



UNITED STATES

2020 Cornerstone Performance Management Survey

A review of the current practices surrounding performance management in small & medium businesses and the obstacles to implementing continuous performance management and talent technology solutions.

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Executive Summary

95% of managers are not satisfied with their company's annual performance management process and 75% of employees see yearly reviews as unfair¹.

Performance reviews are broken.

It's not that employees don't need feedback. They do. In fact, statistics consistently show the correlation between creating a culture of continuous feedback and increased employee engagement, productivity, and retention which impact business goals and, ultimately, the company's bottom line.

- » Employees who receive frequent feedback are 3.6 times more likely to strongly agree that they are motivated to do outstanding work
- » Employees who receive frequent feedback are 3.0 times more likely to be engaged at work
- » 42% of millennials have reported they would likely leave a job if they weren't learning fast enough

A consistent driver for employee engagement, productivity, and retention is feedback and development opportunities.

The value of continuous performance management (CPM) and development opportunities has been proven by research, but Cornerstone wanted to understand how, and if, theory has been implemented into practice by small & medium businesses. Are SMBs using CPM? What methods of feedback are they using and how effective are they?

To better understand the current state of employee feedback in businesses under 1,000 employees, Cornerstone conducted a survey asking questions on performance review practices, priorities, and obstacles.

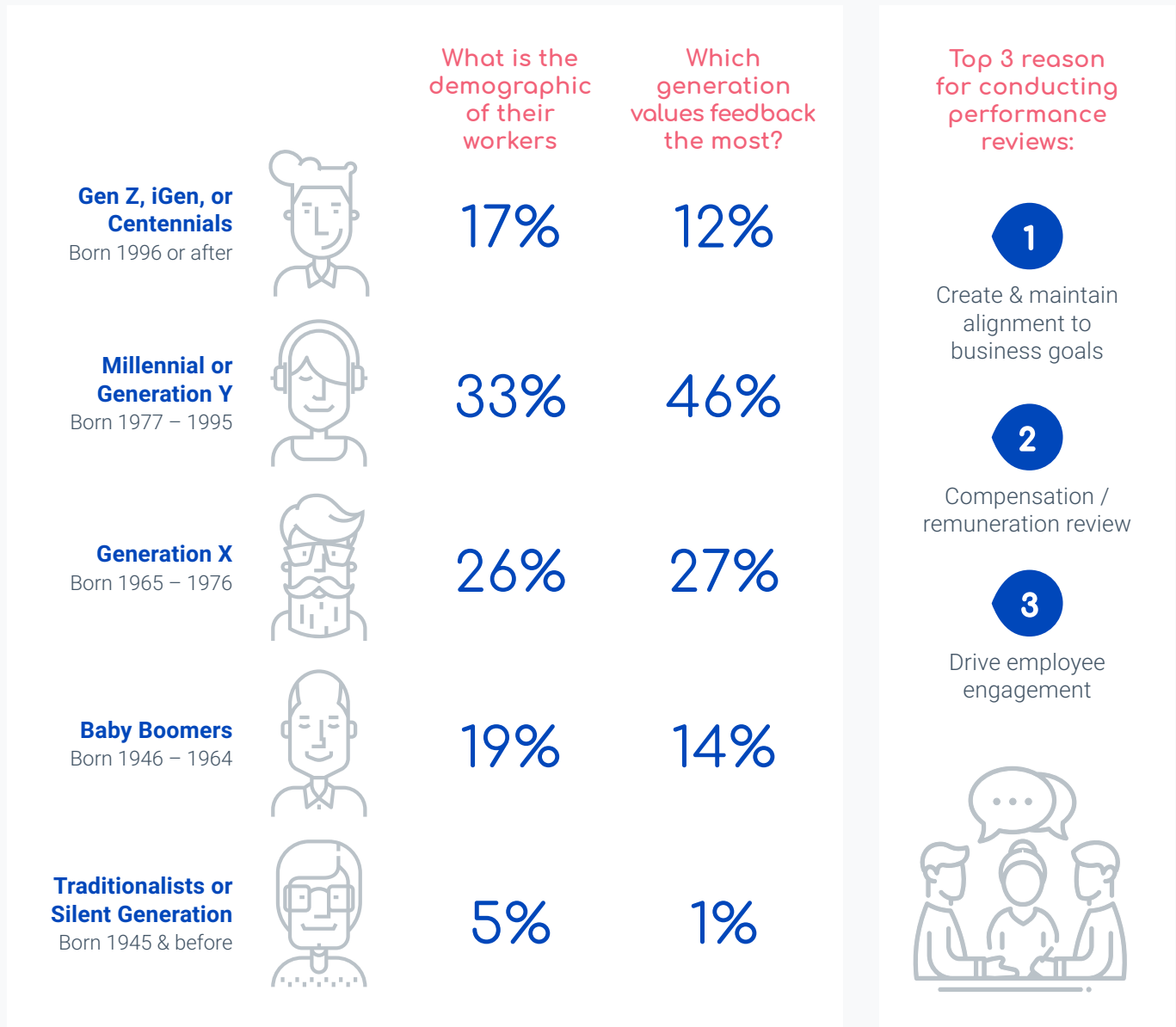
Findings of the survey illustrated:

