

HR guide to agile *performance* management



Your guide to building a more effective, engaging,
and aligned performance management process

 **Culture Amp**



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Despite being one of the most fundamental HR practices, performance management is often overlooked as one of the key levers of employee engagement and retention.

Many HR practitioners, managers, and individual contributors dread the performance review cycle, viewing it as a tedious, overly formalized way to document and measure employee contributions. Research has shown that [95% of managers](#) are dissatisfied with performance reviews, and only [13% of employees](#) find the performance review process useful.

However, performance management can be extremely valuable when done effectively. Performance management is at the heart of how employees perceive their value (in terms of both contribution *and* compensation). It helps them understand their ability to progress and affects their intent to stay at a company. Performance management is also a key component of executing company strategy. Keeping employees aligned to the same vision, even as priorities change, is crucial to maintaining and growing your business.

A thoughtful approach to performance management is critical to ensuring that everyone on your team understands and can access the full potential of the process. By creating clear alignment across the organization, performance management drives ongoing development, improves individual and organizational performance, and boosts engagement and motivation.

While many HR teams want to make performance management more effective and appealing, overhauling your entire process can be daunting. That's why adopting an agile approach makes sense. You can make meaningful changes over time without the pressure of rebuilding everything at once. With an agile approach to performance management, businesses are better positioned to improve responsiveness, adaptability, and execution – even in times of uncertainty or change.

In this guide, we'll explore key stages in the performance management journey, help you identify where your organization currently stands, and share proven approaches to building a more agile and effective performance management process.



The importance of an agile approach to performance management

Performance management is often viewed as a compliance checkbox and typically occurs in the form of a static annual review. In this conventional approach, the organization assesses an employee's performance over the year. This review is used primarily for determining promotions, salary revisions, and bonuses, leaving little room for any kind of dialogue once completed. As a result, performance reviews are typically subjective, lacking in transparency, and not reflective of the full contributions of the employee.

Moving beyond this static and rigid process starts with adopting an **agile and development-focused approach**, which focuses on fostering employee development through ongoing conversations and clear alignment around objectives.

In other words, effective and agile performance management requires incorporating the principles of *both* [performance measurement and performance development](#). However, many organizations focus solely on performance measurement, leaving development completely out of the picture. The diagram on the next page illustrates the distinctions between performance measurement and development.



COMPARING PERFORMANCE MEASUREMENT AND PERFORMANCE DEVELOPMENT		
	Performance measurement <i>Evaluating past performance</i>	Performance development <i>Enabling future performance</i>
Lens	Backward looking	Forward looking
Goals	To measure and differentiate	To accelerate and maximize
Individuals ask	How well am I doing?	How can I be better tomorrow than I was yesterday?
Leaders ask	How did our people do?	How can we inspire and equip our people to do even more?

This imbalance is one major reason why performance management has a reputation of not working – not for managers, not for HR, and certainly not for employees. In fact, [Culture Amp data](#) reveals that lack of growth (in career or development opportunities) was selected by 1 in 3 employees as a top reason for leaving at the time of exit.

Development-focused performance management takes a more engaging and collaborative approach to performance than traditional performance management. It provides the tools necessary to support comprehensive and continuous feedback and improvement, rather than to simply pass an annual judgment.



How agile differs from traditional performance management

Traditional annual performance reviews are often associated with compliance, and are designed to get a pulse on how employees are performing. While this view can be helpful at a high level, the rigidity and single-source nature of this process leave no room for development or a clear pathway to help your employees grow.

Agile performance management, on the other hand, is built around a continuous feedback model. Thus, the content of the formal review never comes as a surprise, as it's informed by ongoing, peer-based feedback. It also enables multiple touchpoints for employees to work with their managers to determine the best path forward.

COMPARING TRADITIONAL AND AGILE PERFORMANCE MANAGEMENT

	Traditional performance management	Agile performance management
Purpose	Measurement and compliance	Development and engagement
Frequency	Annual review	Ongoing conversations
Goals	Static and cascaded down	Agile and aligned up
Inputs	Subjective and uni-source	Objective and multi-source

With a focus on investing time and care into the development of employees, an agile performance management approach can increase engagement and create pathways for improvement, rather than, for example, alienating and discouraging low performers with a negative review.



