Mercer's 2019 Global Performance Management Survey

Creating Performance-Oriented Transformation in the Future of Work

EXECUTIVE SUMMARY

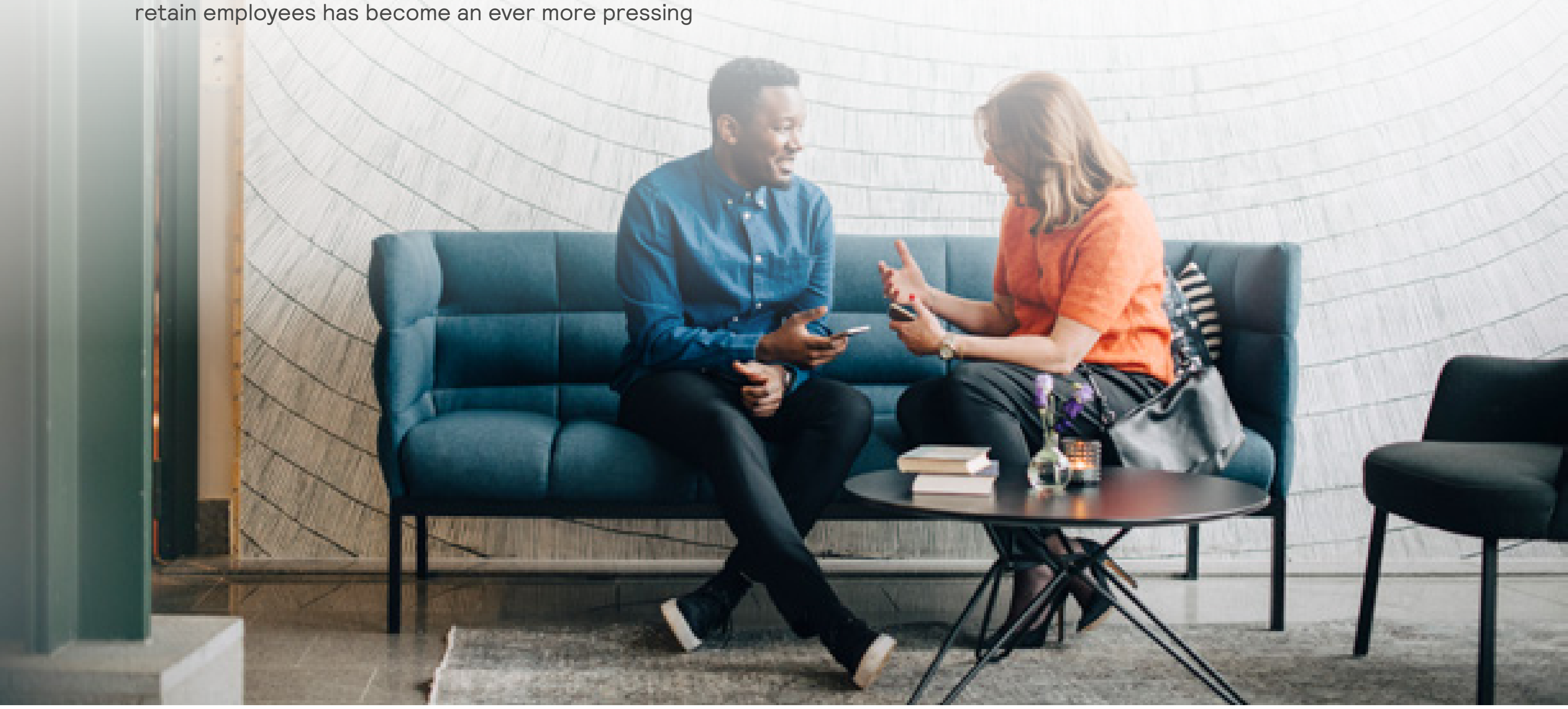
For the past decade, leaders have been frustrated that the energy they put into performance management has not motivated employees or increased business results. Companies hoped specific design elements, such as forced ranking, technology and continuous feedback, would improve the process. Yet these isolated design changes did not achieve the positive impact that was desired.

What is unique about today is that the employee call for continuous feedback is louder than ever. Employees desire feedback to know how they are doing relative to goals and to their peers. They also want conversations about their career growth. As companies respond to these developments, we will find once again that there is no silver bullet.

At the same time, finding ways to develop, reward and retain employees has become an ever more pressing challenge for organizations seeking to thrive amid disruption. Integrated talent programs are essential for business transformation. Yet as performance management practices evolve, are they delivering the desired results?

The findings of Mercer's new Global Performance Management Survey suggest there is vast room for improvement in using employee performance management to drive business performance. From the responses of 1,154 HR leaders, the survey reveals only 2% of companies believe their existing performance management system delivers exceptional value, nearly unchanged from five years ago.

By analyzing the results of the Global Performance Management Survey, Mercer has identified four truths that can enhance performance management in the years ahead.