- » Performance reviews are largely company centric rather than employee focused with 25% listing alignment to business goals as the primary reason for conducting performance reviews and 18% for compensation review.
- » Performance feedback: 26% of respondents provide employee feedback annually, 18% quarterly, 17% monthly, 16% every two weeks.
- » Learning & Development: 26% of respondents meet with employees only once per year. 19% quarterly and 14% bi-annually.
- » The most common listed obstacles to continuous performance management are time constraints, lack of structure surrounding feedback, and limited coaching skills.
- » 45% of respondents record employee feedback meetings via spreadsheets, Word documents, or other manual processes.
- » 41% of respondents said managers are slightly or not at all effective at building actionable performance goals for team members.

Findings supported the conclusion that SMBs are trying to provide feedback more often, but are struggling with how to make the feedback valuable with structure and tools to guide managers in conversations.

¹ <https://www.shrm.org/hr-today/news/hr-magazine/Pages/0415-qualitative-performance-reviews.aspx>

Key Findings from Survey



Introduction

Why do we have performance reviews?

It depends on who you ask. The school of thought around feedback has shifted over the years and we're not all on the same page. Those holding to traditional models of employee feedback focus on value for the company, i.e. driving performance towards business goals and creating accountability to the success and failure of business outcomes. Conversely, modern models of feedback give power back to the employee, focusing on coaching and support in order to create engagement and purpose. Ultimately, both roads are supposed to lead to the same place, company success, but the underlying philosophy and methods are radically different.

Research has proven that modern, employee-focused models of feedback produce better results for both employee and company. Follow the story that these statistics tell: Employees who receive frequent feedback are 3x more likely to be engaged at work². Companies with engaged employees outperform those with disengaged employees by 202%³. 68% of employees who receive accurate and consistent feedback feel fulfilled in their jobs⁴.

Employees want frequent feedback and when they get it the results speak for themselves: better engagement, which leads to better outcomes for the company and a happier workforce.



Continuous performance management (CPM) has taken hold as the standard of practice that should be followed in any organization. One problem: belief and practice are not always in alignment (in life and in business). Businesses may accept the findings that CPM produces better results, but have they been able to put it into practice?

To answer that question, Cornerstone conducted a survey to better understand the current state of performance management in small & medium businesses. This survey reveals insights into the current practices for performance feedback and the obstacles preventing the adoption of a continuous performance feedback model.

Questions from this study explore:

- » The current priorities of businesses in running performance reviews
- » Frequency and method of feedback today
- » Obstacles to continuous performance management

This survey had 1,044 respondents from the United States and Canada in businesses with 1,000 employees or fewer.

² <http://news.gallup.com/reports/208811/re-engineering-performance-management.aspx>

³ <https://www.gallup.com/workplace/229424/employee-engagement.aspx>

⁴ <https://clutch.co/press-releases/millennials-unhappy-plan-to-quit-6-months>

Performance reviews are business, and not employee, centric

Focusing on people drives results



Please rank from most important to least the reasons why your business conducts employee performance reviews?



