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# REINVENTING THE PERFORMANCE REVIEW

The 5 Forces that are Changing Employee  
Performance Appraisals

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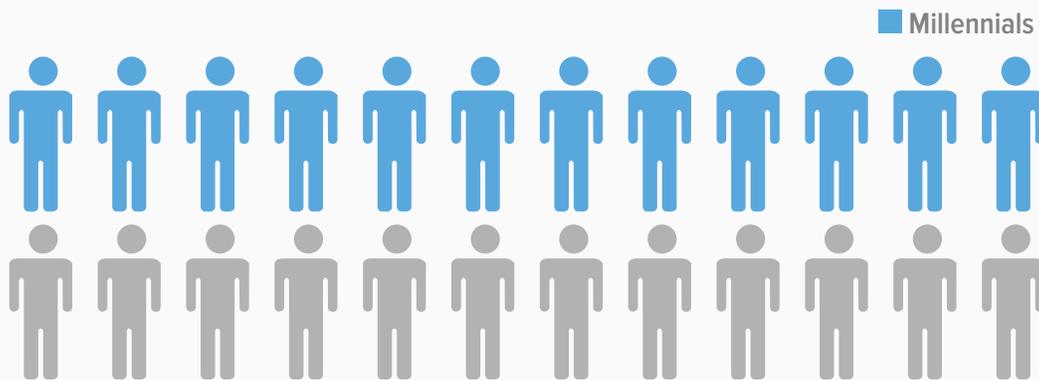
## The 5 Forces that are Changing Employee Performance Appraisals

### Summary

This white paper provides insights on five forces that are changing the way employee performance appraisals are being conducted. These forces are being driven by technology and a new generation of workers: Millennials, who will comprise about 50 percent of the workforce by 2020 (The 2020 Workplace, 2010). This paper describes five characteristics that differentiate Millennials from other generations, how they are impacting the performance appraisal process, and how they are changing the whole game for everyone working in today's enterprise.

It is critical that managers have a clear understanding of this new workforce and how to most effectively engage with them. Any performance management solution must be designed to address the new work habits, including the use of technology, as well as the expectations of the team, job and compensation. Performance management systems should be easy to use, visually attractive, and support a global workforce. The ultimate purpose of a performance management system should be to provide the business intelligence that enables an enterprise to make the right decisions in real time.

## WORKFORCE IN 2020 50% MILLENNIALS



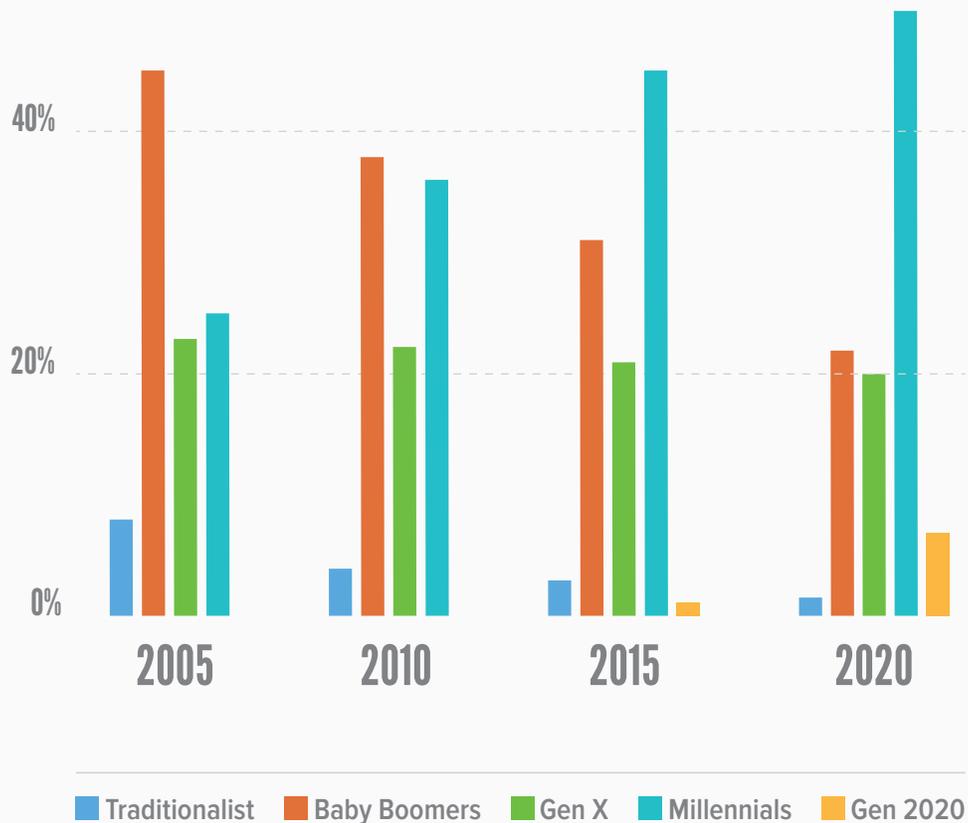
Source: The Workforce 2020, 2010

### Performance Reviews

The goals of companies' performance and employee management strategies are to engage and motivate employees, retain top performers, and improve the bottom line. People are an organization's most critical asset and are essential to the long-term success of the company. The key to effective employee management includes regular performance reviews with goals that align with the organization and the individual.

