

Making the Shift to Continuous Performance Management

Successfully building a culture of ongoing coaching and feedback



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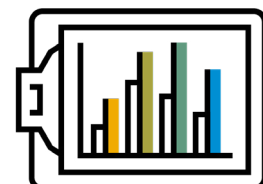
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Starting in 2016, the SAP SuccessFactors Human Capital Management (HCM) Research team began investigating the factors motivating companies to move to a more continuous style of performance management, and the conditions needed to make this transition successful. The first phase of research revealed that moving to a continuous performance management approach requires much more than simply implementing a new process or deploying a new application. It also **requires changing people's mindsets and existing patterns of behavior.**

“Old school **performance management** doesn't activate people.”

Performance Improvement/Knowledge Services organization, 5k -10k employees



The Journey to Continuous Performance Management

Throughout 2018, we conducted in-depth interviews with additional customers who use the Continuous Performance Management (CPM) technology as part of the SAP SuccessFactors Performance & Goals solution. The purpose of this second phase of research was to discover what enabled customers on their journey to continuous performance management, including key lessons learned and positive outcomes experienced from making this shift. We also explored leading practices related to performance management and change enablement based on an extensive review of psychological literature.

If our years of research on continuous performance management have taught us anything, it is that the greatest challenges companies face in making this shift tend to be more about people than processes. It is not typically an ineffective process or tool that leaves performance management transitions unsuccessful, but resistance from people within an organization to change their mindsets and behaviors related to coaching and performance feedback. This challenge is particularly relevant in companies where ongoing coaching has not been a regular part of the culture. As one customer stated, “we need to reverse managers’ and employees’ muscle memory” in terms of changing how they think about performance management. Another customer described, “The old philosophy is well burnt in. Everyone knows ‘It’s January/February – my goals need to be done. It’s June/July – I need to do my mid-year reviews. It’s Thanksgiving – I need to complete my reviews because calibration happens in December.’ So making a change where things have become significantly more fluid and ongoing is a major shift.”

Our research suggests this resistance can often be traced back to inadequate communication around exactly what is changing and why, what positive outcomes are expected to exist as a result, and how managers and employees can best adapt to the change. Some companies mistakenly assume that technology alone enables transformation. Whether in the case of CPM or otherwise, we strongly contend that while technology is often a critical enabler of change, the most important factor is people in the organization being motivated to perform the right behaviors.

We can all think of instances in our own lives where we wanted to change our habits – for example, to become healthier and more active. The challenge to watching one’s weight is not so much about knowing what we should eat or how often we should exercise as it is making sure that we do eat the right things and perform the exercise on a consistent basis. And while the use of technology like an exercise app or wearable fitness tracker can assist us in reaching our fitness goals, they will have little impact if we are unwilling to change our mindset and daily patterns of behavior. The same concept is true for continuous performance management; it is not just about having the right technology, but about changing people’s behaviors so that they use technology in the right way.

The purpose of this paper is to provide readers with fresh ideas and new considerations, along with research and ways in which technology can support transitioning to continuous performance management as a means of driving employee engagement, performance, and development.

Why Companies are Making the Shift

The idea of continuous performance management is not new. Companies have long advised managers to engage in continuous coaching and communication with employees throughout the year. However, managers were rarely held accountable for these conversations nor given the tools to support them. Consequently, many performance management systems became stagnant, annual exercises consisting of completing forms and having uncomfortable conversations based on vague recollections of previous performance.

Fortunately, due in part to advances in social, mobile, and cloud technology, many companies are now adopting a truly continuous approach to performance management. This approach is focused on enabling effective ongoing conversations and feedback between employees, managers, and coworkers to drive employee performance improvement and development. SAP SuccessFactors CPM capabilities support this

approach by making it simpler to engage in frequent coaching conversations and to collect the data used to guide critical business decisions related to compensation, staffing, and development.

When asked why they decided to make the shift to a more continuous style of performance management, many of our customers noted similar reasons including:

- To increase the frequency and quality of coaching conversations.
- To drive a more effective annual review process.
- To increase employee engagement, performance, and overall satisfaction.
- To attract and retain talent.
- To encourage a culture of ongoing, informal, transparent feedback.
- Alignment between CPM and becoming a more modern and agile organization.

“CPM is a resource that **allows coaching to lead towards action**; people feel as though they’ve made a choice and now can act on it.”

