

Gaining Board level buy-in to effective performance management

Introduction

As a strategic HR leader, *you* know that great performance management makes business sense. *You* know that modern performance management has evolved from the bad old days of the dreaded annual appraisal

But getting the Board to buy-in and invest in performance management can be a challenge. How can you persuade your C-suite leaders?

CEOs and CFOs may be dubious; many may have experienced badly designed and executed processes which have not led to higher performance or engagement. As [McKinsey](#) put it, “**in too many companies, the performance-management system is slow, wobbly, or downright broken**”

In their [Global Survey](#) McKinsey found many organisations “**say their organisations’ current systems and practices have no effect—or even a negative one—on company performance.**” They fail “**to see positive returns on investment for the time spent on performance management**”

But there is a world of difference between modern, effective performance management versus the traditional ‘annual appraisal’ process

The McKinsey survey found that “**when executed well, performance management has a positive impact on employees’ performance and the organisation’s performance overall**”

So, you need to convince your Board that when performance management is **executed well** it can improve performance, enhance employee engagement, save costs and give a positive return on investment

This guide can help you build a sound business case to change the perceptions of your Board and convince them to invest in effective performance management

Introduction

“The redesign of performance management is picking up speed:

79%

of executives rate it a high priority”

[Deloitte Insights](#)

Of the companies in their second year or later after having transformed their performance management,

100%

responded with an emphatic “yes” to the question “has it been worth it so far?”

[NeuroLeadership Institute](#)

90%

of companies that have redesigned performance management see direct improvements in engagement, 96% say the processes are simpler, and 83% say they see the quality of conversations between employees and managers going up”

[NeuroLeadership Institute](#)

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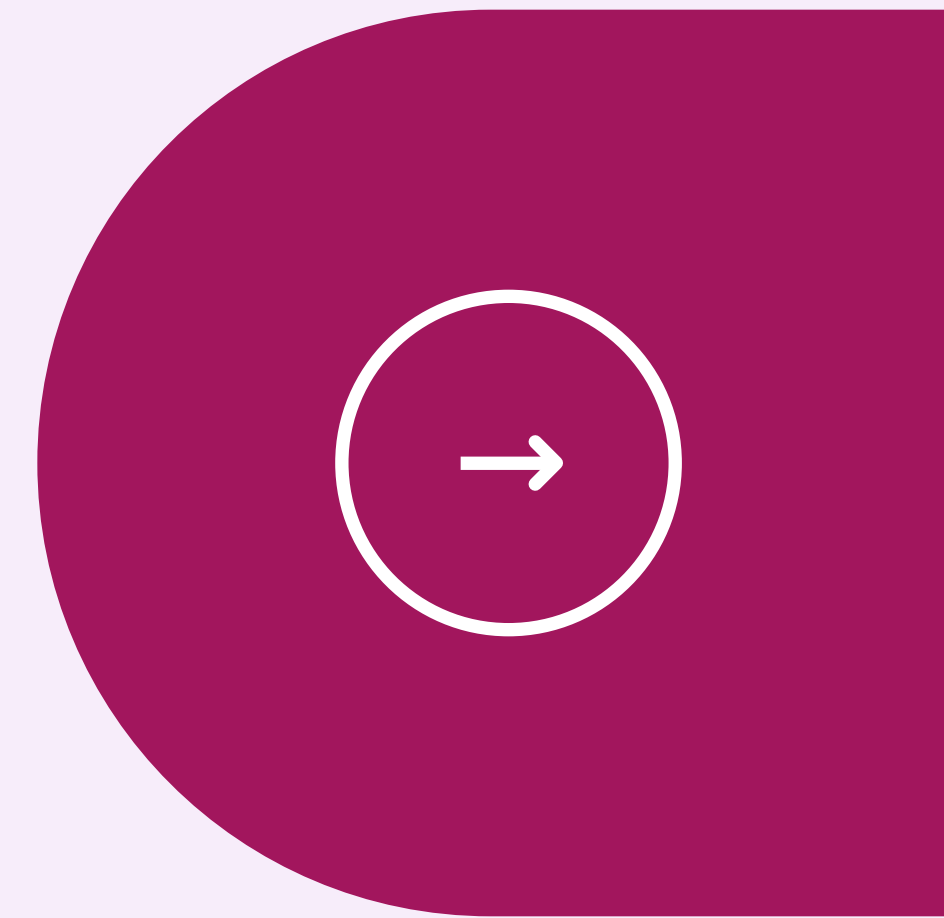
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Downloadable Business Case template

1. What is performance management?

(and what it isn't)



What is performance management?