TRUTH #1

Goal alignment and agility drive desired results

Although 45% of companies have strengthened their strategic goal cascade from the business down into the company, they still focus efforts on employee-level goal setting. Globally, 83% of companies require individual goals, but only 56% require business unit goals — meaning half of the companies' managers are setting individual goals in a vacuum. Without linkage of employee goals to broader business unit goals or company priorities, it is unlikely that individuals will understand how they can contribute to the company moving forward.

Two-thirds of companies noted that "aligning employee efforts" to accomplishing company goals is the primary reason to have performance management. Among companies surveyed, "setting expectations" provides greater value than feedback, coaching and linking to compensation and career development. However, when we look at HR priorities for the coming year, over half are focusing on "improving feedback and coaching," likely answering the employee desire for more conversations. Survey results show managers have about the same level of skill in both providing feedback/coaching and setting expectations, with about eight in 10 requiring upskilling. This suggests that HR's efforts might be better focused on strengthening the company's ability to set expectations first, and then moving on to improving the quality of feedback conversations. Anchoring these conversations in business and job priorities will be key.

TRUTH #2

Effective coaching requires action-oriented and empathetic managers

Our study reveals that having managers who are skilled at engaging with employees in candid performance dialogue is not associated with overall performance management effectiveness. Instead, productive performance conversations focus on action — setting clear goals, gathering meaningful information about performance and ensuring evaluations are fair and equitable. While coaching is important, if it does not lead to anything meaningful, then it is seen as a waste of time.

While many leaders say "people are our biggest asset," not many companies invest and reward their people managers. Similar to five years ago, only 30% of companies assign managers a rating for their people management capabilities, and just 9% link a manager's compensation to the managerial and/or coaching part of his or her role.

TRUTH #3

Dropping ratings doesn't necessarily mean richer feedback

Despite the hype, ratings are still part of most companies' processes. Although the figure has doubled in the past five years, only 15% of companies globally have eliminated overall performance ratings.

There was an expectation that getting rid of ratings would help create a culture of continuous feedback. The data reveal little progress has been made on this front. And interestingly, there is a very weak statistical relationship between eliminating ratings and having a feedback-rich culture. In dropping ratings, organizations may have inadvertently created the worst of both worlds: Employees do not know where they stand, and they do not receive feedback on how they are doing.

TRUTH #4

An integrated talent strategy is the way forward, but it needs work

An integrated talent strategy remains an aspiration for many. Globally, 70% of companies say there is a need to improve the link between performance management and other talent decisions, such as promotions, development and succession planning. To do this well requires a career architecture underpinning it and clarity of where people are, which may or may not exist depending on the company's culture. Companies that have performance ratings are, on average, 20% more likely than companies without them to link performance to other talent decisions. This finding is surprising given that more companies are trying to better align talent decisions and deliver on a more integrated employee value proposition.

In practice, performance management tends to be "owned" by the compensation function, which lends itself to being primarily associated with pay decisions. Any enhancements to the process must start with HR leaders setting a strategy that combines the business priorities with the desired employee experience — rather than running individual HR programs with, say, compensation in one silo and learning and development in another.

Technology is both part of the solution and part of the challenge. It is being used predominantly as a mechanism to compile data and to ease the administrative burden on HR and managers. Today, two-thirds of companies have performance management technology in place, but only 16% have fully integrated platforms that connect performance management information with other data sets, such as those on development and succession planning. Despite the hype about the benefits of continuous feedback, the reality is that the majority of companies (66%) do not use real-time feedback technology. Of those that do, one-third found it less effective than they had anticipated pre-implementation.

Mercer's research shows that employees want managers who seek to know them personally and help them navigate their professional development journeys. Our Global Talent Trends findings this year reveal that thriving employees are four times more likely to work for a company that understands their unique skills and interests, compared to their non-thriving peers. Company efforts to deemphasize year-end processes, encourage continuous feedback and increase manager training cannot replace the reality: You can't fake caring. To be successful, companies need managers that are energized by coaching people and taking an interest in what matters to employees. Skilled managers clarify to employees how they personally contribute to the company's performance while creating meaningful growth opportunities for them.

HOW CAN COMPANIES MOVE FORWARD?

Reviewing the data as a whole reveals a need to radically upend what we do. Three strategies will be the hallmark of how companies can build a workforce for the future:

1. Disrupt the HR model, creating a truly employee-centric approach to talent decisions that creates meaning for the business and the employee.
2. Improve clarity for each employee, and for each job, in how each contributes to the business. Employees crave clear guidance on what is expected of them and seek advice that ties them and their unique skills to future business needs.
3. Intentionally select people managers based on skill and interest. This will require companies to rethink the typical upward career progression that assumes everyone becomes a people manager. An additional opportunity is to match employees with people leaders (or mentors) based on fit, where they can help employees navigate their professional development journeys.

Want to dig deeper?

If you are interested in finding out more about how Mercer can partner with your company, please contact Lori Holsinger, PhD, Global Performance Management Survey Leader at Mercer, at **lori.holsinger@mercer.com**. She can coordinate with local Mercer experts to connect with you.