Performance Improvement/Knowledge Services organization, 5k -10k employees



Positive Outcomes: Companies Share the Results

Many companies we spoke with during the first phase of our research were early on in their journey to continuous performance management and could only speculate about the outcomes they would experience by making the change. In this second phase, we were able to reconnect with many of these companies and learn about the impacts they'd observed since making the shift. All of these customers reported seeing employees engaging in more frequent and higher-quality coaching conversations with their managers. Additional positive outcomes reported by our customers include:

- **Better relationships between managers and employees.** When business leaders emphasize a culture of ongoing dialogue and feedback, it facilitates stronger relationships between managers and employees.

“Following the deployment of CPM, 75% of employees agreed their leaders create an environment where they can have difficult conversations.”

Manufacturing organization, 10k-50k employees

- **Increased workforce productivity.** Not surprisingly, improved coaching translated into better business outcomes. When feedback is given in a continuous manner, it becomes more actionable, leading to better performance.

“We started to see an increase in sales performance. Focus groups revealed that these increases were due to significant improvements in coaching relationships between our managers and employees.”

Pharmaceutical, 5k-10k

- **Deeper understanding of employee performance and potential.** Due to more frequent conversations and check-ins, many customers reported that managers were much better at identifying the highest performers and allocating rewards accordingly.

“It [CPM] gives our managers the ability to speak to the deeper background of what employees are doing. That translates into great material for calibration talent reviews.”

Manufacturing, 5k-10k employees

This deeper understanding also appears to help managers differentiate between employee contributions.

“We’ve seen an increase in differentiation in workforce evaluations due to managers having greater flexibility in terms of how they approach the evaluations. They’re no longer beholden to a forced distribution.”

Pharmaceutical, 5k-10k employees

- **Greater transparency and employee self-awareness.** Customers say another major benefit of continuous performance management is that employees have a better idea of where they stand in terms of performance.

“People are becoming more and more aware of where they are at – what they’re doing well and what they’re not. This isn’t just because of performance conversations. It’s also about how we’re talking about our talent during talent reviews. This [CPM] is helping us become more transparent.”

Manufacturing organization, 10k-50k employees

- **Increased sense of autonomy and control over career outcomes.** Continuous performance management offers employees the opportunity to get information that helps them take greater control over their career development.

“What does exceptional look like? It’s taking accountability for your own performance and future. We tell them, ‘If you want the opportunity to be exceptional, this tool gives managers visibility into what you’re doing.’”

Shipping & Courier Services/ Transportation organization, 10k-50k employees

- **Stronger culture of continuous feedback.** Psychological research suggests that when employees receive quality feedback from others and believe their managers support their wanting feedback, it creates a positive feedback environment in the company. Perceptions of a positive feedback environment have been shown to lead to reduced stress and increased personal control and organizational commitment.
- **Conversations focused on future development rather than past behaviors.** Unlike traditional, annual performance reviews where the focus is often on what employees have done in the past, continuous performance management encourages managers and employees to discuss the present and look forward to what

can be improved in the future.

These forward-focused conversations can help transform people’s view of performance management as a method used primarily to point out people’s shortcomings, to a method used to drive employees’ development and sense of control over their own careers.

- **More effective annual review process.** Many of the customers we spoke with still used an annual review process. Adopting a more continuous approach simply made completing this process more enjoyable, efficient, and effective.

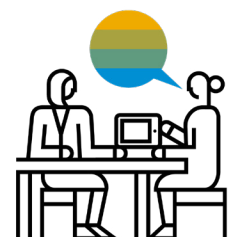
“If managers and employees are having effective and transparent conversations about performance throughout the year, any actual rating done at the end of the year becomes a ‘non-event.’”

Agricultural Production organization, 10k-50k employees

- **Reduced biases.** One of the major problems with traditional performance reviews is managers having to recall, often from memory alone, what employees have accomplished throughout the year. This unstructured method can result in inaccurate and biased decision-making about which employees have contributed most to the organization. With CPM, managers can refer to those goals, accomplishments, and feedback employees have captured throughout the year in order to make more informed and accurate decisions about staffing and pay.

“Following the deployment of CPM, **75% of employees agreed** their leaders create an environment where they can have difficult conversations.”