With these benefits, it makes sense that a more modern, agile approach to performance management has gained significant traction in the past few years. Josh Bersin, an HR analyst, estimates that about [70% of multinational companies](#) are moving toward this model.

What's stopping companies from making the shift to agile?

In working with over 5,000 companies at different stages in their performance management journeys, Culture Amp has found that the majority of [HR leaders are overwhelmed](#) by all the change they've been experiencing in such a short amount of time. As a result, there is less time and fewer resources to devote to wide-scale [change management](#), making it challenging to determine how or when to adopt a more modern, agile performance process.

But failing to move to a more agile approach can have a negative impact on retention, ability to execute on company strategy, and business performance. [Employees in high-performing organizations](#) who are more satisfied with their organization's approach to performance management are 1.4x more likely to meet their financial targets and nearly 5x more likely to effectively manage change.

[Research from McKinsey](#) also showed that at a B2B sales organization, shifting to bottom-up goal setting (which is an element of agile performance management) resulted in 20% higher overall targets compared to top-down goal setting by executives (which is common in traditional performance management). This suggests that when employees are involved in the goal setting process, they experience greater motivation and willingness to go above and beyond for the business.

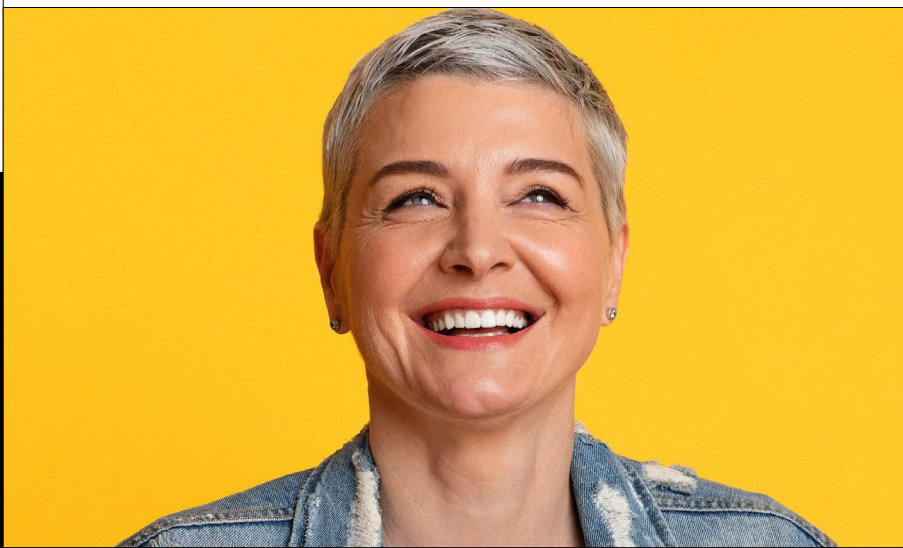
The proof is in the numbers, but statistics don't make it easier for HR practitioners to clear their plates and find time to rebuild their performance management process. To help companies overcome this hurdle and adapt their process in a way that is both manageable and impactful, Culture Amp's team of people scientists has broken the process down into a more digestible, modular approach.