Performance management is an approach and process which maximises the value that employees create

According to the CIPD, **“at its best, performance management centres on two-way discussion and regular, open and supportive feedback on progress towards objectives. It brings together many principles that enable good people management practice, including learning and development, performance measurement and organisational development”**

Modern performance management focuses on:

- agile, meaningful, aligned **objectives**
- ongoing, developmental, **constructive** feedback
- frequent 1:1 check-ins and coaching **conversations**
- empowered employees taking ownership for their continual **development** and **growth**
- accessible, up-to-date **performance data** to drive fair decisions



Modern performance management can feel like a world away from the old-style ‘annual appraisal’ process which was sporadic, bureaucratic and judgemental, and was ‘done to’ employees, rather than ‘done with’ them

2. How modern performance management has evolved



How performance management has evolved

In the past performance management was

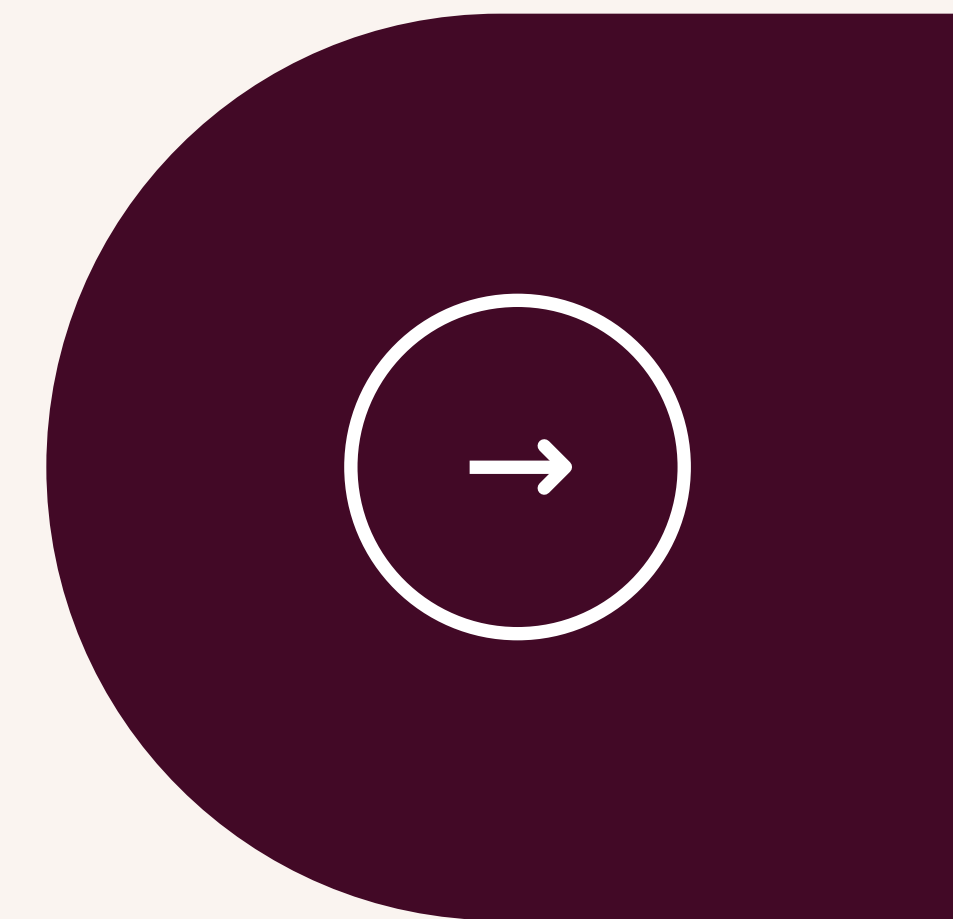
- ☐ Intermittent
- ☐ Once a year / occasional
- ☐ HR-driven
- ☐ Controlled by the manager
- ☐ Generic / one-size-fits-all
- ☐ Fragmented and formulaic
- ☐ Judgmental and critical
- ☐ Manual and administrative
- ☐ Data-light