Manufacturing, 10k-50k employees



How Technology Facilitates the Adoption of a More Continuous Approach

Technology can add enormous value in enabling and supporting the change to a continuous performance approach. CPM capabilities are designed to make planning, managing, and carrying out ongoing conversations between managers and employees significantly easier, and consequently, the annual review process more efficient and effective. There are many specific ways CPM contributes to this goal, but three of the most impactful include:

EMPOWERING MANAGERS TO PROVIDE EFFECTIVE COACHING AND FEEDBACK

Managers are rarely promoted to their role specifically because of their people and coaching skills. Not knowing how to give effective feedback can lead managers to provide employees with confusing and potentially damaging information. Or, they simply avoid providing feedback entirely lest they say the wrong thing.

“Where the breakdown often comes in is between what managers think they’ve communicated and what the employee hears. It’s the age-old challenge of communication and executing it appropriately.”

Manufacturing organization, 100k+ employees

Addressing this challenge starts by clearly defining and communicating expectations around coaching and feedback behaviors to managers. It is critical that organizational leaders define and communicate what effective coaching means, how frequently managers are expected to have coaching conversations with employees, and to hold managers accountable for having these conversations.

“I believe it has to go back to job design – do we expect you to spend 20%, 50%, 80% of your time truly “managing” your group? Let’s define it early on so we can help managers be aware of the expectations around feedback and meetings”.

Industrial Equipment Manufacturing organization, 10k-50k employees

“[With CPM]...it’s so much easier for managers to drop in and see what employees are working on. It really **helps us stay cognizant of goals,** which was more difficult in the past.”

Electricity and Natural Gas organization, 10-20k employees



The next step in addressing this challenge is to provide tools that help managers give effective feedback and help employees learn to ask for and receive feedback. This is where technology can be a tremendous benefit. The following are a few ways SAP SuccessFactors technology supports effective coaching and feedback:

Tracking employee goal activity and achievements in CPM

Documenting relevant activities and significant accomplishments provides managers the visibility they need to have effective conversations with employees about development and performance.

“Managers used to keep track in a sharepoint list. Now they can do the exact same thing, but it’s so much easier to drop in and see what employees are working on. It really helps us stay cognizant of goals, which was more difficult in the past.”

Electricity and Natural Gas organization, 10k-50k employees

Capturing one-on-one meetings

CPM enables employees to easily summarize what was discussed in meetings along with planned future actions to help align managers and employees. This also assists with identifying areas where misinterpretation may have occurred.

“Even if two people are hearing the same words, they don’t always put it in the same context of ‘what does this mean?’ Employees think ‘OK, you say I didn’t do something well, but what does that mean? Is it going to derail my entire year?’ When in reality, it’s just something to work on. So the context is often open to misinterpretation.”

Manufacturing organization, 100k+ employees

REMINDING MANAGERS TO SCHEDULE AND HAVE ONE-ON-ONE MEETINGS WITH EMPLOYEES

We often heard from customers that managers failed to have coaching conversations with employees, not because they did not believe in their value or think they should be engaging in this dialogue, but because they simply failed to remember to set time aside for these conversations in the midst of hectic schedules. Here are a few ways technology can facilitate ongoing conversations between managers and employees:

Enabling notifications as reminders to have one-on-ones

- Enabling notifications in CPM as a reminder to hold a one-on-one, and seeing this as “overdue” if they have missed that timeframe, helps managers get in the habit of providing ongoing coaching.
- Enabling employees to request, deliver, and receive feedback any time, to or from anyone, via web or through the mobile application.
- Ad-hoc feedback capabilities support a true feedback culture where employees are encouraged and feel confident to give and receive feedback on a regular basis.

“We’ve gotten so much feedback on the mobile aspect. We really hadn’t leveraged mobile capabilities much before CPM. But our leaders really love the flexibility and being able to use it anywhere.”

Health Care organization, 10k-50k employees

Incorporating feedback training into managers’ and employees’ learning plans

- SAP SuccessFactors Learning can be valuable for continuous performance management when used to train managers and employees on how to deliver and receive feedback. This training should emphasize that the best feedback is timely, forward-looking, and focused on specific, tangible behaviors. Effective feedback also includes a balance of both praise and constructive criticism that is diagnostic in nature.

By enabling the use of CPM data for other workforce decisions, companies can more clearly illustrate the value of **capturing activities, achievements, and feedback** throughout the year.



HELPING EMPLOYEES MAINTAIN MOTIVATION OVER TIME

Several customers described employees' motivation to initiate and engage in ongoing conversations as plateauing over time. Early on, employees appeared motivated and excited about the change, but not long after, seemed to fall back into old habits. One of the reasons this can happen is if employees do not see a clear link between the shift to continuous performance management and other process changes. In other words, employees may not believe that engaging in behaviors aligned with a more continuous approach will lead to better outcomes for them in terms of pay and promotion decisions. This lack of clarity might be an indication that a company needs to better communicate how continuous performance management will impact other HR processes. However, it could also be an indication that there simply isn't a clear connection being made in the organization.