Performance management building blocks

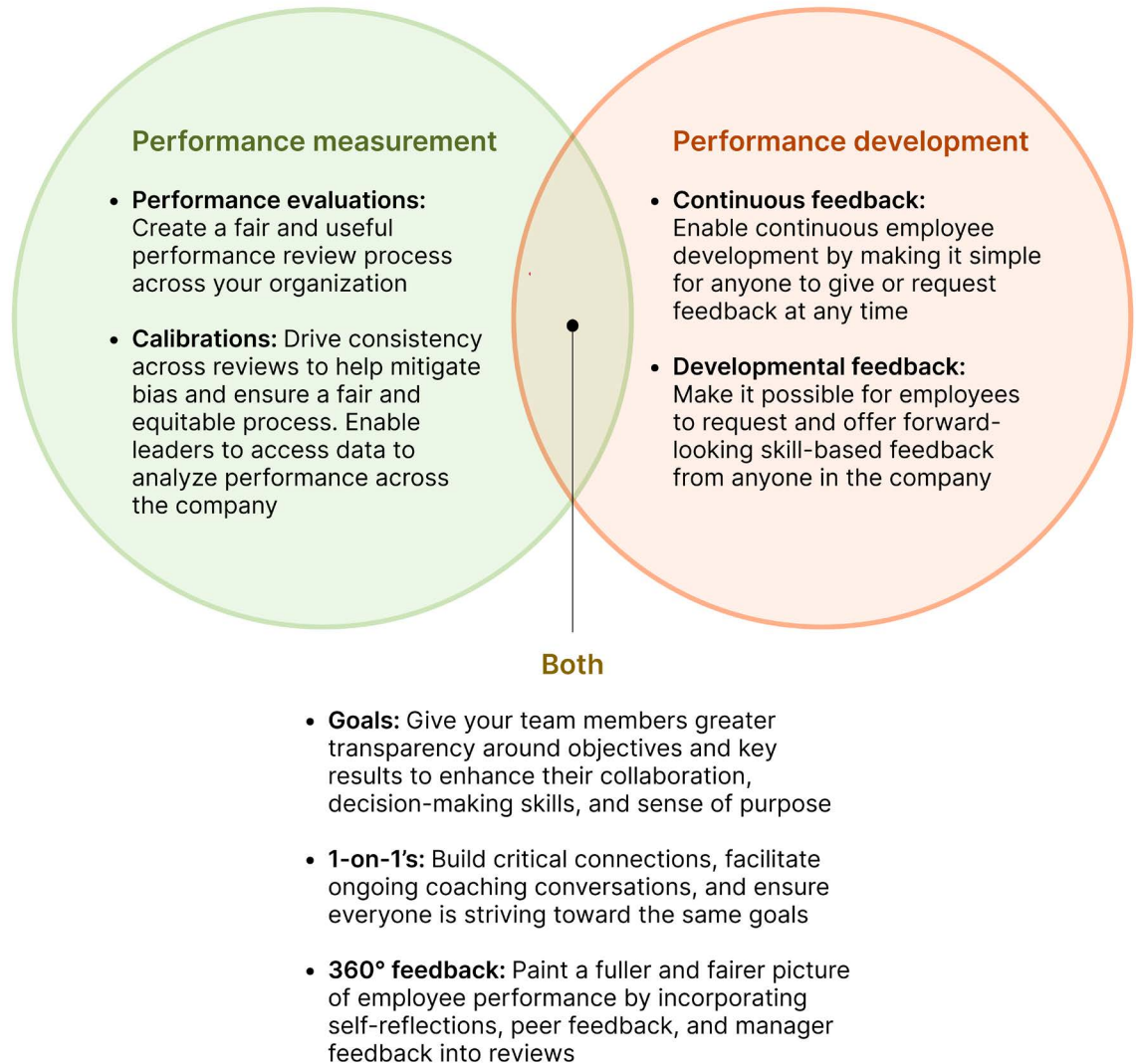
When thinking about how to optimize your performance management process, it's helpful to view the distinct components of the process as different "building blocks" you can use to achieve a specific result. In the diagram on the next page, we break down the basic components of a performance management process – each of which can be leveraged to help improve your process.

FIG 1. OPTIMIZE YOUR PROCESS





BUILDING BLOCKS OF AN AGILE PERFORMANCE MANAGEMENT PROCESS



These building blocks empower HR practitioners to hone in on individual parts of the performance management process. Not all companies are ready for a full-scale change, which is why an agile, modular approach helps to create a successful performance management strategy. By starting with certain building blocks, you can tackle quick wins or focus on key areas of opportunity.



Determine where you are on your performance journey

Once you understand the key building blocks of the performance management process, it's important to determine where you are in your existing process. Whether you lack a formal approach or already have a working system, the building blocks discussed earlier will serve as important levers to help you continually optimize and evolve your approach to performance management.

On the following page, we'll outline the four key stages organizations experience when building out their performance management process.

By coupling the knowledge of where you are in your journey with your understanding of your unique workforce, you can identify and prioritize the building blocks that will have the most impact. Tackling the process one component at a time removes the pressure and stress of pulling off a complete performance management overhaul.



