

BEYOND AS USUAL

Performance Management
to Improve Results and
Employee Engagement



HIGHLIGHTS

- ✿ The rate of business change is accelerating with talent-shortage, declining productivity, and low employee engagement.
- ✿ Aligning talent with business priorities and enabling employees' best performance is imperative for leading businesses.
- ✿ Reimagining Performance Management as a core competence will enable enterprises to thrive and succeed in an increasingly challenging and competitive environment.
- ✿ Traditional performance appraisals are failing to deliver on business performance improvements and employee engagement.



The impact of talent shortages, declining productivity and low employee engagement on results is on the radar of most business leaders. In 2023, global talent scarcity reached a new high at 77% (up- from 36% in 2014) - Global Talent Shortage [report](#) (ManpowerGroup). Gallup estimates that low employee engagement cost up to 9% of global GDP (about \$8.8 trillion) in 2023.

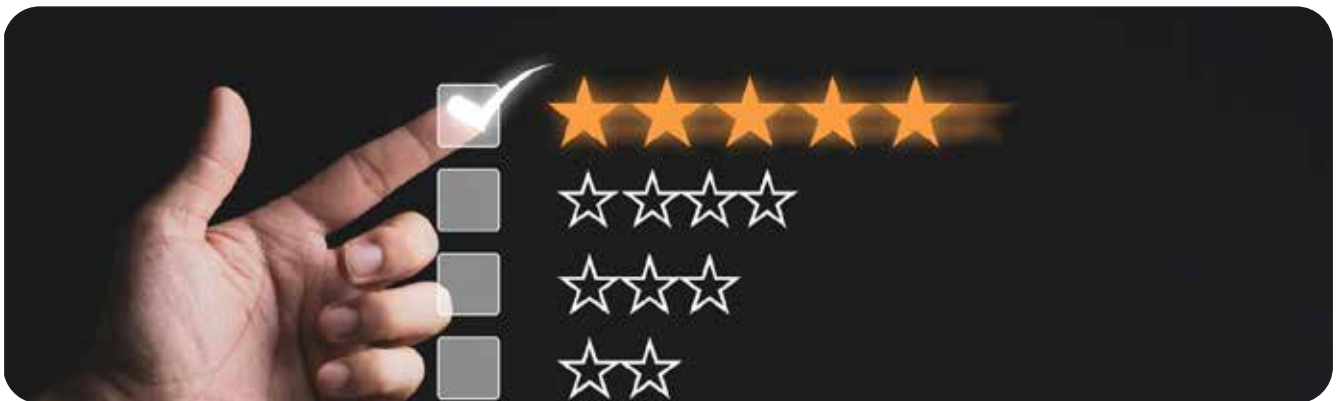
In response, talent optimization (aligning talent bench with business priorities and enabling employee's best performance) is increasingly a core imperative for leading businesses. This is driving a shift to recognize that employee performance management is a critical component of strategy.

Most businesses have a performance appraisal process administered by Human Resources; typically, an annual rite that provides the input for promotions and compensation decisions. Performance appraisals are meant to provide a positive outcome for employees and the business, however, as Gartner reports that 'less than one fifth of HR managers believe that performance management is successful now'. It is worrisome that 58% of executives responding to a recent Deloitte's survey, believe that their performance management process drives neither employee engagement nor high performance.

Several factors contribute to this erosion of confidence in annual performance:

- promotion, bonus, salary considerations overhang the process and appraisal outcome.
- appraisers' objectivity or lack thereof may be called into question.
- processes may not incorporate time to document employee accomplishments in a transparent manner.
- appraisal systems may not be updated to reflect business goals and priorities resulting in measures and performance indicators that are wholly or partially irrelevant.

Origins of Employee Performance Appraisal



The origins of formal appraisal of individual performance and contribution in institutions was driven by control.

Robert Owen, during the industrial age, was the first to install “silent monitors” to observe the performance of workers in his cotton mill in Scotland*, providing a disciplinary mechanism for punishing poor performance. Like modern time clocking machines, however, there was no evidence that the measurements in any way contributed to improvements in business results and outcomes for the mill. During the first and second world wars, the US military created a [merit-based](#) rating system to flag and dismiss poor performers. After World War II, about 60% of US companies were using appraisals to document workers' performance and allocate rewards.

General Electric (GE) in the 1980s, championed [forced-ranking](#) system to reward top performers, accommodate middlers, and get rid of low performers. In the absence of a clear definition of business goals and targets, the process is anecdotal and there is scarce evidence of sustained improvement in business results and outcomes.

Outdated appraisal approaches limit ability to engage employees to achieve business goals.

Opportunity missed?