Modern effective performance management is:

- ☒ Continuous
- ☒ Short-term and long-term focused
- ☒ HR-guided
- ☒ Employee-owned / manager acts as performance coach
- ☒ Adaptable / 'freedom in a framework'
- ☒ Holistic and wellbeing-focused
- ☒ Developmental and positive
- ☒ Online
- ☒ Data-driven / data-rich

Continuous performance management is a value-adding, pain-free, employee-led, data-driven process which drives high engagement and performance

3. How well do *you* manage performance currently?



How well do **you** manage performance currently?

To build a credible business case, you will need to convince your Board of the need to invest time and money into performance management

You will need to help them reflect on your performance management process to ascertain how well your organisation manages performance currently, and how far it has evolved towards the modern approach

Consider:

- how far has your performance management process has evolved towards the modern approach?
- is your company's process well-established and consistent?
- is it understood and used confidently and competently by most managers?
- do most employees buy-in and take part willingly?
- is it viewed as value-adding and developmental?
- do you have access to accurate, up to date performance data (productivity, turnover, high and low performers etc.)?

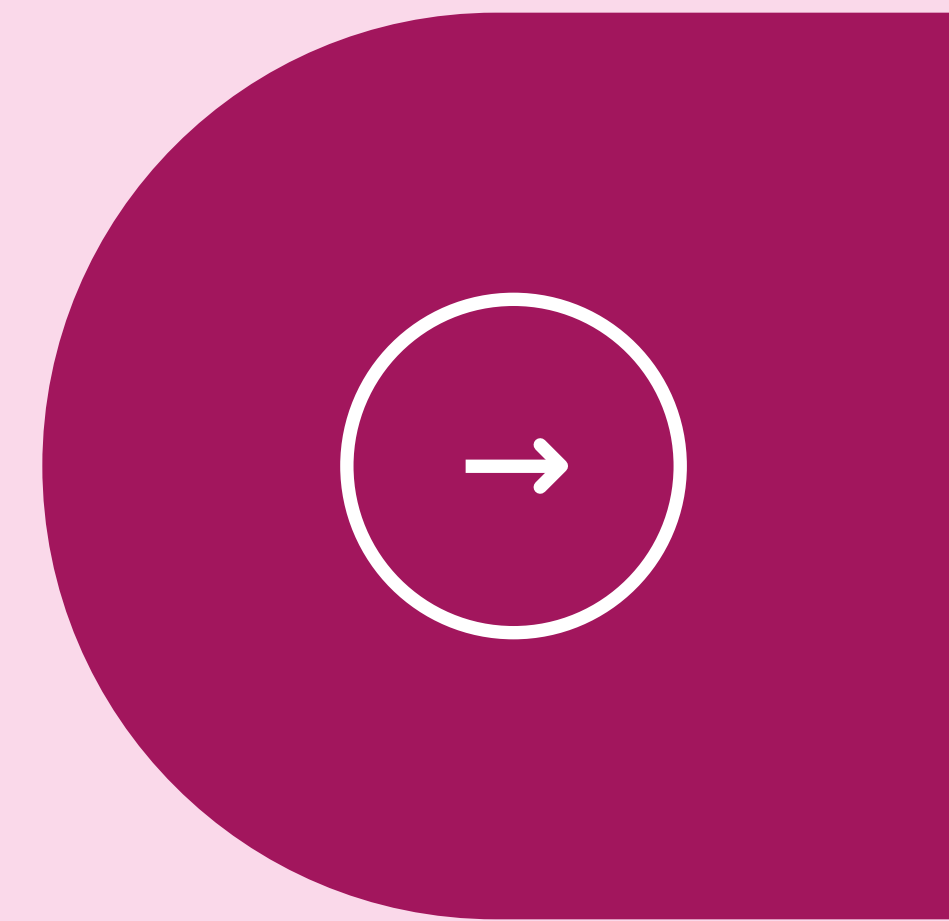
You should also consider how well you are managing performance compared to your competitors

