

RESEARCH SPOTLIGHT

ORACLE®
Human Capital
Management



3 Performance Management Practices

that Make a Business Difference



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All data in this report is from Brandon Hall Group's 2017 Performance Management Study (n=320) and 2016 Performance Management Study (n=282).

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STUDY DEMOGRAPHICS

320 Global Responses

 **38** Countries

- **73%** US/Canada
- **13%** APAC
- **12%** EMEA
- **2%** Latin/South America

 **33** Industries

Small, Mid-Size, and Large Organizations



27%

below 500 employees



32%

500 - 5,000 employees



41%

5,000+ employees

- 52%** Human Capital Management Professional
- 21%** Executive/Senior Leadership
- 16%** Human Capital Management Leader
- 7%** Individual contributors
- 4%** Technical/Production Role

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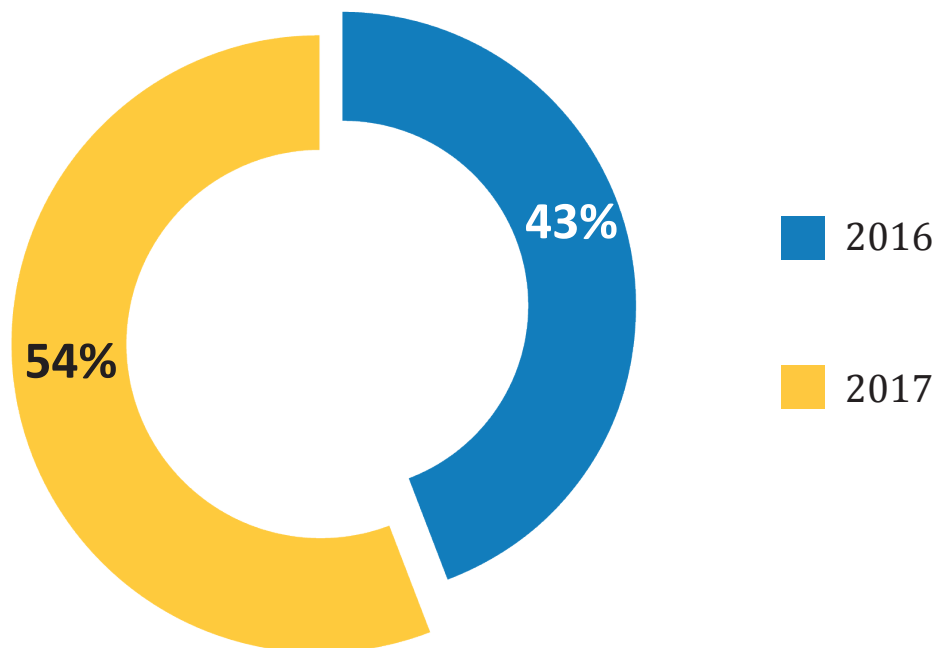
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INTRODUCTION

It's clear from Brandon Hall Group's Performance Management research in both 2016 and 2017 that organizations are serious about evolving from a process-centric to more of a people-centric system, and migrating performance from an administrative process to a development process.

The pace may not be as fast as many would like, but there was a significant increase in the number of organizations that made some sort of change to their performance management process between 2016 and 2017.