Top 3 reason for conducting performance reviews

1

Create & maintain alignment to business goals

The clear priority for companies surveyed in running performance reviews is to align employees to overarching business goals and objectives. The underlying indication is that KPIs for success have been set and performance reviews are used as a tool to evaluate whether an employee has added to the success or failure of those goals.

It's a top-down method that values the company, not employees, by using accountability rather than coaching and focus on engagement. It's no wonder that 95% of managers are not satisfied with their company's annual performance management process and 75% of employees see yearly reviews as unfair. Employees know the process isn't about them, it's about the bottom line.



[Reviews] are ineffective because they focus more on the numbers than the people and do not realize the people directly influence the numbers.

Survey Respondent



Conversely, employee-driven goal setting demonstrates that companies prioritize each contributor's success, transforming the conversation from top-down assignments to mutually agreed upon goals that are aligned with the company's strategic priorities.

Goals set by employees ensure that no matter what level employees are at, they can articulate exactly how their efforts tie into the broader company objectives. Employee-driven goals help to increase motivation and focus attention where it really matters.

For goal setting to be truly effective, goals need to be regularly revisited throughout the year. Goals should be collaborative, and communication set at frequent intervals in order for them to be meaningful and successful.

Making performance management a continuous process, rather than a yearly time-drain, enables managers and employees to:

- » Discuss each other's goals
- » Align them to drive mutual success
- » Adjust as necessary

Every business leader knows that a lot can happen in a year and your employees must be agile to meet changing business needs.

Frequent feedback helps employees pivot and realign to business objectives and goals when needed.

2

Compensation review

Compensation review ranked as the second highest reason for conducting performance reviews, which indicates that pay discrimination and legality is top of mind for businesses. The cultural climate of today has created heightened awareness and accountability surrounding pay discrimination. Businesses are trying to create transparency into compensation practices and create a “pay for performance” narrative that is defensible.

However, the question is whether businesses create transparency and defensible pay structures in order to protect against legal action or from a holistic desire to create a culture of fairness.

One thing is for certain, if 75% of employees feel that performance reviews are inaccurate, the system is flawed either way.

Frequent, recorded feedback creates a more accurate and meaningful reflection of the previous year’s accomplishments and opportunities for improvement. When managers provide daily feedback (versus annual feedback), their employees are 6.0 times more likely to strongly agree that they receive meaningful feedback.

Meaningful feedback that is recorded throughout the year is sure to provide more accurate and fair compensation assessments with which employees are more likely to be satisfied. The record of check-in conversations as part of continuous performance management also provides companies with the transparency and defensible reasoning for employee pay structures.



3

Drive employee engagement

According to Gallup, only 34% of employees report feeling engaged at work⁵. Also, according to Gallup, employees who receive frequent feedback (versus annual or bi-annual) are 3.6 times more likely to strongly agree that they are motivated to do outstanding work and 3.0 times more likely to be engaged at work.

The low engagement score of workers today supports the notion that businesses are not providing enough feedback to keep employees engaged. Given Gallup’s findings regarding the high correlation between feedback and engagement, businesses need to evaluate whether the feedback strategy they have in place is sufficient.

60% of Generation-Z’ers want multiple check-ins from their managers weekly, if not daily⁶. According to Forbes,

 Gen-Z does not only value frequency with feedback, but they also value measurability. This means delivering feedback to Generation-Z in a way that’s trackable⁷. 

And the “digital native” generation will make up 20 % of the US workforce by the end of 2020.

The younger generations are demanding frequent feedback and continuous performance management. Without it, they feel free to leave and accept a position with another company.

Given the high cost of employee turnover, modern businesses will have to revolutionize their feedback models and incorporate continuous performance management into company culture.