FOUR KEY STAGES OF PERFORMANCE MANAGEMENT EVOLUTION

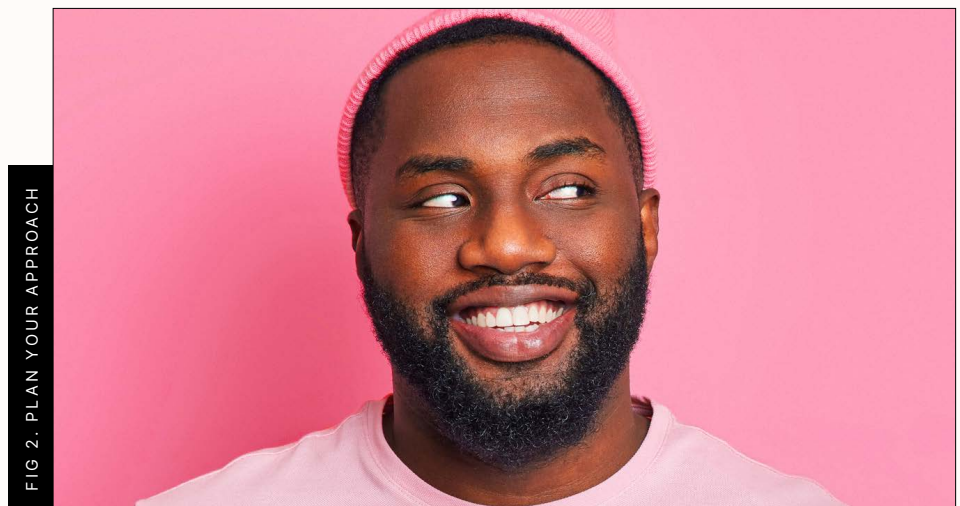
	BEGINNING	STRIVING	THRIVING	OPTIMIZING
Approach to performance management	Unstructured	Traditional	Progressive	Agile
Process	No formal process	You have a formal process but performance feedback isn't part of the company's DNA	You have a formal process and are working towards a more continuous feedback strategy	You have a formal process where employees feel like they are treated equitably and want development-focused feedback
Feedback cadence	Unstructured	Annual measurement-focused reviews	Biannual reviews, moving toward growth conversations	Biannual reviews with continuous feedback and growth conversations
System	Manual	HRIS	Performance management point solution	Holistic employee experience platform
Key challenge	Employees don't have a formal goal setting process, and their performance isn't measured in a standardized way	System is difficult to use, causes anxiety for employees and managers, and isn't widely adopted	Process is more formalized, but employees and managers still find the process time-consuming and tedious	Performance conversations happen continuously, but there are still opportunities to offer more structured resources and support for development



Map an achievable approach based on where you are in your journey

Once you recognize where you are in your performance management journey, you'll be better equipped to plan your approach.

In this section, we'll dive deeper into the four key stages to help you identify where you are and what steps will take your process to the next level. We'll also suggest different building blocks to consider at each stage to help make the process more manageable and effective.





For organizations in the *beginning* stage

At this stage, your goal should be to determine your standards for success (i.e., clarifying role expectations, promotion process, and cadence) as well as how they will be measured. Once you establish these guidelines, you can train your managers on how to communicate those standards to their teams. Presenting employees with the key markers of success empowers them to take the next steps toward improving their performance and growing their careers.

Establishing a standardized and centralized way of tracking and measuring performance across your organization will set you up to scale and evolve your process. This could mean developing a template for manager and peer reviews with a set of questions and categories, or even starting to invest in more formal [performance management tools](#) to store data, track progress, and measure effectiveness.

This approach doesn't mean you can't ever iterate or make exceptions, but you want to be intentional about setting baseline standards that can serve as a foundation as you continue to iterate and evolve your approach.

Rather than focusing on a specific building block in this stage, prioritize laying a foundation based on your company's values and objectives. Use the building blocks to help guide this process – for example, you might use the principle of continuous feedback to guide your best practices and identify your standards of success.