Organizations Making Changes in Performance Management in Last 12-18 Months



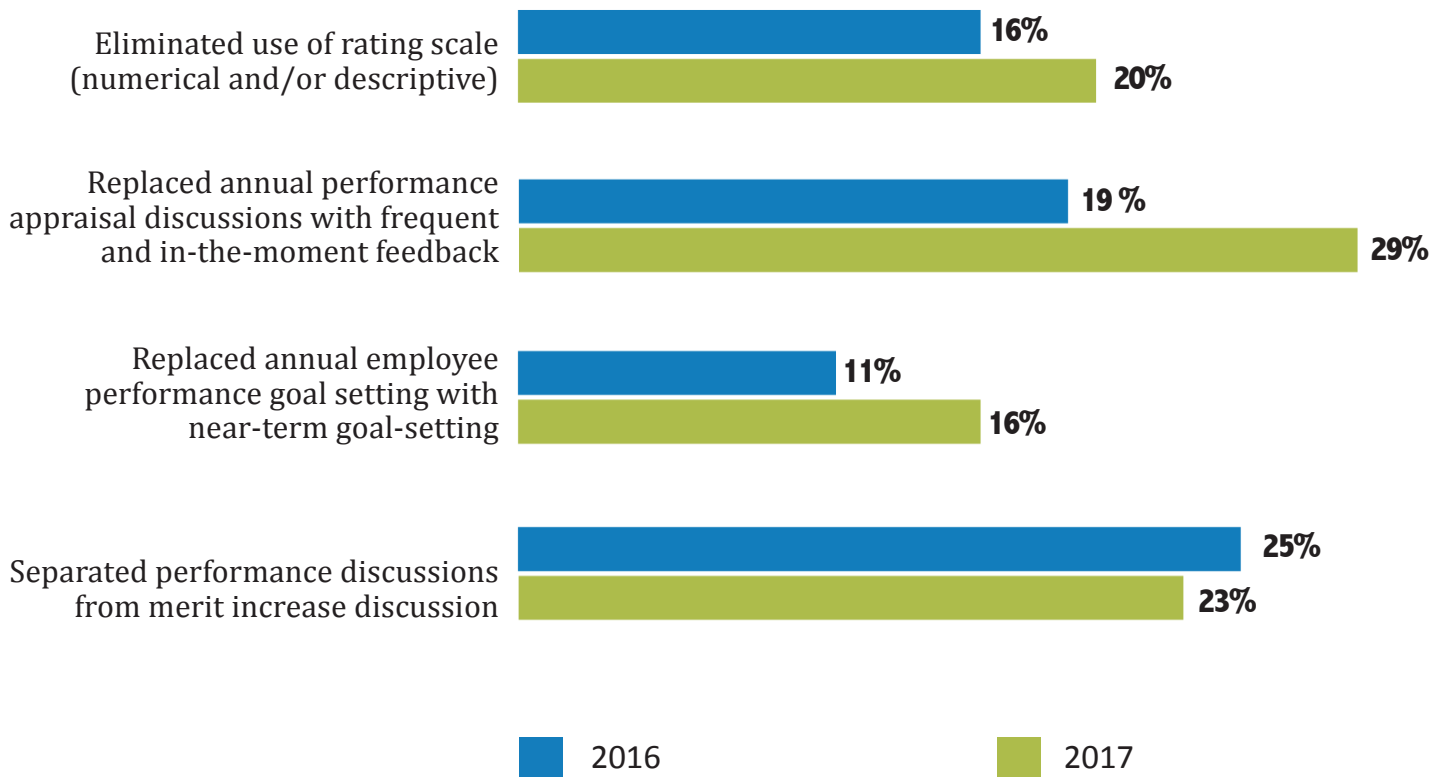
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PROCESS CHANGE

Several processes have undergone change from an administrative, to more of a people-focused, process in both 2016 and 2017.