⁵ <https://news.gallup.com/poll/241649/employee-engagement-rise.aspx>

⁶ <https://genhq.com/generation-z-research-2018/>

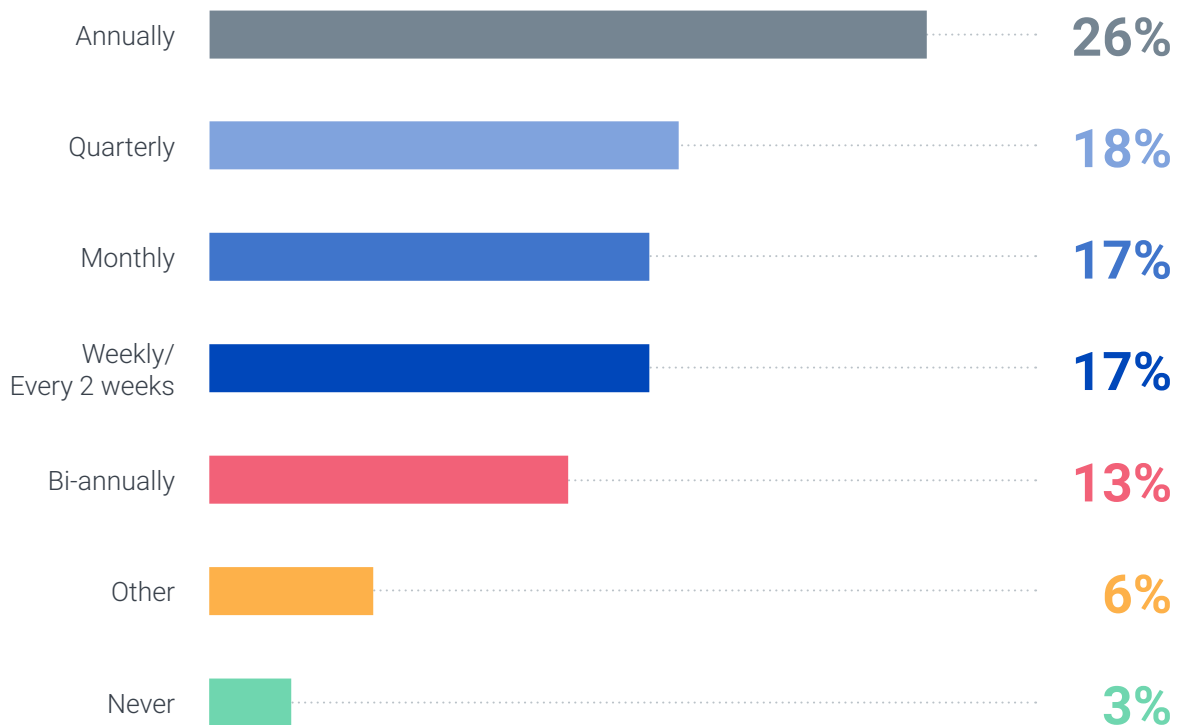
⁷ <https://www.forbes.com/sites/ashleystahl/2019/09/10/how-generation-z-will-revolutionize-the-workplace/#443392d94f53>

SMBs are in transition with performance reviews

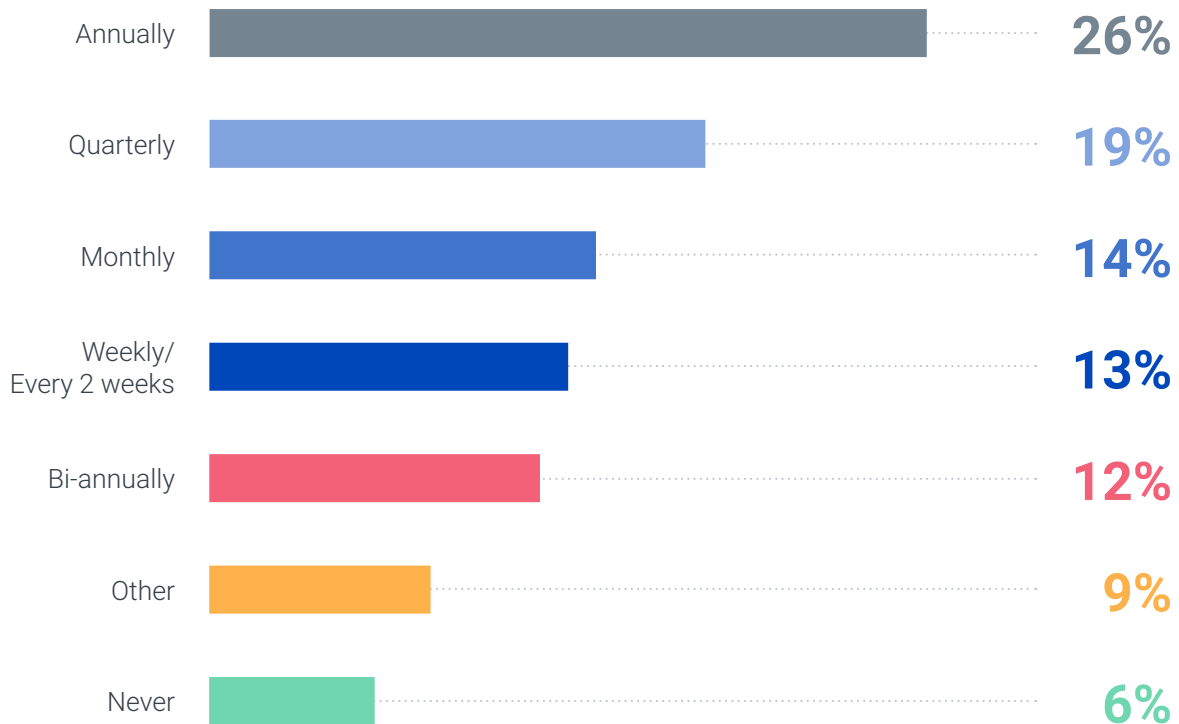
Businesses are trying to offer feedback more often