Key characteristics of this stage:

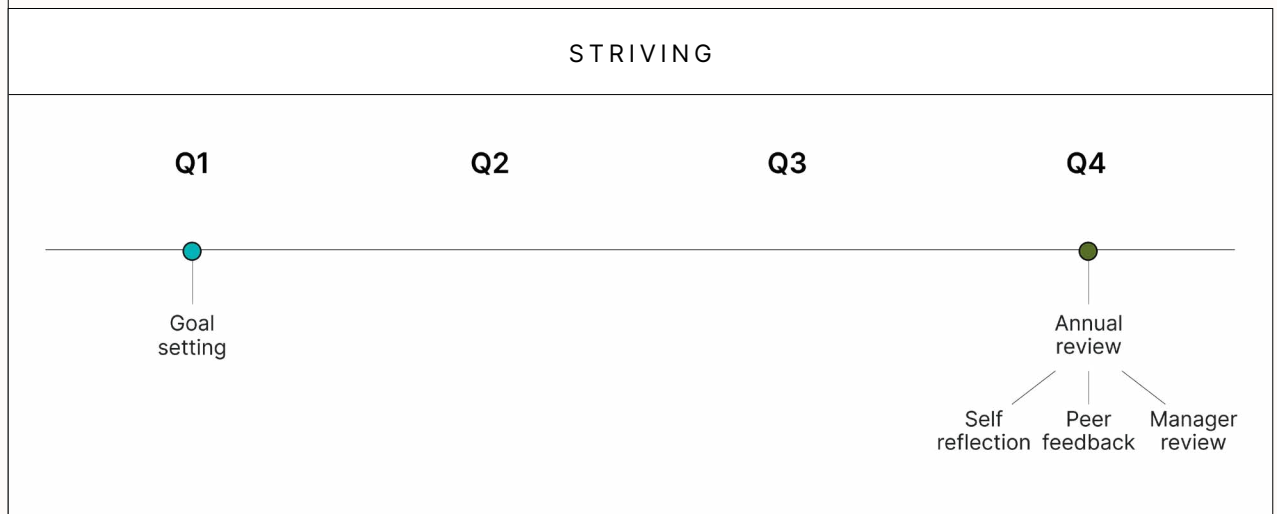
- You currently have no performance management process in place, or you've inherited a once-per-year approach
- Your current performance management process is based on manual tools like online documents and spreadsheets
- Your approach to performance is primarily evaluative (i.e., performance measurement)



For organizations in the *striving* stage

At this stage, focus on building performance feedback into your company's DNA and moving from a retrospective mindset to a more forward-looking approach. Consider using the following building blocks to help you incorporate development into your existing process.

- **360-degree feedback:** Create a fairer and more transparent performance management experience for employees by including employee self-reflection, peer feedback, and manager feedback in the review process.
- **Goal-setting:** Create clear alignment around priorities. Managers and employees should work together when creating goals, so expectations are clear and individual priorities are aligned with the companies priorities. Such an approach can be helpful for organizations that are starting to implement a goal-setting framework (e.g., OKRs, SMART goals, formal KPIs, etc.).



Key characteristics of this stage:

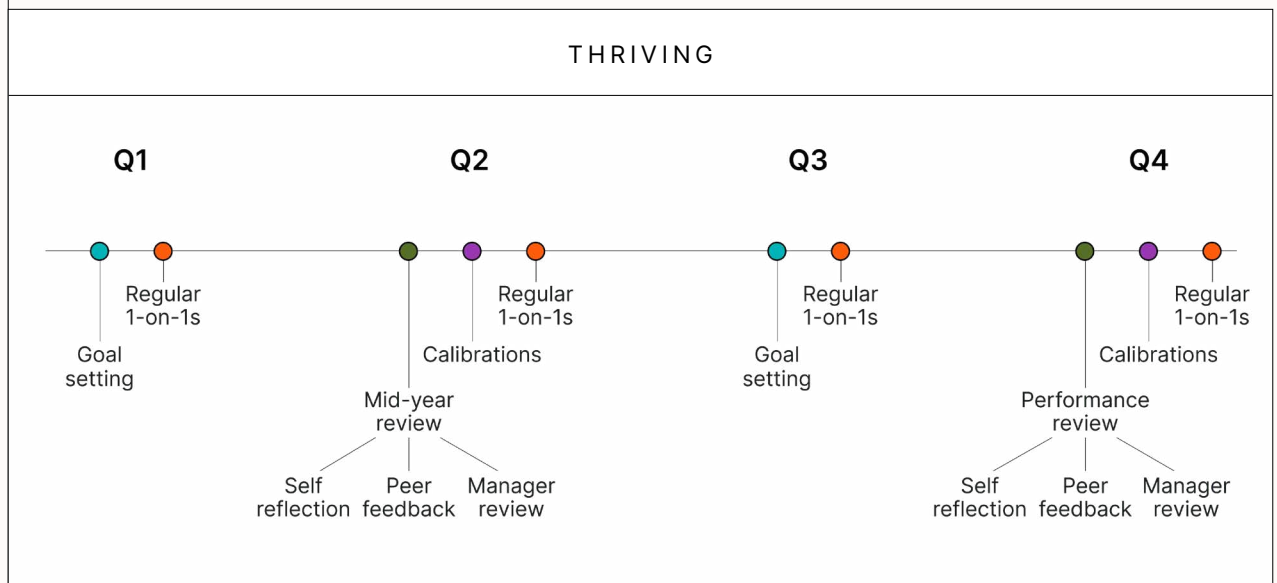
- You currently have an annual performance process focused on measurement
- Your leaders are ready to create a shared vision for what success looks like
- You want your approach to performance to be more developmental
- You want to encourage coaching conversations between managers and their direct reports
- People in your organization are not accustomed to giving and receiving candid and constructive feedback