Percentage of organizations making change



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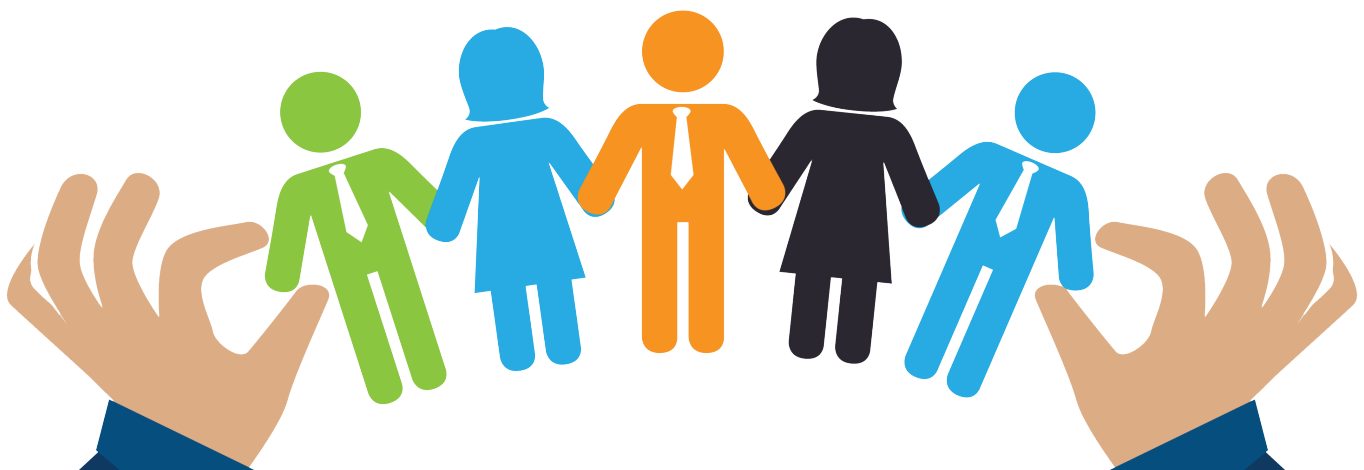
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And as we reported in our recent KnowledgeGraphic, [The Impact of Innovation in Performance Management](#), those changes have had a strong impact on Key Performance Indicators, such as employee engagement, employee productivity, participation in development opportunities and even the difficult-to-improve category of employee retention.

But, as the research showed, a critical component in moving from process-focused performance management to people-focused performance development, is actually involving people - both those being evaluated and their managers.

Our analysis showed that organizations that embraced actively involving employees in the PM process – whether they had made systemic changes or not – were much more likely to see gains in KPIs than organizations that did not involve employees.

We looked at the impact of recognizing employees for strong performance, involving employees in performance assessments, and training managers – formally or informally -- on performance management. We found strong correlations between these practices and critical business metrics. While involving and recognizing people in performance doesn't necessarily cause these KPI gains, the statistics indicate that these practices certainly play a positive role and help make the case for employee-centric performance management.