On average, how often do your managers meet with their team members about their employee performance?



On average, how often do your managers meet with their team members about their employee **development**?



The most prevalent method of feedback is still the annual performance (and development) review; however, we can see that more frequent intervals of feedback are on the rise. Quarterly or monthly feedback is a step in the right direction, but it will likely still be insufficient to truly be considered continuous performance management.

Feedback conducted once or twice a year is suitable for conversations regarding compensation but is insufficient to drive alignment of goals or help employees develop and grow.

This is especially true for younger generations. As previously stated, the incoming GenZ generation demand near constant contact with their manager and a coaching mentality.

According to Deloitte, 42 % of millennials would likely leave a job if they weren't "learning fast enough." 64% of millennials expect to leave their job within the next five years and 71 % of those who will leave are walking out the door because of how their leadership skills are being developed.



I don't believe [managers] actually focus on the necessary items; development, coaching, learning, constructive feedback, etc.

Survey Respondent



Which of the following are reasons why your managers conduct regular check-ins? You can select more than one.

9%

Review status of current work/projects, Maintain positive relationships between manager/staff, Career development and planning, Real-time performance feedback, Ensure work is still aligned to business goals

8%

Because managers feel they have to

6%

Review status of current work/projects

6%

Review status of current work/projects, Maintain positive relationships between manager/staff, Real-time performance feedback, Ensure work is still aligned to business goals

5%

Review status of current work/projects, Because managers feel they have to

5%

Review status of current work/projects, Maintain positive relationships between manager/staff, Career development and planning, Real-time performance feedback, Ensure work is still aligned to business goals, Because managers feel they have to

5%

Review status of current work/projects, Maintain positive relationships between manager/staff, Real-time performance feedback

5%

Review status of current work/projects, Maintain positive relationships between manager/staff, Career development and planning, Real-time performance feedback

3%

Review status of current work/projects, Maintain positive relationships between manager/staff, Ensure work is still aligned to business goals

3%

Review status of current work/projects, Real-time performance feedback, Ensure work is still aligned to business goals

3%

Review status of current work/projects, Maintain positive relationships between manager/staff

3%

Review status of current work/projects, Ensure work is still aligned to business goals, Because managers feel they have to



Survey results indicated that managers are primarily using performance management as a yard stick to measure progress on current projects. Interestingly enough, the standalone second most common reason managers check-in with employees is “because they feel they have to.”

Both answers indicate that managers lack the training and coaching skills to truly make the most of a check-in conversation. It would seem that manager / employee conversations consist of the question, “How’s that project coming” and only because they must.

There’s a skills gap for managers on how to build continuous performance management and find the value in it.