Many companies are looking for alternatives to their manual processes of performance management, which often involves documents and spreadsheets. Others have implemented technology such as human resource management systems (HRMS). But it can be difficult to get critical data out of these solutions because many of the systems are fragmented, behind security walls, and not integrated. Managers lack easy to use tools to help organizations retain top performers and optimize business performance. With the shifting generational makeup of the workforce, these existing systems and software can also overwhelm employees with features and underwhelm them with poor design. Leaders need the critical business intelligence to make quick decisions that impact their top and bottom line efforts.

## FIVE GENERATIONS IN THE WORKPLACE



Source: Bureau of Labor Statistics Employment Projections, 2012

### Today’s Enterprise: Millennials Change the Game of People Management

Millennials are the massive generation of Americans born after the year 1980. They have become the new worker demographic replacing Baby Boomers projected to retire between 2008 and 2015 (The New York Times, “The Baby Boom and Economic Recovery”, 2012). Millennials are team players, feedback seekers, top performers, and job hoppers who are keen to work worldwide in international teams. The characteristics of Millennials and the differences in their work style will change the way performance reviews need to be conducted in today’s enterprise.

## 1 | Team Player

Millennials prefer flat organizations where they achieve goals by working in groups in a collegial and team-oriented culture. This generation is looking for new challenges and to solve them in a creative team environment where they can speak their mind, and act on their own ideas. Millennials are more social, they are primed to do well by doing good, and are optimistic and believe that they can change the world. Through online social networks and enterprise social media, people are hyper connected with friends, co-workers and mentors online. According to the study by FedEx and Ketchum (Social Business Study, 2012), this kind of internal communication increases the speed of innovation and employee satisfaction.

**GAME CHANGER AND SOLUTION:** Millennials are team players who work with different departments throughout the organization. The problem is that in some performance review solutions only one person can review the employee and this might not always be the same person who captures their daily performance. Managers might have an overview of the deliverables, but they are not the only person who can provide insights. In order to provide more in-depth feedback, multiple team members should be authorized to review and provide feedback on colleagues. Software that includes a 360° review capability provides managers with the full picture and gives the whole team a voice. Employees' perceptions of coworkers' performances can provide insights on hidden skills and competencies. Companies need a tool that makes it easy and enjoyable for employees to provide insights on fellow co-workers to encourage really qualitative feedback.

## 2 | Feedback Seeker

Instead of traditional performance reviews, 80% of Millennials prefer to receive feedback in real time; more frequent and instant reviews that may even be delivered on their mobile devices (Forbes, "Gimme, Gimme, Gimme -- Millennials in the Workplace", 2012). Millennials are used to getting feedback and awards just for participating and they aren't willing to toil for years without recognition or a promotion. Millennials like to check in often to receive encouragement and tips on how to improve their performance, and they like to be rewarded for their innovation. Millennials with less than 5 years experience are eager to learn and develop, and they are flexible to change when provided with clear and specific feedback in honest dialogues (Ivey Business Journal, "The Millennials: A new Generation of Employees, a new set of engagement policies", 2011).

**GAME CHANGER AND SOLUTION:** Annual reviews, by themselves, can be inaccurate, don't provide consistent feedback, and often come too late to change the employee's behavior. Managers should not only provide annual appraisals once a year to their employees but also throughout the year on an always-on basis. They should be frequently reminded to provide responses and feedback more often and to

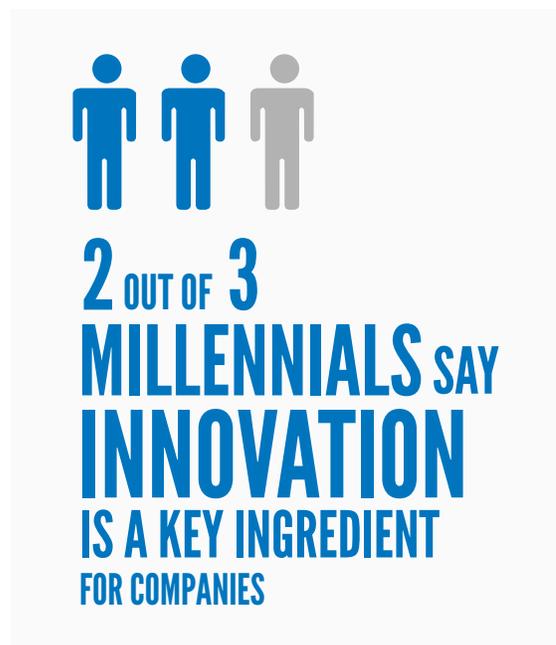
update their goals. Additional mentors could guide Millennials individually on their careers. Millennials appreciate a heads up on their behavior, skills, and job knowledge or attitude. This provides them with the chance to improve immediately. A short ‘thanks’ from the manager might be effective and is the cheapest bonus they’ll ever pay.