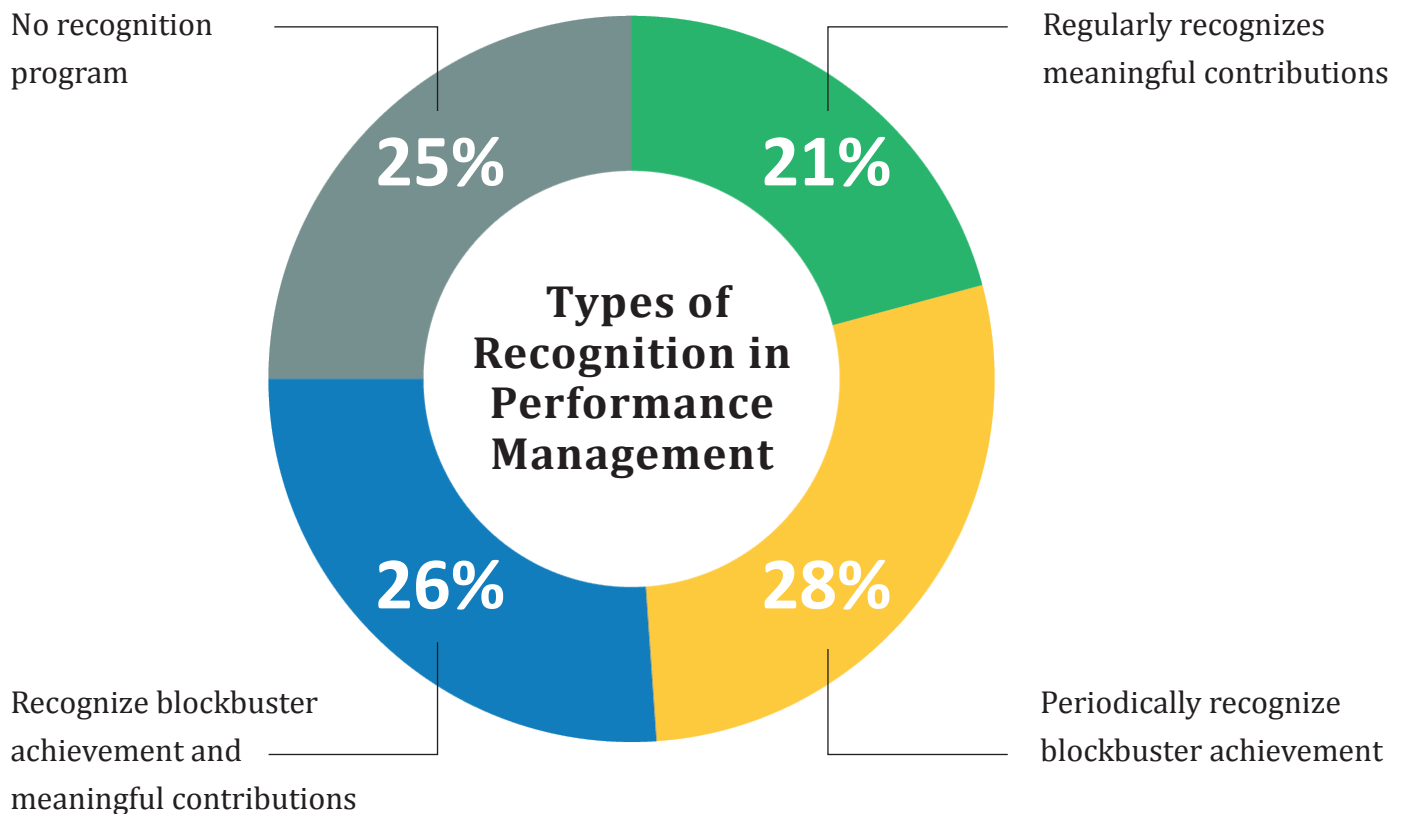
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EMPLOYEE RECOGNITION

Organizations that regularly recognize their employees for high performance – whether they acknowledge blockbuster achievements, meaningful contributions or both – have a stunning advantage in key metrics over organizations that lack formal recognition programs.

About three-quarters of organizations regularly recognize achievements in some way.



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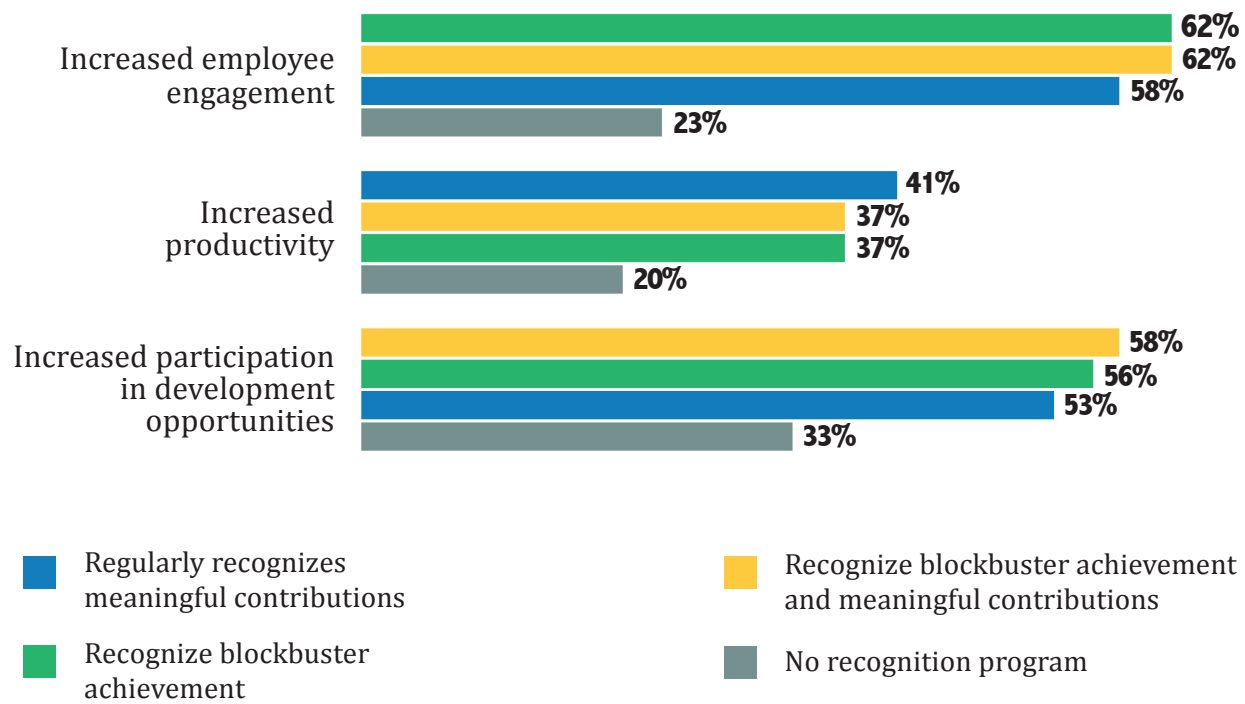
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EMPLOYEE RECOGNITION (cont.)