Continuous performance management is two pronged: performance and development. Managers need to incorporate both conversations into an overall CPM plan. Performance conversations are focused on goals and specific projects. While managers want to take the opportunity to acknowledge successes and offer course correction and development opportunity for any missed marks, let employees guide the conversation.

Discussion topics may include:

- » Status of short-term goals and long-term projects
- » Recent accomplishments
- » Revising goals with the employee

Development conversations encompass a larger section of time, usually a month, with a focus on needs of the employee, skill gaps, development needs, and personal career goals.

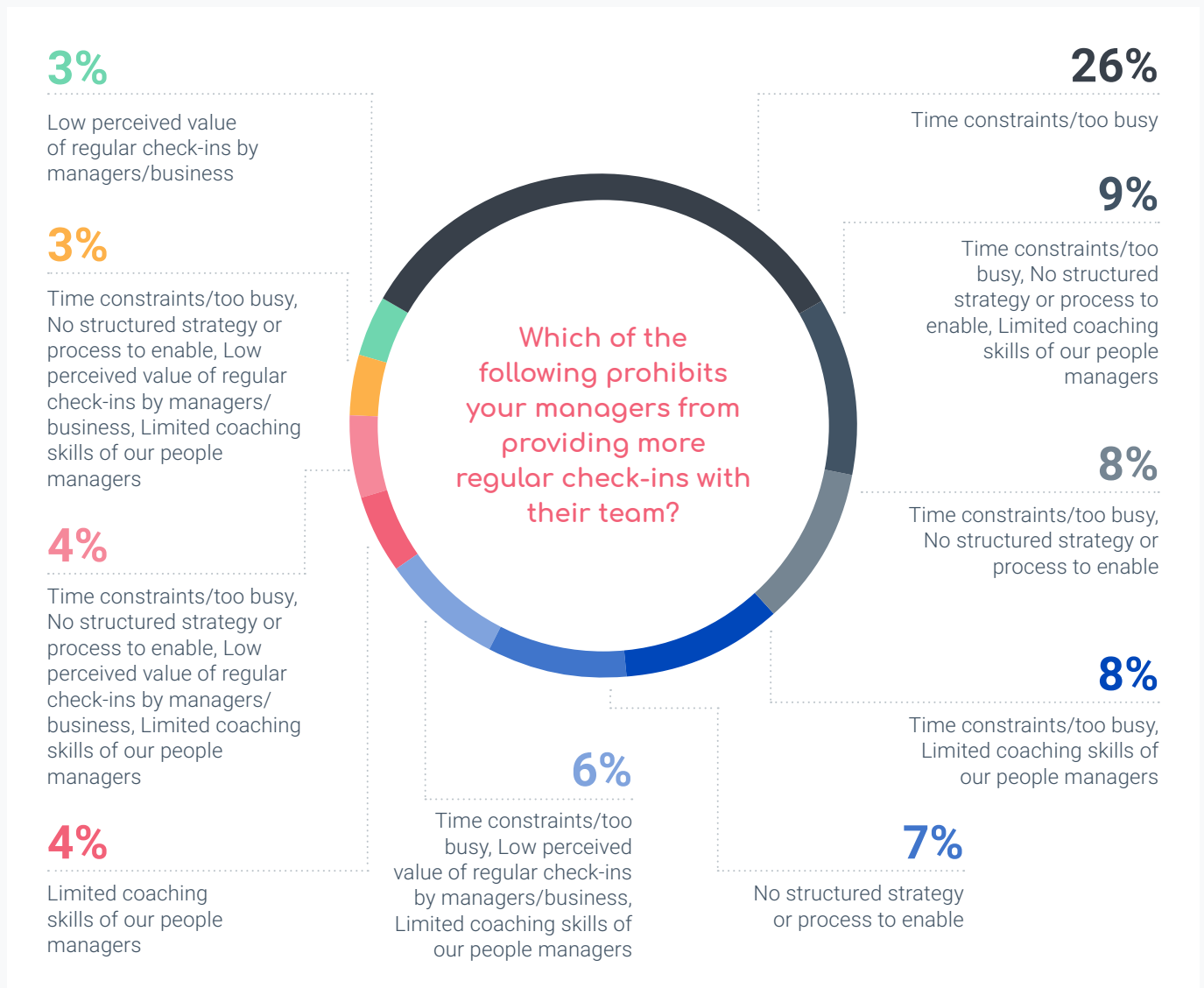
Discussion topics may include:

- » Status of learning and courses in progress
- » Skills gaps that may be preventing accomplishment of tasks and goals
- » Training requests tied to professional or personal development goals
- » How to achieve employee’s career goals

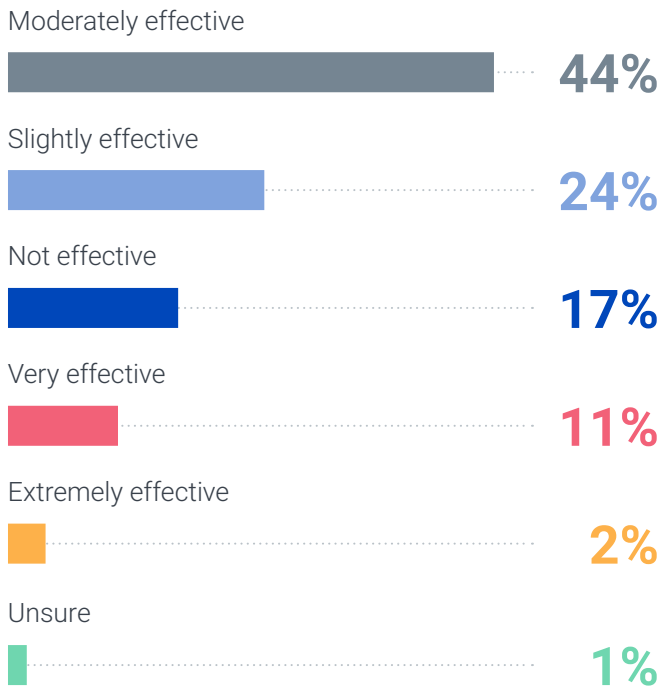
A regular cadence of both performance and development conversations is key to keeping employees engaged, productive and to reduce turnover.

Managers lack the time, skills, and tools for continuous performance management

People management is not the top priority for people managers



How effective do you believe your managers are at building actionable performance goals for team members that are aligned to your business objectives?



We want managers to become truly human again: to be people who love to learn and love to teach.

Harvard Business Review

What is the top priority of a manager of people? To execute on specific tasks and goals or to empower a team of people to do so? According to survey respondents, the number one reason that managers in their organization do not check-in with employees as part of continuous performance management is because of “time constraints / too busy.” The check-in is likely seen as additional work and focus is instead put on executing tasks and objectives.

However, a manager’s most important role is to work with people and ensure their success, which, in turn, ensures the success of the company. The answer to the question shows that organizational culture surrounding feedback and development still needs to change. And change starts from the top.

When senior leadership commits to move from backward looking performance evaluation to forward-looking performance development, they commit to increasing engagement and the results are significant. Integrating this approach into the organization is the most important investment leadership can make.

The second highest rated answer of “limited coaching skills” indicates that managers are lacking the guidance and training to conduct meaningful check-in conversations.

In short, without skills training, managers are set-up to fail in creating a culture of feedback.

Process for the sake of a process, or just having performance conversation more times (replication) does not solve the problem of employee engagement and desire for feedback and coaching. The process must be meaningful and the conversations useful. CPM was meant to be an antidote to annual performance reviews, but survey results indicated that managers are lost on how to implement and build a feedback culture.

HR managers and learning leaders must make the case to managers that it’s worth the time and provide the training make it so.

Adoption of automation & enablement tools remains low

Manual processes stunt business growth and employee engagement



3%

Email

7%

Other

7%

Not recorded

How are employee performance/development meetings recorded?

45%

Electronic documents/spreadsheets (Word/Excel) or other manual process

25%

Performance review software

13%

Verbal only

Spreadsheets and other manual processes are an inexpensive and easy way of getting started with HR administration for a start-up business.