For organizations in the *thriving* stage

At this stage, your goal is to move to a more continuous process and away from an annual performance evaluation. Ideally, the feedback delivered in a performance review will never come as a surprise to the recipient. Consider the following ways to encourage ongoing performance conversations throughout the year:

- **Calibrations:** Quarterly developmental check-ins and semi-annual reviews ensure everyone is on the same page. Calibration sessions mitigate bias by increasing accountability to maintain a fair and consistent process. They also enable leaders to take circumstances other than goals into account when making talent decisions.
- **1-on-1 conversations:** 1-on-1s play a critical role in employee engagement and give employees the opportunity for the communication, direction, and connection they need to do their best work. They're the perfect time for managers and employees to discuss career growth, check in on progress toward goals, and work through any roadblocks.





Key characteristics of this stage:

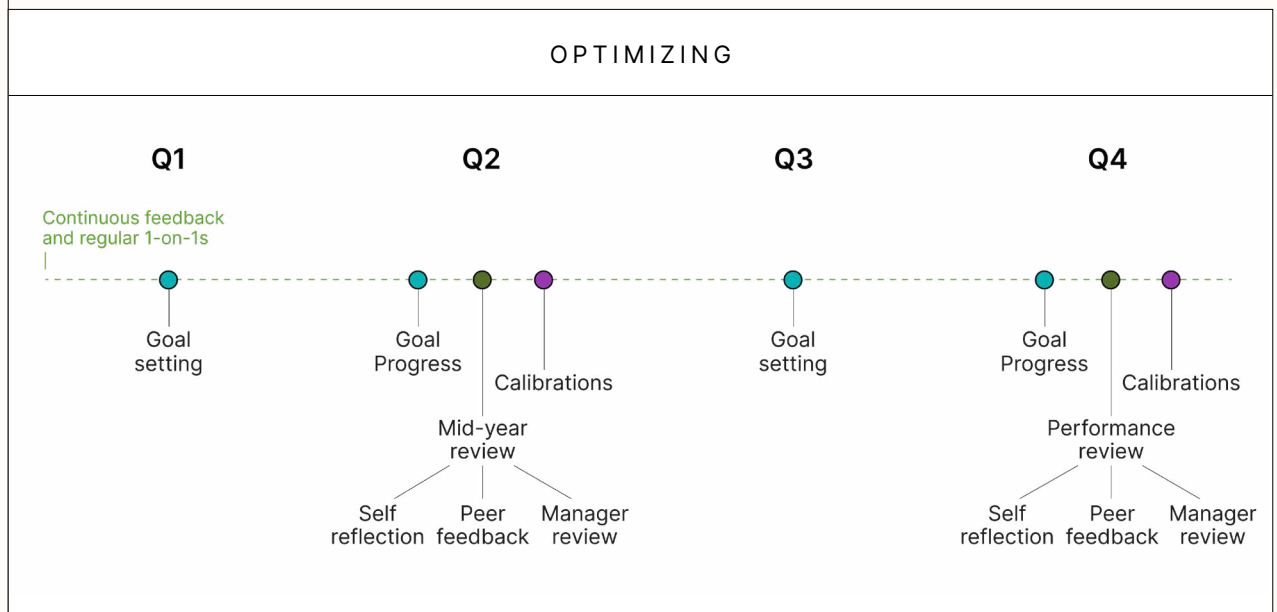
- Generally, people in your organization have clarity around their expectations
- Your managers can articulate how success will be measured for each role
- You run consistent biannual formal performance reviews
- You want to create more consistency in performance measurement
- Your organization and HR team are ready to access more detailed data and insights into people's performance
- People at your organization have an appetite for more feedback