Consider:

- are your competitors behind or ahead of you on the journey to modern performance management?
- would employees prefer to work with your performance management approach, or your competitors' approach?
- are new joiners pleasantly surprised, or underwhelmed, when they see our performance management approach and system?



4. Top ten benefits of effective performance management



Top 10 benefits of **effective** performance management

When done well, performance management has a wide range of benefits for organisations, employees and managers. The next pages show how effective performance management...

1. **Increases organisational alignment and goal clarity**
2. **Increases employee engagement**
3. **Enhances employee development and career advancement**
4. **Increases retention and reduces turnover**
5. **Reduces administrative time and cost**
6. **Enables talent management and succession planning**
7. **Drives a high performance culture and continuous improvement**
8. **Enables the rapid identification of poor-fit employees**
9. **Ensures compliance with data privacy and security**
10. **Delivers better data and drives better decision-making**



Benefit #1

Performance management increases organisational alignment and goal clarity

Effective performance management enables the company strategy to permeate throughout the organisation, via the cascade of aligned goals and objectives. This:

- enhances organisational alignment and goal clarity at a functional, departmental, team and individual level
- ensures employees understand how their work contributes to the organisation's success, and retains focus on key priorities that matter
- provides the organisation with a feedback loop for refining its strategic goals and objectives based on real-world performance data, which keeps goals relevant, up to date and agile
- links reward and recognition to goals achievement and reinforces the delivery of the strategic plan



Why this matters:



The reality is that most employees are unaware of, or do not understand their company strategy:

Professors Robert Kaplan and David Norton found that [only 5% of employees](#) understand their company's strategy

[HBR](#)



The problem is that this confusion may not be felt by the Board, so it is often a blind spot for senior leaders:

McGill University professor [Henry Mintzberg](#) conducted a survey with over 1 million responses and found that nearly 1/3rd of employees felt they lacked the information they need to do their jobs effectively, in contrast to 90% of senior managers and 78% of mid-level managers

Benefit #2



Performance management increases employee engagement

Effective performance management has a significant and direct impact on employee engagement

Through setting clear performance expectations and goals employees understand what is expected of them and how their contribution matters. This gives clarity and enhances a sense of purpose and direction, leading to higher engagement

When employees receive frequent constructive feedback and acknowledgment for their achievements, they feel valued and appreciated, which boosts engagement, motivation and trust

Highly engaged and motivated employees care greatly about the company strategy and how their own goals and performance contribute to its success. It is important for them to know high quality data is guiding good decisions regarding reward, recognition and career advancement

At the other extreme, effective and ongoing performance management allows disengaged employees to be identified so that managers can attempt to re-engage them, or take alternative steps as appropriate

Why this matters:

In 2021 [Willis Towers Watson](#) surveyed 1,550 employers, representing 9 million employees around the world

They found that **92%** of employers indicate that enhancing the Employee Experience (EX) will be a priority over the next three years, while only **52%** said enhancing the EX was a priority before the pandemic

This shift in priority reflects the employer view that EX drives:

- **engagement (81%)**
- **employee wellbeing (80%)**
- **productivity (79%)**
- **and overall business performance (78%)**



Thereby creating value for both employees and the business

90%

of businesses that have adopted a new approach to performance management say it has increased engagement

[Deloitte Insights](#)



Benefit #3

Performance management enhances personal development and career advancement

Effective performance management enhances employee development and career advancement by:

- Giving employees the ownership and skills to build personalised development plans encourages them to bridge their own performance and career goals
- Creating a partnership approach between employees, managers and HR for cost-effective development and growth, leveraging training opportunities such as on-the-job training, online learning, mentoring, peer-to-peer coaching, and formal training programs
- Enabling senior managers access to individual development plans. This allows them to aggregate targeted departmental development plans and replace one-size-fits-all training, reducing training costs and time spent on ineffective development activities
- Providing clear pathways for career advancement which motivates employees to invest in their development and growth, and helps leaders build accurate succession plans

Why this matters:

In 2021 [Gartner](#) found that 82% of employees polled said they wanted their organisation to see them as people, not just employees. Organisations that value the 'whole employee' by investing in their personal growth find their employees are more motivated, loyal, innovative and engaged

91%

of companies that have adopted continuous performance management say that they now have better data for people decisions, making major progress in removing bias and discretion in promotion and advancement.

[Deloitte Insights](#)

Benefit #4



Performance management increases retention and reduces turnover

Effective performance management enables companies to retain its valuable talent and reduce turnover. Employee turnover is a serious and costly issue for organisations; it pays to keep valuable employees motivated and engaged

- Check-ins, 1:1 performance conversations and formal reviews provide vital opportunities to let employees know they matter
- High performing employees want to know that they are making a difference and are being recognised for their contribution
- Where the performance management process ties recognition and rewards to performance:
 - ◆ Valuable employees are acknowledged for their contributions and receive fair compensation and benefits, so they are more likely to stay. Both intrinsic and extrinsic recognition can boost morale and job satisfaction
 - ◆ Talented employees are the first to get frustrated if they do not feel their contribution is being noticed and fairly compensated
- Performance management systems help managers to identify when the performance of employees' dips, allowing them to dig deeper into underlying causes and offer their support

Why this matters:

Retaining valued employees and reducing turnover have bottom line impacts. According to the Society for Human Resource Management (SHRM) it costs on average 6-9 months' annual salary to replace an employee. In addition, there are the hidden costs of disruption and lost knowledge



According to Gallup, employee turnover is reduced by 41% with organisations with engaged employees

Use the Appraisd ROI calculator to work out your potential savings:



Plug your own company figures into the Appraisd ROI calculator to work out the financial benefit of increased retention and reduced turnover for your organisation

Benefit #5



Performance management reduces administrative time and cost



Introducing a dedicated online performance management system reduces the need for manual paperwork, saving administration costs and effort by automating reminders, streamlining data collection and reporting. This frees up **valuable time** for HR, managers and employees

Self-service portals allow employees direct access to update their own goals, document their achievements, and give and receive feedback. **Empowering employees** to take a lead in the process allows them to take ownership for their own performance and personal development. This both **motivates** employees and reduces the workload for managers

By collecting and analysing performance data, HR and leaders can make more informed data-driven decisions regarding hiring, training, reward and workforce planning. This increases the **quality** and **efficiency** of decision-making and reduces costs

A good performance management system supports fair, consistent, documented **performance evaluations**. This mitigates potential discrimination or bias in performance evaluations, which can lead to legal or reputational challenges and costs



Why this matters:

The introduction of an effective performance management system streamlines the entire process, and ensures that HR, managers, and employees are aligned in their efforts. This saves time and administration, leads to a more engaged, productive workforce and ultimately lowers costs for the organisation

Equally importantly, it also frees up HR to focus on more value-adding, strategically-critical work which enhances their reputation and influence

A recent survey by [People Management](#) found “two thirds of business leaders see HR’s role as administrative”

A poll by [Sage](#) found 76% of C-suite respondents said the main focus of HR teams was process. And 92% thought the profession’s perceived worth was a challenge



Performance management enables talent management and succession planning

Do you have a robust and fair performance management process which identifies your high performers? Do these top performers know who they are? Do they know you value them and have plans to promote them in future?