Might organisations be missing the opportunity to address core talent challenge and improve business outcomes and employee engagement because of outdated appraisal systems? Irrespective of industry, company size, or economic conditions, engaged employees contribute significantly more to business success. Decades of employee engagement research by Gallup reveal that engaged employees consistently deliver superior business outcomes. The rate of change facing businesses from the complexity of digital transformation, talent shortages, inflation and flattening of organisational hierarchy is driving a shift to continuous enablement as a major focus of Talent Management approaches.



A new paradigm – improving business results and employee engagement.

Performance management is core to maintaining employee engagement and driving conversations that emphasise the development of employees' skills, knowledge, behaviour, and alignment with strategic objectives in the pursuit of results.

'Performance Snapshot'

Deloitte Saved 2 million Working Hours with Weekly Employee Check-Ins

Deloitte (global professional services firm) was the first major organisation to ditch traditional once-a-year performance reviews, 360-degree feedback, and objective cascading. The firm realised that appraisal processes were eating up a whopping two million hours annually across the organization and wasn't engaging employees, and the level of performance management was dropping.

Introduced in 2015, a new performance management system required every team leader to have a weekly check-in with each team member focus on short-term SMART goals, priorities, recent work, and coaching initiated by individual team members.

The weekly check-ins get a boost from quarterly reviews where Team leaders respond to four forward-looking statements about each team member that focus on what the team leader would do with the team member.

Objectives and Key Results

During the 1990s, leading companies began to shift focus to improving operational performance and business results by linking team, individual, and departmental goals with top corporate objectives. Originating from Intel and quickly spreading to other technology firms and across leading organisations, the “Objectives and Key Results” (OKR) approach is used to drive achievement of business goals.

In the OKR framework, “Objectives” are clear statements that define what an organization, team, or individual aims to achieve that provide direction and purpose, rallying teams around a common goal, while “Key Results” are measurable milestones that indicate progress towards the objectives and provide an objective way to track and evaluate success.

The major departure from the traditional (annual) performance appraisal method is that team and individual objectives are derived from organizational goals and OKRs set, tracked, and re-evaluated frequently (usually quarterly), providing a simple, intentional process to anchor team and individual results to business priorities.

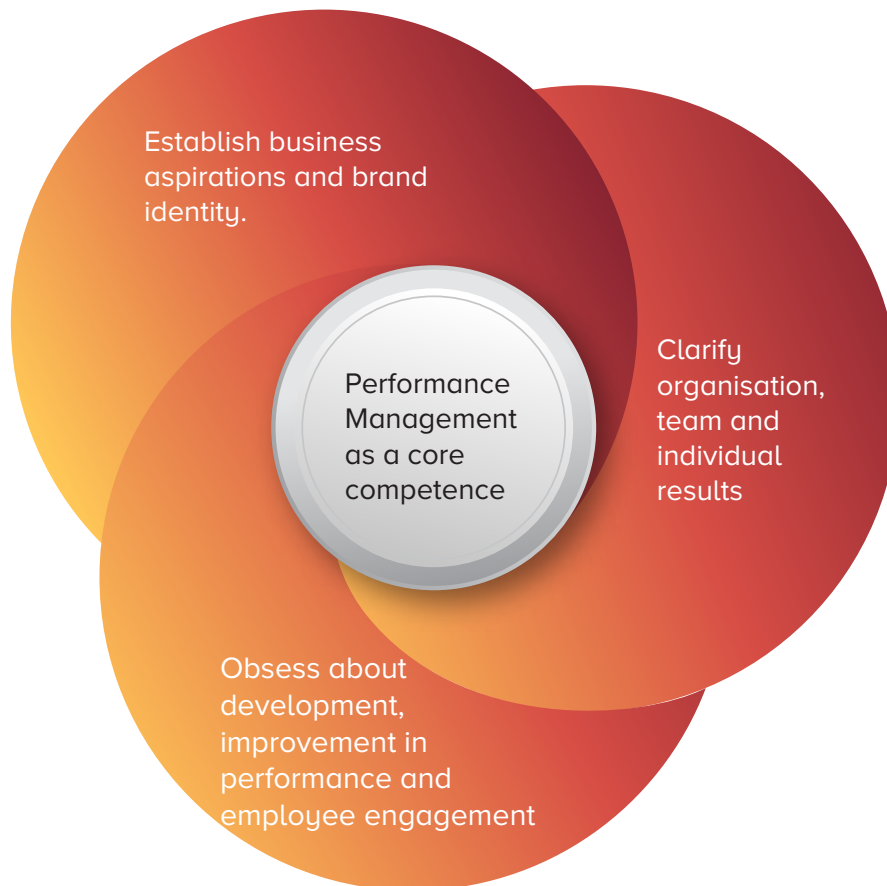
General Electric, the pioneer of forced rankings since replaced the approach with frequent feedback and regular conversations known as "touchpoints" to review progress against agreed-upon short-term goals. This new strategy was complemented by an online and mobile app, which allowed employees to track progress against their goals, provide feedback to peers, and request feedback. Annual reviews focus on reflecting on the year - discussing achievements and learnings and setting forward looking goals.