Software that sends automated notifications can reduce the need for HR to remind managers and employees to complete the reviews and would be a tool to realize shorter cycle times of performance reviews. Millennials and managers will benefit from timely, consistent and accurate performance evaluations and finally find the corporate goals aligning with individual tasks and performance goals. Quick reviews and check-ins with employees on a monthly, quarterly or annual basis would help to keep the feedback consistent and the employee motivated.

## 3 | Top Performer and Job Hopper

According to the Bureau of Labor Statistics, the average worker stays at each job for 4.6 years (“Employee Tenure in 2012”, 2012). However, Millennials change their jobs about every 3 years. In order to keep top performers, companies have to understand the differences in the generations and in the way they think of performance and compensation. While for Baby Boomers and Gen-Xers making money has been the focus, Millennials concentrate more on doing something they find meaningful; they are primed to do well by doing good.

In Deloitte’s Millennial Innovation Survey, Millennials stated that the purpose of business is to improve society, generate profit and drive innovation, while the latter is felt to be essential for business growth with two thirds saying it is “a key ingredient in making an organization an employer of choice” (2013). Money is often a secondary concern and therefore the company’s vision should be communicated so that Millennial employees can find fulfillment in the company’s mission. Influential engagement drivers are performance management, career opportunities, and for 65% of Millennials, personal development. Smart goals and performance goals should be determined and their achievement should be rewarded. Managers should remain a consistent and positive leadership presence and appreciate Millennials’



values and understand the expectations of today's workforce in order to motivate them to 'remain' top performers.

**GAME CHANGER AND SOLUTION:** Currently, HR systems provide overviews of the employees, their background, and performance, but often they don't capture employees' motivations. According to a survey by WorldatWork, Loyola University Chicago, and Hay Group conducted in 2012, the key elements that impact employee engagement and motivation include career planning, work/life balance, and quality of work ("Retention of Key Talent and the Role of Rewards"). In the talent developing process, promising Millennials should be trained, promoted and empowered to keep them motivated and engaged. Companies should provide effective monetary and non-monetary incentives. Managers should have an overview of the average compensation of top performers among their peers and in the market place. Besides consistent and ongoing feedback, it is crucial to have software that tracks employees' individual goals and performance, and captures their career development. Managers need all these tools to easily make smart, effective and efficient decisions, including performance and goal data.

## 4 | Digital Master

Millennials increasingly use the latest digital technology and devices, and dominate the media, advertising, and technology industry. Millennials have grown up digital; they have a digital identity and use online social networks on a daily basis, mostly from mobile devices. The networks connect Millennials with millions of people and provide them with the power to spread messages within seconds to an exponential number of people who they trust more than corporations and media. All online pages and network interfaces are designed to attract, visually and functionally, with easy to use and easy to share interfaces. The visually oriented Millennials are masters of digital communication and are used to instantly available information. They curate content for their global connections.

**GAME CHANGER AND SOLUTION:** Currently used HR systems are often complex, time consuming, not attractive, and associated with a huge amount of work for a small outcome. Visually attractive and easy to use People Management Software would encourage and engage employees to quickly fill out and review performance reviews, while still delivering the data the Human Resources department needs to develop high-impact reports and analytics. Millennials expect the interface, technology, and design of people management software to match the technology they use in their personal lives. With intuitively manageable software and an included reward system, managers and employees would provide performance reviews more often and more frequently. The users would have less headaches and more time to reach their goals.

## 5 | Globetrotter

Today's companies grow internationally and employ Millennials who work on worldwide projects while being located in different countries, time zones, and speaking different languages. With today's technology, people are connected globally with their families, friends, and co-workers. Millennials change their jobs and locations frequently, and they are keen to work in diverse teams and overseas. People only need an Internet connection and a mobile device to work, especially in the media, advertising and technology industries.

**GAME CHANGER AND SOLUTION:** Today's HR systems are often robust and complex, but not customizable. International and fast growing companies should be able to manage their people worldwide as if they were sitting in the same room and time zone. Companies require People Management tools that support their business process globally in order to manage international teams and provide employees with personal feedback across continents. Software should be available multiple languages and support international currencies and time zones. This system would save time and effort, and it would keep employees focused on their performance. Companies need a cloud based system that can be accessed from any device including iOS and Android mobile devices, at any time, from anywhere in the world.

## Conclusion

The current standard of performance management and reviews doesn't match the requirements of today's enterprise—one that is increasingly staffed by Millennials. Their characteristics differentiate them from other generations and therefore the process of performance appraisals has to be reinvented. People management technology must meet Millennials' expectations on work environment and leadership, compensation, technology and design, and it has to be customizable on a global basis. Only with frequent and flexible reporting that is easy to use, visually attractive, and instantly accessible, can companies execute effective performance appraisals in order to be successful in people management. The ultimate purpose of all of this is to provide the business intelligence that can enable enterprises to make the right decisions in real time about their people, teams, and company.