Without effective performance and talent management processes, you can not track the performance of your most valued and valuable employees, or show them your appreciation

Good performance management also enables effective succession planning and knowledge transfer:

- By tracking employees' performance and development, organisations can make informed decisions about who is best suited and ready to fill key positions
- Linking the performance and succession planning process minimises the risk of selecting the wrong candidate for leadership roles, as successor candidates have already shown a strong track record of performance and leadership ability
- Where the performance management process includes knowledge transfer mechanisms, this ensures that key knowledge and skills are passed from current leaders to potential successors, enabling a smooth transition when the time comes for the successor to step into the role

Why this matters:

Ineffective performance and talent management and succession planning has expensive consequences

[OC Tanner](#) research found that 79% of employees who quit their jobs claim that a lack of appreciation was a major reason for leaving. Top performers who become 'regretted losses' create a huge hole in your business; they are highly valuable and respected are difficult and expensive to replace

Imagining an organisation without performance management

Imagine an organisation without a performance management system. Not a pretty picture. You cannot do any of the things that are critical for talent management and the success of your organisation:

- Give employees information about themselves that can help them individualise their career paths. For example, if they don't know their strengths, they cannot chart a more successful path for their future.
- Learn who are your high-potential and star performing employees.
- Anticipate where you will need to hire people and with which particular skill set.

Source: Performance Management by Herman Aguinis



Benefit #7

Performance management drives a culture of high performance and continuous improvement

Effective performance management processes and systems mirror the organisation's values and culture; they are tailored to suit the specific organisation, not taken 'off the shelf' or forced-fit. This sends a clear signal that the company takes employee performance and development seriously

Performance management sets clear performance expectations and aligns individual and team goals with the organisation's strategic objectives. When employees understand what is expected of them and how their work contributes to the company's overall success, it drives a purposeful, goal-driven performance culture

Continuous performance feedback and ongoing dialogue allow employees to receive guidance, address issues, and continuously learn and grow. This fosters a culture of open communication, trust and agility. It also allowing for continuous iteration and adjustment of performance goals and strategies, encouraging a culture of adaptation and learning from past experiences



When performance management ties reward and recognition to high performance and behavior this motivates employees to strive for excellence and consistently deliver outstanding team-oriented results. It reinforces the idea that exceptional performance is valued and acknowledged

Effective performance management can be integrated with continuous improvement programs, such as Agile, Lean Six Sigma, ISO 9001 or Kaizen. This empowers employees and teams to identify and address areas for improvement in their daily work processes



Leaders' commitment to effective performance management sets the tone. When leaders are actively engaged in the process, it signals the importance of a high-performance culture. When employees see their leaders' genuine commitment to continuous improvement, it reinforces and sustains the culture

Effective performance management encourages continuous improvement and adaptability, which is vital in a rapidly changing business environment. An effective process helps identify and develop rising leaders who can meet the evolving requirements of the company and its leaders



“Performance management is not just a process of setting goals, evaluating results, and giving feedback. It is also a powerful tool for developing a culture of continuous improvement in your organisation”

[LinkedIn](#)

“Companies adopting continuous performance feedback significantly outperformed competition at a 24% higher rate”

[Betterworks, 2020](#)

Performance management enables rapid identification and management of poor-fit employees

A key people issue for company leaders is how to rapidly identify, then effectively support and manage poor-fit employees, including:

- 'Quiet quitters' who are doing the bare minimum at work
- Employees under-performing in their role due to:
 - ◆ challenging personal circumstances or ill-health
 - ◆ poor attitude or a mismatch for their role
 - ◆ a lack of engagement or belief in the organisation's success or culture
 - ◆ poor job design
 - ◆ a lack of capability or under-confidence

Effective and ongoing performance management can make all the difference:

- Setting clear standards of performance and behaviour allows employees to understand exactly what is required of them
- Giving employees' access to give and receive honest, constructive performance feedback brings issues to the fore so that they can be understood and managed
- Frequent 1:1 performance check-ins enable honest and transparent conversations where employees can surface wellbeing issues which may be affecting their performance

Why this matters:

“Quiet quitting is a nearly \$9 trillion suck on the global economy, Gallup estimates”

[Fortune](#)