“We need more progress in terms of connecting CPM with employees' career progression. There's no point in all the documentation if all they're getting at the end of the year is the same 2% raise and position they've been in. Employees want to see continual progression.”

Performance Improvement/Knowledge Services organization,
5k-10k employees

By enabling the use of CPM data for other workforce decisions, companies can more clearly illustrate the value of capturing activities, achievements, and feedback throughout the year.

Provide visibility into CPM data in other talent management components

- Think through how CPM data will be used to guide other workforce decisions such as those related to compensation, staffing, and development. Within SAP SuccessFactors Calibration, Career Development Planning, and Compensation, CPM data can be made visible to decision-makers to ensure the most well-informed and effective decisions possible.
- Employees will be more interested in having conversations with their managers about progress and development if they know these conversations will be used to influence decisions that directly impact their lives. Explain to employees that by documenting activities and achievements throughout the year, their managers will have an objective snapshot of their progress, development, and feedback. This will mean no surprises at the end of the year when it comes to fulfilling their career expectations.

Creating a Culture of Continuous Performance Management

There is no “one best way” to approach performance management transformation, and what works well for one company may not work for others. Every organization faces specific challenges as well as opportunities for adapting to change based on their unique culture, industry, size, and worker population. That said, there are several culture change strategies our customers described as having a disproportionately positive impact on the success of their transformation efforts.

COMMUNICATE THE IMPORTANCE OF CHANGE FROM THE TOP OF THE ORGANIZATION DOWN

Our research suggests there is a clear link between the buy-in of managers and frontline employees, and whether leaders in that organization are also bought into the process and role model the appropriate behaviors.

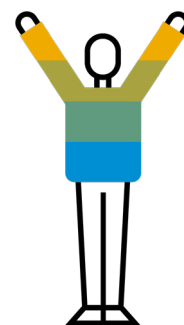
Remember that senior leaders care about how making the shift to a more continuous approach aligns with the competitive strategy of their business. As such, it may be useful to create value slides showing the cost savings associated with increased employee engagement, to present leaders with the results of post-deployment surveys and to share positive end-user feedback to ensure leaders perceive the business value associated with making this change. In any case, it is critical that leaders in the company realize the value of their public support for change when it comes to influencing buy-in across the rest of the organization.

“We really need to ensure leaders have the desire and are willing to devote their time and resources to this process, despite their attention being pulled in other directions.”

Outerwear and Sportswear Manufacturing organization, 5k-10k employees

“The biggest differentiator we’ve seen is with leadership, and how important leaders think this is. **The most successful teams in terms of engagement have supportive leaders and managers.** Where we see a struggle is in groups where the leaders aren’t engaged.”

Retail organization, 5k-10k employees



TARGET MESSAGING THAT INSPIRES AND MOTIVATES CHANGE

When transitioning to a continuous performance management process, it’s important to keep in mind that different people in an organization care about different things. Taking a “blanket approach” to marketing and communications is unlikely to be as successful as having a more individualized approach to change management efforts.

For example, our research suggests it is critical that continuous performance management be framed to employees as a way to empower themselves and take ownership over the progress and direction of their careers. For managers, it seems most important that the

shift be framed as a way of making their lives easier as opposed to creating more work for them.

“A lot of our change management in getting managers on board was talking about CPM as a program rather than a new system, process, etc.”

Performance Improvement/Knowledge Services organization, 5k-10k employees

Table 1 can be used as a starting point for thinking about what each member of your organization will care about when it comes to continuous performance management, and how you can use that knowledge to positively influence their motivation and buy-in.

Table 1: Role-specific Considerations for CPM Marketing and Messaging

Questions of Interest

Senior leaders	<ul style="list-style-type: none"> • How is CPM linked to business performance? • How does CPM align with the competitive strategy of business?
HR professionals	<ul style="list-style-type: none"> • How does CPM positively impact other HR processes? • How does CPM lead to better performance review processes?
Managers	<ul style="list-style-type: none"> • Will CPM make my job easier? • How will this change my relationships with direct reports? • How will I be rewarded for making the effort?
Employees	<ul style="list-style-type: none"> • How will CPM enhance my career opportunities? • Will CPM make my job easier? • How will I be rewarded for making the effort?