For organizations in the *optimizing* stage

This stage of performance management is the most progressive and combines elements of all of the prior stages to create the most agile and equitable process. Your primary focus at this stage is on facilitating opportunities for ongoing growth conversations.

- **Continuous feedback:** Ensure your company culture supports continuous feedback. Encourage everyone in your organization to drive ongoing feedback conversations. This empowers your people to better understand their skills and opportunities and ultimately drive their own growth.



However, don't make the mistake of thinking your work is done. Even once you've adopted a fully agile approach to performance management, it's critical to continuously use data and employee feedback to improve the process.

At large, most companies are still in the very early stages of embedding development into the employee experience. As the appetite and opportunity for scalable and strategic employee development continue to grow, staying agile means listening to your employees and always looking for new ways to improve your performance management process.



Key characteristics of this stage:

- People in your organization are very accustomed to giving and receiving candid and constructive feedback
- Leaders model learning from mistakes and listen to developmental feedback
- You're ready to create a full picture of an individual's impact on the performance and potential of their team and organization
- You want to incorporate feedback from other people in order to make sure that your organization is evaluating and supporting employees within the context of their team members
- You want to create a performance process that includes elements of evaluative measurement as well as coaching and development
- Your organization has established expectations for the performance management process itself



Jumpstart your journey towards agile performance with an employee experience solution

As the world continues to change at an increasingly rapid pace, agility is essential to business success. Adopting an agile approach to performance management has the potential to improve employee engagement, motivation, and retention – which ultimately results in a higher-performing organization.

Wherever you are in your journey, take the time to assess the impact of your performance management process on an ongoing basis. Regularly consider the following questions:

1. **Does this process foster employee growth and development?**
2. **Do employees feel the performance process is fair and equitable?**
3. **Is this process straightforward and easy for everyone?**
4. **Does your performance process help to execute the company strategy?**



[Culture Amp's employee experience solution](#) can help you deliver on agile performance management in the following ways:

1. **Help your employees reach their full potential by building a performance process that focuses on their development.**

When done effectively, your performance process will actually foster the development and growth of your people. Culture Amp's solution was intentionally designed to help employees identify areas in which they can improve and provide resources to help them get better.

2. **Build trust and mitigate bias in your performance management process with expert guidance and templates.**

Many organizations make decisions about promotions and compensation based on their performance management process. These are moments in an employee's life where accurate and unbiased performance measurement is critical. Culture Amp's performance management process is built on the principles of [organizational justice](#), which contends that by making the performance process fair, transparent, and clear, individuals will be more motivated and engaged.

3. **Save time by easily communicating and managing performance cycles and feedback.**

[Culture Amp Performance](#) is designed to be easy to use for HR, managers, and individuals, and it's built to be adaptive to the flow of work. Because our process is straightforward, customers report performance review completion rates as high as 93% and goal creation up by nearly 3x the previous year.

4. **Garner company-wide buy-in to drive successful business strategy execution.**

Agile performance helps individuals stay aligned with their company goals and adapt if priorities change. Tracking goals, regular 1-on-1s, and continuous feedback all help employees to keep on track and adopt a development mindset, which in turn better positions the company to achieve its goals.

Agile performance management is all about meeting your process where it is today while mapping out a clear path for it to evolve in the future. Culture Amp's flexible employee experience solution captures and organizes your performance data in one place so you can measure and act on it – turning that data into a long-term investment in your people.

Learn how our team of people science experts can help you take your performance management process to the next level.

Contact us