The research shows that organizations that periodically deliver some type of formal recognition are:

- More than 2½ times more likely to experience increased employee engagement.
- 85% to 100% more likely to see increased employee productivity.
- 61% to 76% more likely to have employees participate in more development opportunities.

Impact of Employee Recognition



EMPLOYEE PARTICIPANT IN PERFORMANCE MANAGEMENT

The research showed a strong correlation between active employee participation in the PM process, and increases in employee retention, participation in development opportunities, productivity, and engagement.

The most common type of employee participation is a **self-evaluation**.

- **60%** of organizations determine the format and give little or no employee discretion.
- **40%** allow employees to submit a free-form self-assessment that includes personal and professional goals, development opportunities of interest, and other items they believe should be taken into consideration as part of the assessment process.

Just providing employees with that opportunity to express themselves as they see fit has a dramatic impact on Key Performance Indicators. Compared with organizations that mandated the self-evaluation format, organizations using a free-form self-assessment as described above were:

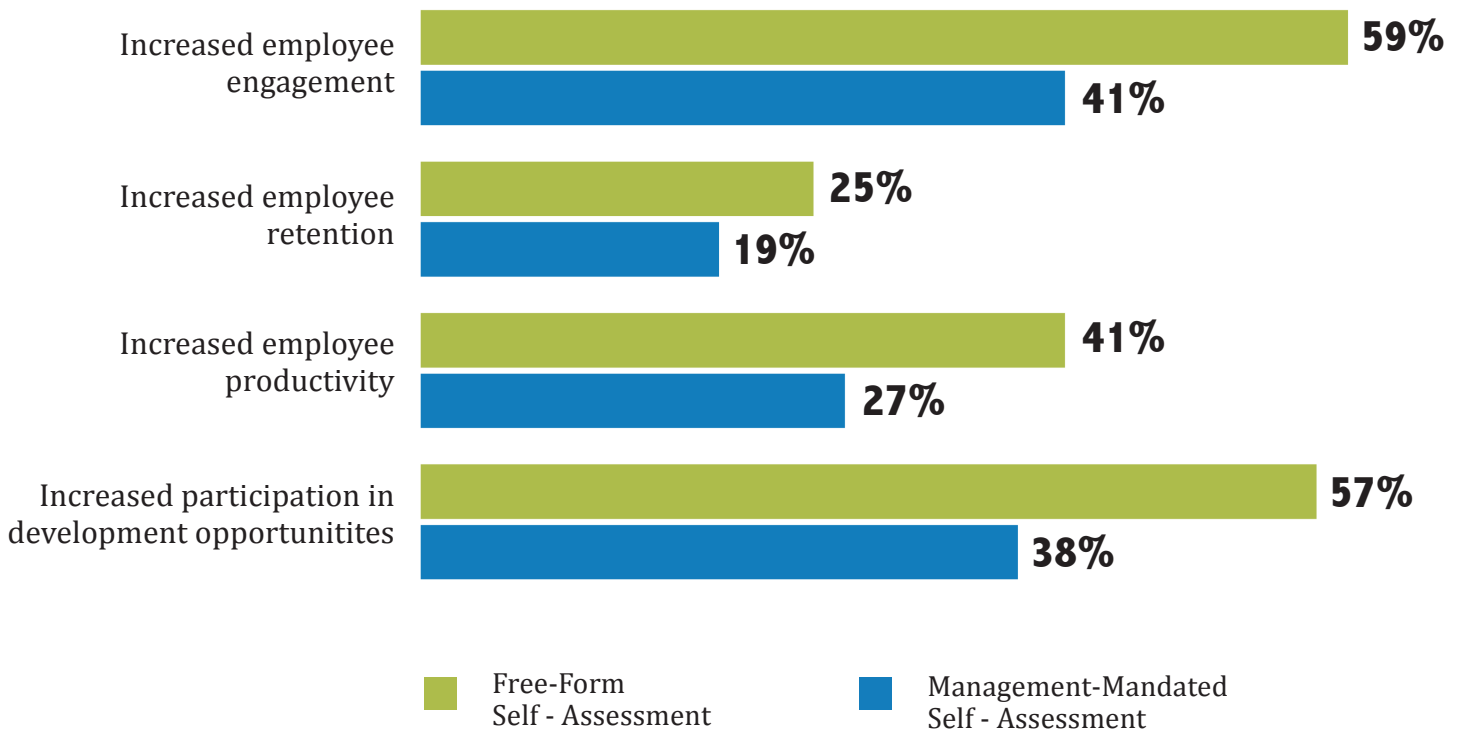
- **2½** times more likely to see increased employee retention.
- **52%** more likely to see increased employee productivity.
- **50%** more likely to see increased participation in employee development opportunities.
- **44%** more likely to see increased employee engagement.

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EMPLOYEE PARTICIPANT IN PERFORMANCE MANAGEMENT (cont.)

Employee Participant's Impact on KPIs



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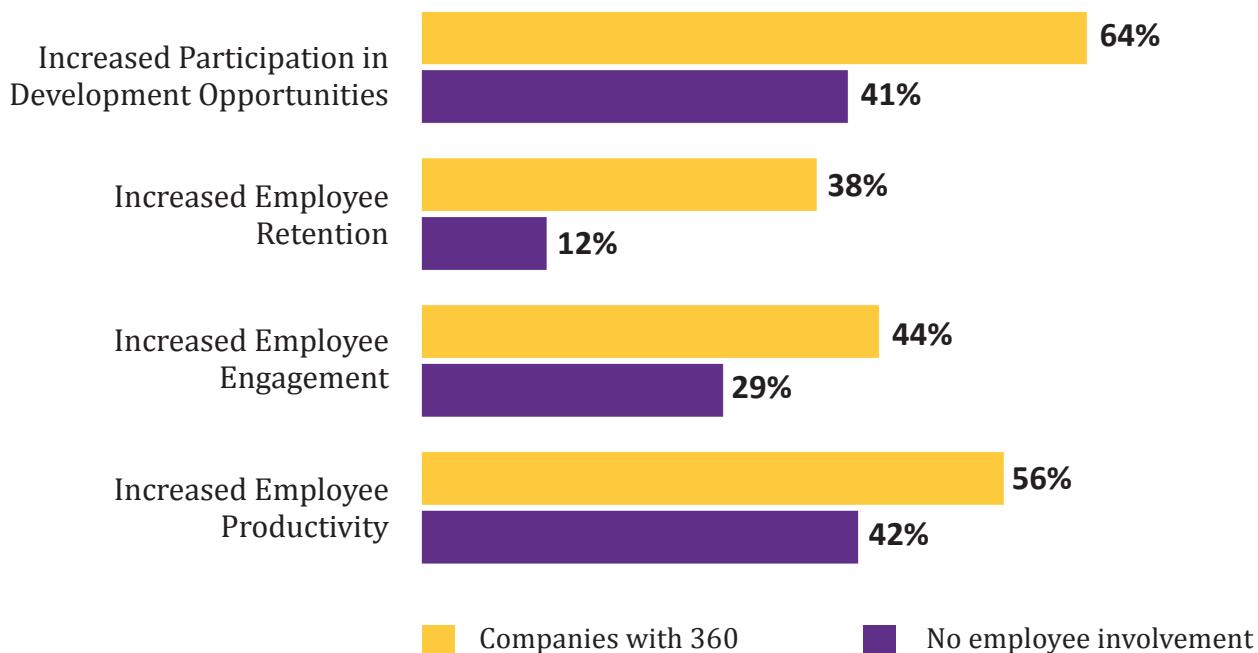
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EMPLOYEE PARTICIPANT'S IMPACT ON KPIs (cont.)