“Quiet quitters” make up at least 50% of the U.S. workforce -- probably more, Gallup finds. Worrying “the workplace has gotten worse for younger employees” (Gallup)

[Gallup](#)

Research shows that tackling poor performance is too often still in the ‘too difficult’ category. Many organisations and managers find it uncomfortable and would rather ignore it. But poor performance reduces productivity and trust. Organisations that proactively tackle underperformance and poor-fit employees can see productivity and motivation levels soar



Benefit #9

Performance management ensures compliance with data privacy and security

Effective performance management can significantly improve compliance with data privacy and security regulations by creating a culture of accountability, continuous improvement, and proactive risk mitigation within an organisation

How?

- By defining and communication clear roles and responsibilities for compliance to ensure everyone understands their accountabilities
- By setting clear and specific team goals regarding security and data privacy, and cascading these to relevant individual employee objectives
- By developing KPIs that measure and monitor security performance and data privacy, such as response times to incidents, number of security incidents, and compliance with specific regulations
- By weaving compliance into the fabric of the organisation through every internal and external process and system
- By setting collaborative goals between legal, compliance, IT, HR and other relevant departments to ensure a holistic approach to security and data privacy
- Properly documented performance management processes help compliance with regulations and can save HR time and costs related to audits and legal challenges

Why this matters:

“The global average cost of a data breach in 2023 was USD 4.45 million, a 15% increase over 3 years”

[IBM Reports](#)

A study from the [Department for Culture, Media, and Sport](#) (DCMS) found that 39% of UK businesses suffered a cyber attack in 2022. The cost of these breaches is not insignificant. The DCMS report calculated that the financial impact of a single cyber attack cost a medium-sized business £19,400. When you consider that organisations are under daily threat from cyber attacks, this is a cause for concern”

[Metacompliance](#)

Benefit #10

Performance management delivers better data and drives better decision-making

Traditional performance management got a bad reputation because of a lack of credible, up to date, accessible data. Your Board members will probably remember being hounded to complete once-a-year appraisals relying on hazy memories and scrabbling to gather subjective, recency-biased opinions



Modern performance management has changed all that. A performance management platform such as Appraisd:

- enables continuous performance management, allowing employees to view, record and update their accomplishments and feedback in real-time
- is user-friendly, readily-accessible, attractive and engaging
- holds up-to-date, accessible, accurate information
- enables controlled access to dashboards and reporting to allow HR, managers and leaders invaluable performance data to enable faster analysis and objective, bias-free decision-making
- is deliberately designed to mirror the company culture in its look-and-feel and level of maturity and complexity
- tightly controls security access, ensuring compliance with data privacy
- is easy to use and understand, requiring little or no training

Why this matters:

91%

of companies that have adopted continuous performance management say that they now have better data for people decisions, making major progress in removing bias and discretion in promotion and advancement”

[NeuroLeadership](#)