CONSIDER BEING FLEXIBLE IN YOUR APPROACH

Many customers we spoke with described needing to rethink their transition approach based on initial feedback and reactions they received from managers and employees. For example, we often heard that managers were supportive of the goal to engage in more continuous conversations with employees, but resisted the use of a tool as a means to accomplish this. This led some customers to be less rigid in their expectations related to tool usage and allowing managers to adopt the approach that worked best for them. As one customer explained, “If people have a way they’ve been doing things for years, we don’t focus our efforts on trying to get them to change their ways. We focus on new managers who are eventually going to be moving up and will carry their use of this tool with them. It will be a more natural progression because they’ll have been using it since day one. We recognize it will be a slow transition, but it will permeate over time.”

“We recently presented this to our managers and told them that if they choose to use the tool, they don’t have to be all-in. If you just use it to track coaching and that’s what works for you, do it. If you just use it for activities and achievements and that works for you, do that. This approach has helped a lot with receptivity.”

Transportation organization, 5k-10k employees

However, we found the opposite to be true in other cases. Several customers described their managers and employees wanting very clear guidance around what conversations to have, when to have them, and how to use a tool to support them. Although these approaches are not mutually exclusive (e.g., you could be prescriptive about how to have conversations, but flexible in how often to have them), this point was considered a lesson learned for many of our customers. In wanting to make the transition to a more continuous approach as natural as possible for managers and employees, many companies chose not to provide explicit guidelines or expectations initially. However, they later realized that without this guidance, people were struggling to adopt the right behaviors.

“We didn’t provide much guidance at first, but will be revisiting this in coming years and will likely be providing more guidance. We’re also going to enable reminders for managers – not to make it mandated, but just as a reminder. If you’re sitting at the airport, commuting, wherever; here’s a reminder to do this.”

IT and Data Services organization, 10k-50k employees

EVALUATE AND MAINTAIN PROGRAM SUCCESS OVER TIME.

Continuous assessment of tangible business outcomes is critical to a performance transformation’s long-term success. A lack of positive change can indicate the need to rethink or redesign certain components of one’s process, while evidence of positive change can help keep users engaged and motivated, and stakeholders satisfied. But, measuring business impact can be a significant challenge for some organizations. Some customers described struggling to know what feedback to gather (e.g., what questions to

ask) while others felt hesitant to draw firm conclusions about the impact of continuous performance management when this shift was only one of several other changes to recently take place in their business.

Table 2 contains a list of measures to evaluate continuous performance management impact. While it is not necessary to track every measure listed in this table, it is generally a good idea to monitor some of these to ensure continuous performance management efforts are appropriately managed and supported over time.

Table 2: Suggested Measures to Evaluate Transformation Impact **How to measure it**

End-user satisfaction	<ul style="list-style-type: none"> • Engagement surveys (annual or pulse) • Focus groups
Relationship quality between managers and employees	<ul style="list-style-type: none"> • Surveys • Focus groups
Frequency & content of conversations	<ul style="list-style-type: none"> • Tracking 1-1 meetings, coaching, and feedback in CPM
Level of knowledge & skills for managers and employees (e.g., behavior-based competencies, technical skills, expertise)	<ul style="list-style-type: none"> • Pre and post-evaluations • Surveys
Individual performance	<ul style="list-style-type: none"> • Manager reports • Calibration session data • Objective performance measures
Business performance	<ul style="list-style-type: none"> • Retention rates • Engagement rates • Financial performance

Conclusion

It is clear that many companies have made significant strides in their journey towards continuous performance management. Just a few years ago, most of the customers we interviewed were limited to discussing what they hoped to achieve by making the shift to a more continuous approach. Today, many of these same customers describe the tangible business impacts and positive outcomes they have since experienced by making the change, including better relationships between managers and employees, increased transparency, stronger feedback cultures, more informed decision-making, and an all-around more effective annual review process.

Ultimately, however, the journey to continuous performance management is just that – continuous. The best performance management processes are those that leaders constantly seek to improve and recognize as something every company can always get better at. Successfully adopting a continuous performance management approach may not be simple, but like most things in life, what takes a bit more work often reaps the greatest benefits. As research continues to shed light on this topic and technology offers increasing opportunities to more effectively leverage a continuous approach, we suspect many companies' performance management processes will continue to reach new heights. At the end of the day, one of our customers says it best – “Continuous performance management is not just a change. It is an evolution.”

“The journey to continuous performance management is just that — continuous.
It's not just a change, it is an evolution.”



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