedback may have passed or become outdated. The best

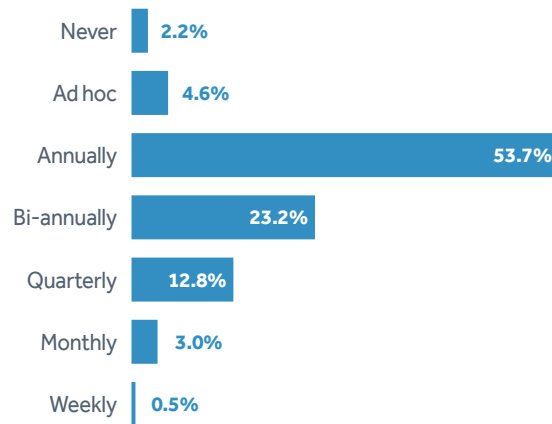
time to give useful feedback is closest to the moment of need — when mistakes are made or opportunities for teachable moments are present. Feedback that's given closer to the moment of need has a greater chance to affect behavior.

“ We are trying to make feedback a normal, ongoing, ‘in the flow of work’ practice instead of waiting until the end of the year.”
— Survey respondent, open comments

As a result, organizations are starting to give feedback and evaluations more often than they have previously. While traditionally 6 in 10 organizations have an annual process, nearly 4 in 10 (39.5%) say their employees get a performance review more than once a year (Figure 2).

The formal evaluation isn't the only thing changing; companies are giving more informal feedback than ever before. Nearly 6 in 10 (57.3%) say their employees get feedback at least bi-annually. Of these, 15.3% give quarterly feedback. Further, more than 1 in 10 organizations (11%) say their employees receive feedback at least weekly. To ensure such feedback is relevant to the job, organizations are also beginning to rethink how evaluations are aligned.

Figure 2: How often do employees get a performance review at your organization?



Aligning evaluations to business goals

Feedback needs to be timely to be relevant. It must also be aligned to the organization. Alignment is one way to ensure that performance evaluations are both useful and relevant to the business. By aligning employee short- and long-term goals to organizational outcomes, managers and other evaluators can better identify areas of improvement and guide employees with relevant feedback. As many employees need to [upskill to advance their careers](#), receiving timely feedback both helps their careers and ensures employees will upskill in a way that positively impacts the business.

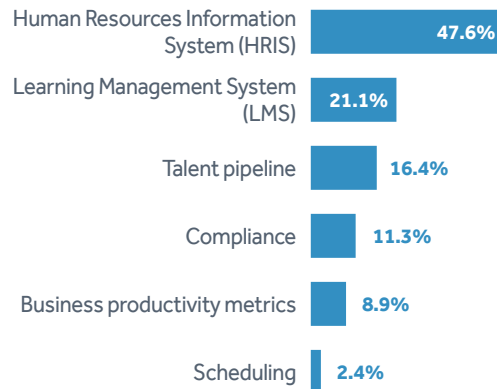
Analysis of qualitative data from the survey suggests that one of the primary changes organizations plan to make around performance evaluations is in aligning evaluations to business goals. This can be achieved in several ways. Examples include adding KPIs to evaluation questions and tying performance goals to organizational KPIs, evaluating training programs to ensure they achieve business goals, or placing more emphasis on feedback rather than evaluation.

“ [We are] introducing a framework and more accountability for initiative for skill development from the employee and clearer direction and communication of expectations from the employer, lastly line of sight to organizational goals (strategic initiatives).”

— Survey respondent, open comments

To ensure evaluations stay aligned to business outcomes, they should be integrated with other systems as much as possible. This way, reviews aren't forgotten in a drawer — they can be accessed and acted upon. Among survey respondents, the processes and systems most integrated with performance evaluations include the HRIS, the LMS, talent pipeline, and compliance processes (Figure 3).

Figure 3: Are performance evaluations integrated with any other processes or systems?



Adopting technology for better integration

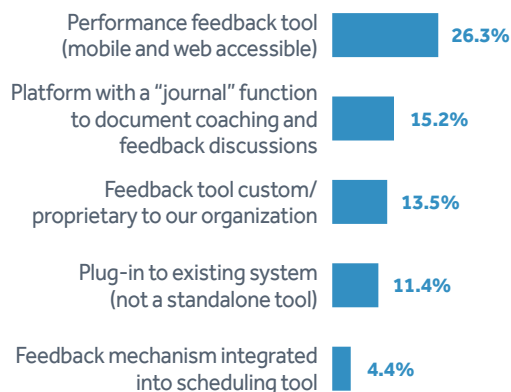
Technological processes have seeped into every aspect of business life, and evaluations are no different. Fifty-six percent of organizations are now using some kind of technology to facilitate performance feedback. However, it would appear from the data that there is not yet one emergent tool that has been adopted, and that instead organizations are casting about, experimenting with one kind of tool or another to see what works. The most popular tools are feedback tools that are both web and mobile accessible, platforms that contain a journal function to document discussions, and custom feedback tools proprietary to the organization (Figure 4).

While there is plenty of opportunity for improvement, some organizations have already integrated their performance evaluations with other HR businesses processes and systems, meeting employees where they are and freeing up time previously spent on administration for other, more relevant tasks. Nearly half of organizations (48%) have integrated performance evaluations with the HRIS. Further, around 1 in 5 organizations (21%) have performance evaluations integrated with the LMS. An emerging trend is to use a [shift scheduling tool](#) to provide employee feedback.

Tools with mobile capabilities can reach employees anytime, anywhere, further enabling them to react and improve performance in the moment instead of waiting for an arbitrary review date to come around.

Evaluation information or metrics only rarely seem to be integrated with business productivity metrics, career pathing, onboarding, or scheduling. This integration is likely to accelerate as organizations look for ways to integrate HR datasets to diagnose productivity and performance issues.

Figure 4: Technology used to facilitate feedback



Conclusion

The traditional evaluation is evolving, as organizations demand more from metrics and employees insist on greater insight into their performance. One-off manual performance reviews are rapidly giving way to more frequent usable feedback that's integrated into other business systems for easy access and action.

Increasing the frequency and quality of feedback, aligning employee goals to business outcomes, and adapting new technology that engages employees in the moment are all best practices for getting the most from performance evaluations. If reviews are accessible, actionable, and immediate, then managers will be more likely to return to the feedback once it's done and employees will gain more value from their reviews than they currently do.

Demographics

All data taken from the *Modernizing Performance Evaluation* survey unless otherwise noted. The survey received 400 responses from February to March 2020. Half of all respondents work at organizations with 1,000 or fewer employees. International/global organizations represent a third of total respondents. Figures may not total 100% due to rounding.

About

Workforce applies the scientific principles of engineering and research to advance the happiness, welfare, and efficiency of those who work. Pioneered by James R. Angell, president of Yale and Carnegie Corp., the origins of *Workforce* stretch back 97 years to a joint initiative between the Engineering Foundation and the National Research Council. Our call is the continued growth and unification of these modern engineering, labor, management, and educational bodies to lead workforce science to its farthest possible forward point.

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