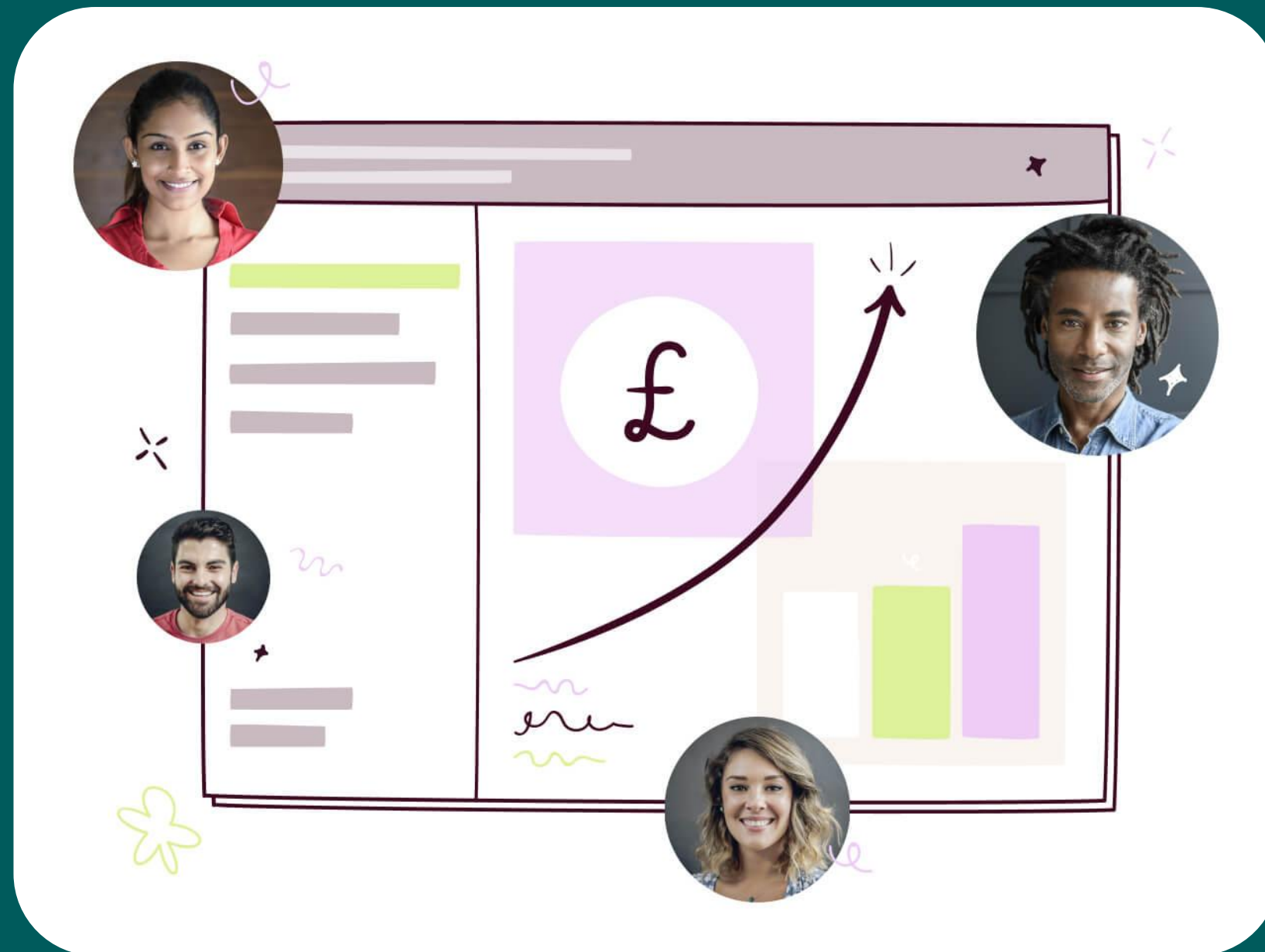
“Numbers don't lie. Real-time tracking enables managers to identify trends, spot potential issues right away, and celebrate wins as they happen. It empowers employees with immediate feedback, allowing them to adjust their efforts in real time. This trend not only enhances the accuracy of performance assessments but also fosters a culture of continuous improvement and collaboration.”

[Workleap](#)

5. ROI calculator

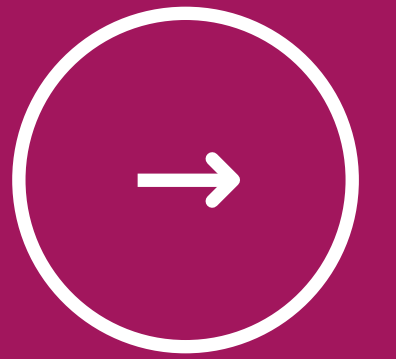


Appraisd performance management and engagement ROI Calculator



[Download our performance management and engagement ROI calculator to make an initial calculation of the savings at stake](#)

6. Business case template





Next steps – complete the downloadable [Business Case template](#)

You should now be in a good position to go to the Board to gain their buy-in to invest in modern performance management

Use this downloadable Appraisd [business case template](#) to build your business case with facts and figures to capture the attention of the Board and gain their approval

If you need further guidance or materials, don't hesitate to contact us

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