But organizations get the best results when they utilize a 360-degree assessment process in which the employee can choose at least some of the colleagues who will participate in the assessment. Only 16% of organizations surveyed offer this tool, but the results are strong. Compared to organizations that do not offer 360 assessments, organizations that used a 360 and allowed employees to choose at least some respondents were:

- More than 3 times more likely to see increased employee retention.
- 56% more likely to see increased participation in employee development opportunities.
- 52% more likely to experience increased employee productivity
- 33% more likely to experience increased employee engagement.

360 Assessment vs No Employee Involvement



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PERFORMANCE MANAGEMENT TRAINING FOR MANAGERS

In order to get the best results from performance management, managers need to understand the process and how to involve employees. About 86% of organizations deliver some sort of performance management training to managers:

Training For Managers On Performance Management



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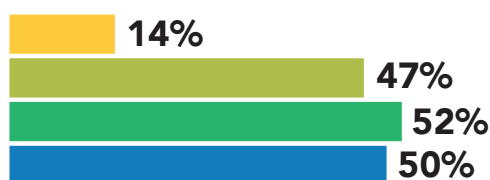
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PERFORMANCE MANAGEMENT TRAINING FOR MANAGERS (cont.)

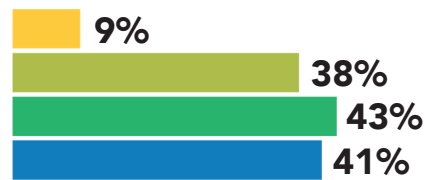
It is not surprising that organizations that provide training fare better than organizations that don't. But the gaps in KPI gains are staggering, not only in employee engagement, retention, productivity and participation in development activities, but also in customer satisfaction and retention, organizational revenue and market penetration.

Employee recognition and involvement in the PM process did not have nearly as significant an indicator on external KPIs as training, which is why we have not focused on them in this report. While training doesn't necessarily cause these external KPI gains, the statistics indicate that the performance management training certainly plays a positive role.

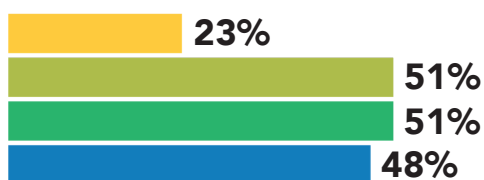
Correlation Between PM Training and Gains in External KPIs



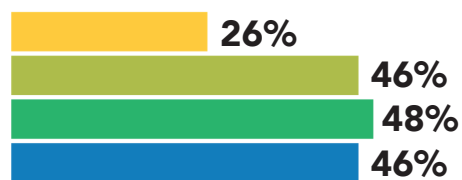
Increased customer satisfaction



Increased customer retention



Increased organization revenue



Increased market penetration

■ No Training ■ Informal Training ■ Formal Training ■ Formal and Informal Training

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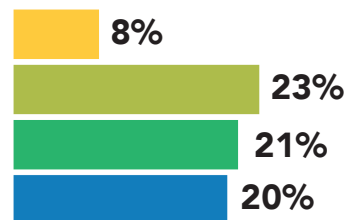
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PERFORMANCE MANAGEMENT TRAINING FOR MANAGERS (cont.)