The trouble is spreadsheets are not a scalable solution that can reasonably grow with a business. Once the business adds more than a handful of employees a number of problems arise:

- » Spreadsheets are time-consuming. HR managers reported losing up to 14 hours a week on average due to lack of automation.
- » It's difficult to be audit ready. Spreadsheets leave the door open for human error when information is hand typed into cells and provide no change history or reports in case of an audit.
- » Spreadsheet provide no guidance. If the process isn't easy and doesn't provide guidance, managers are unlikely to adopt continuous performance management. Talent management software is designed to provide guidance at every step.

Manual processes also lack the ability to provide guidance and education to managers as they try to navigate development conversations.

Organizing and monitoring how your company gets work done is an integral part of running a successful business, and the fastest way to do so is by implementing a strategy that leverages technology solutions that will meet the expectations of your employees.

One study found that a lack of HR automation can have a negative ripple effect on a business. HR managers who do not fully automate say manual processes have led to:

- » Lower productivity: 41%
- » More errors: 40%
- » Higher costs: 35%
- » Poor candidate experience: 18%
- » Poor employee experience: 17%
- » Less engagement: 17%
- » Poor hiring manager experience: 11%

Manual processes like Excel discourage employees and managers from conducting regular updates and having conversations, as the process for recording is cumbersome. To encourage adoption and create a culture of feedback, companies will have to make the process of recording feedback as fluid and easy as possible. The right tools will also empower both employees and managers and guide them through the process of feedback.

Helpful features like coaching notes, conversations, 360 feedback, analytics and reports will help both managers and employees get the most out of the feedback process.

The automations of a talent management system will provide the time saving and guidance managers need to be motivated to invest in a new process.

Conclusion

From our survey, we can see that continuous performance management is perceived to be valuable, but businesses are struggling to implement a culture of feedback. HR professionals need to lead the charge with providing the training managers need to lead conversations and be successful. The right tools are also paramount to success in changing company culture. Manual processes only create extra work and deteriorate the perceived value of check-in conversations.

To help your company move forward and implement CPM, here are some top steps to take:

- 1 Change your philosophy:** Continuous performance management (CPM) starts with the belief that employees want to perform well and they want to improve, grow and develop in their careers. Pivot your point of view on the purpose of performance check-ins before you start anything. It's about support and growth rather than accountability.
- 2 Start with training:** Once you change your POV on feedback, you need to get everyone in your organization onboard. Develop a training program to walk employees and managers through how to have productive conversations. Education is key.
- 3 Get the right tools:** As previously mentioned, nothing puts a damper on change like a cumbersome process. A performance management tool should facilitate and ease the process of regular conversations. When considering a tool, take into account the initial cost, but don't forget to calculate the amount of time saved by managers, employee, and HR professional going forward.
- 4 Start from the top:** Get leadership buy-in for your new CPM tool and check-ins strategy and have your top leaders set the example in your company. If your top leaders and influencers set the tone on a culture of feedback, the rest of the company is sure to follow.



What is the most important linked factor to our business, to our employees and our customers or shareholders? You guessed it - Our People. They are the face, the spirit, the energy, the quality and experts to drive the future success of business. We must recognize and acknowledge them, support and encourage them to learn new industry skills, trust their instincts and expand their horizons way beyond here and now - and we want it to be with us! We want to meet regularly, encourage personal growth, listen, help and mentor through the hard times.



About Cornerstone

Cornerstone OnDemand is a world leader in talent management solutions. Our cloud-based software is helping companies recruit, train, manage, and empower their people. Cornerstone has more than 20 years of experience and clients across the world, ranging from the largest, most established companies to thousands of small and medium businesses.



Cornerstone is a recognised global human capital management leader with a core belief that companies thrive when they help their employees to realise their potential.

No matter what your talent management needs are, Cornerstone offers the right solutions at the right price for your business. Our solutions help your business handle every aspect of talent management and learning across the employee lifecycle with a modern, easy-to-use platform. A unified system will automate your processes and help you better attract, retain, and develop your employees.

Learn more at smb.cornerstoneondemand.com

What makes a partnership with Cornerstone unique?

- » Gartner® Leader in talent management
- » Aragon Research Globe™ Leader in corporate learning
- » One unified cloud platform to recruit, develop, and manage people
- » 95% retention rate
- » Client-focused
- » Feedback mechanisms
- » Transparency & partnerships
- » Engagement opportunities





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