Reimagining Performance Management as a core competence

Professional development, clear goals and objectives, and positive work culture are crucial drivers of productivity in the workplace, contributing significantly to overall employee performance. According to the [Gallup Study](#) in 2020, organisations in the top quartile of employee engagement, compared to those in the bottom quartile, experience substantial benefits:

- 66% higher employee wellbeing
- 23% higher profitability
- 18% higher productivity
- 41% improvement in quality
- 81% improvement in absenteeism
- 10% higher customer loyalty

Change is accelerating and with this it's likely that talent challenges will continue to increase. We believe that companies must reimagine Performance Management to have a 'development focus' as a core component of their talent strategy to thrive and be competitive.



Establish business aspirations and brand identity.

Clear aspirations that are derived from and supportive of the organisations core intent must be defined. Everyone needs to understand the organization’s goals and what is important and valued. Statements of intention and aspiration describing a strategic goal that is clearly articulated and cascaded across the organization – ‘who we are’; ‘what we do’; ‘what we will be known for’.

Objective example: the market leader for product offering

Clarify organization, team, and individual key results.

Define measurable, outcome-based steps toward achieving the objective at the level of the organization, teams, and employees.

Key results examples:

- Increase market share by 15%
- Achieve a net promoter score of 9 or higher
- Reduce customer churn rate by 10%
- Earn 20% of annual revenues from new products.

Obsess about development, improvement in performance and employee engagement.

At their core, every employee is looking for opportunities to be their own best self and to grow. Employees seek and are empowered by places where they belong, can contribute, and do the kind of work that is reinforcing and empowering rather than depleting. Individuals want to know whether they are ‘doing well’ and want to know early so that they can close gaps and improve performance. OKRs should be reviewed frequently, while employees should reflect and score their own objectives and result accomplishment and discuss with team leads/supervisors.

Employee promotions, rewards, compensation, bonuses, training plan and skills development should be based on objective insights from business, team and individual OKR performance over the period and avoid surprises.

Contribute to our understanding of appraisal processes and performance tracking in Africa

At Verraki, we believe that a positive and empowering performance management experience not only enhances business outcomes but also nurtures the development and growth of an organisation's talent.

Our goal is to improve talent management practices and elevate employee satisfaction and career growth. To achieve this, we are seeking your valuable feedback on current appraisal processes and performance tracking methods. We are keenly interested in understanding your perspective on existing practices and your insights will play a crucial role in shaping our approach.

We will aggregate feedback received and share in the next article in our series on performance management.

Thank you!

[CLICK HERE](#)

and respond to our Africa Survey on Performance Appraisal – Experiences and

Perception.

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About Verraki

Verraki is a proudly African company partnering with enterprises and governments to accelerate the development and transformation of Africa by providing business solutions designed for Africa. We build and implement technology solutions for seemingly intractable challenges, provide advisory services to drive the capacity and motivation for change, and curate innovative ventures to unlock new sources of growth across our continent.

A fusion of two words: ‘Versorium’ (Latin for Turn Around) and ‘Meraki’ (Greek word used to describe the action of doing something with soul, creativity, pouring oneself into a task), Verraki aptly captures the essence of our company; to turn around African enterprises and governments via smart, future-focused solutions and business insights, new growth opportunities, helping to unleash their potential, turnaround their performance and achieve the seemingly impossible, with the sole goal of creating a better future for Africa.

We are committed to enabling the African (start-up) story by supporting high-impact socially-conscious entrepreneurs and catalysing self-sustaining enterprises and governments within the continent to deliver affordable services across critical sectors.

Our Growth Optimisation Offering

The contemporary business environment is dramatically different from what it was ten years ago, and it continues to evolve at an increasing rate. Consumer trends, macroeconomic shifts, technological advances, changing competitive dynamics, climate change, supply chain disruptions, digitalisation and pandemics are accelerating the pace of change, leaving many businesses struggling to grow amidst the turbulence.

At Verraki, we understand client needs and provide innovative new approaches that help enterprises and governments to explore new market opportunities including expansion into new regions, identification of new channels, targeting of new customer segments, or even the creation of new product categories in a way that moves them from “surviving” to “thriving.” Verraki develops and delivers the practical tools, frameworks, and organizational capabilities required to gain competitive advantage, and achieve sustainable growth, utilising customer insights, big data, and proprietary knowledge to achieve a deeper understanding of demand, customers, competitors, and opportunities.

Our seasoned executives and team have a broad range of multibillion-dollar P&L experience delivering long-term growth and optimisation vision, strategies, and management at global Fortune 500 companies.

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