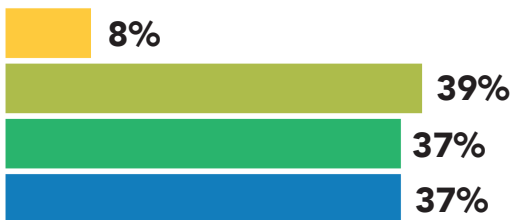
Correlation Between PM Training and Gains in Internal KPIs



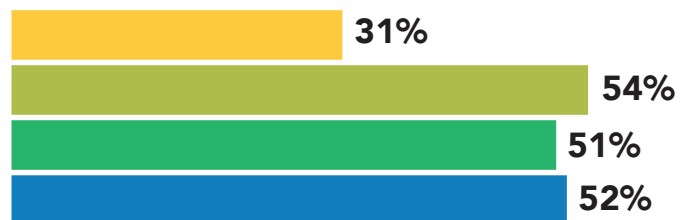
Increased Employee Engagement



Increased Employee Retention



Increased Employee Productivity



Increased participation in development opportunity

■ No Training
 ■ Informal Training
 ■ Formal Training
 ■ Formal and Informal Training

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KEY TAKEAWAYS

1

Organizations can disagree about the relative merits of separating merit pay from the performance appraisal process, or eliminating forced distribution. But the merit of actively involving employees – both those being appraised and their managers – in the performance management process is difficult to dispute.

2

Less than half (40%) of organizations utilize a free-form self-assessment in which the employee being appraised can include personal and professional goals, development opportunities of interest, and other items they believe should be taken into consideration as part of the assessment process.

3

If nothing else, organizations should see that getting employee input is critical. The KPI statistics make this abundantly clear and gives employees, managers, and HR professionals plenty of ammunition to make their case.

4

Recognition is well-documented as a critical element of talent management, and has been supported by many studies, by Brandon Hall Group and across the industry. That 25% of organizations in our research don't offer any type of recognition program related to the performance management process is mind-boggling. It just doesn't make any sense from a business standpoint and an engagement standpoint.

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ABOUT BRANDON HALL GROUP

Brandon Hall Group is a HCM research and advisory services firm that provides insights around key performance areas, including Learning and Development, Talent Management, Leadership Development, Talent Acquisition, and HR/Workforce Management.

With more than 10,000 clients globally and 20 years of delivering world-class research and advisory services, Brandon Hall Group is focused on developing research that drives performance in emerging and large organizations, and provides strategic insights for executives and practitioners responsible for growth and business results.



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In today's volatile and global business climate, managing talent for high-performance plays an increasingly crucial role in an organization's growth and future success. Effective talent management is a top priority in organizations everywhere because, while organizations recognize the need to obtain and retain people with the very best skills, they continue to struggle to implement effective strategies to do so. HR and Learning professionals need to be able to successfully define organizational talents needs and skills, identify talent strengths and career goals, and align organizational needs to individual needs. Rethink your strategy, validate your assumptions, transform your business, and optimize your time with the use of reliable data, tools, and guidance.



PLAN



ATTRACT



DEVELOP



PERFORM



RETAIN



OPTIMIZE

GET HELP WITH YOUR HR SERVICES MANAGEMENT & DELIVERY

As described in the employee lifecycle, processes are linked to employee transactional processes (e.g., compensation, benefits, compliance, contingent workforce management, etc.) via workforce planning and analytics.

- Policies/Process/Procedure
- Payroll
- Expense Management
- Benefits & Compensation
- Contingent Workforce Management
- Compliance
- Time & Labor Management

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Our Services (Continued)

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- Organizational Structure
- Measurement & Analytics
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