Are you tracking your employees’ performance or confirming your own biases?

Of special interest to:
- Chief executive officers
- Chief human resources officers
- Chief information officers
- Chief operating officers
- HR executives

The better the question. The better the answer. The better the world works.

HR analytics brings the power of data-driven insights into employee performance management, transforming it into an activity that further drives your business goals.

As Chief Human Resources Officer, Jeff has seen his company change dramatically just in the past five years: it has acquired companies, entered new markets and added employees, many of whom are working remotely and with a high degree of autonomy. But while so much is different, one thing has remained the same: its employee performance assessments.
Those reviews occur annually, and generally at the same time, instead of after major projects or at key milestones. The criteria that the employees are measured against are aligned with goals and strategies that, in some cases, have become stale.

Some employees say their assessments are tainted by personal biases and office politics. Reliable data and the insights gleaned from it through analytics are largely absent because the company’s tech capabilities are fragmented and underdeveloped. Frustration is evident in the company’s turnover rates.

As with Jeff’s company, in both large multinationals as well as small and medium-size enterprises, employees are working in new ways, with a greater impact on both the top and bottom lines. A new perspective on performance management, founded on data, has never been more important. But what does 21st-century performance management look like? And how can C-suite leaders such as Jeff achieve it?
In many organizations, both managers and employees tend to be dissatisfied with their performance management scheme, potentially creating workplace disputes. Such companies face several challenges:

1. Processes tend to be lengthy and bureaucratic, and therefore are often perceived as a task that creates a burden instead of adding real value.

2. They operate in annual or biannual cycles, without immediate, evidence-based feedback after high or low performance levels in that employee’s day-to-day job.

3. Data can be scattered, incoherent and unreliable, usually gathered from only one level higher in the organization’s hierarchy. Through such a narrow view, performance becomes filtered through the perception of one person or group, relying on politics and often unconscious biases.

4. Even when accurate and reliable data is present, it’s usually analyzed at a descriptive level, purely looking at what happened instead of why.

5. The impact of performance management efforts is lost when they’re not sufficiently connected to the business’s overall strategy.

6. Behaviors impact not only the performance of one individual but sometimes the performance of an entire team, which raises the questions if HR analytics can help us capture and measure such non-qualitative metrics.

The first two issues can be addressed through better processes, training and flexibility. The others, however, require more (and better) data and better analysis.
Poor performance management creates an unstable work environment

When people believe their performance is not assessed accurately, organizations face a number of undesirable outcomes:

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<th>Lower</th>
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<td>Job satisfaction</td>
<td>Absenteeism and on-the-job retirement</td>
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<td>Trust in managers and organizational processes</td>
<td>Involvement in organizational politics</td>
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<td>Employee engagement</td>
<td>Likelihood of switching jobs and companies</td>
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Highly bureaucratic processes, incoherent and unreliable data, and decision-making based more on perceptions than hard evidence create flawed performance assessments. Your workforce can grow frustrated and unmotivated about situations in which some managers and their employees benefit to a far greater extent than others do, including the real high performers and so-called valued performers.

Instead of being reactive and making decisions based on gut feelings, companies must rely on a more proactive approach driven by data. Data, and an accurate analysis of it, can highlight often covert patterns of employee performance and its triggers and thereby boost overall organizational performance.

Companies now have better tools to gain more insights through data

In today’s world, more data than ever before is at our fingertips. But is it reliable and accurate? And is it being analyzed properly? Despite a general appetite for evidence-based decision-making in business, organizations may actually be better off with no data than flawed data. Bad insights can have severe implications. Root-cause and cause-effect analyses become even more relevant in the HR space.

To address this issue, HR analytics offers enhanced and user-friendly tools complemented with data management (including data cleansing and transformation), and its advancements in analysis allow for a previously unseen level of rigor to apply to human decision-making. For forward-thinking companies, such breakthroughs present an opportunity to rethink what performance management can achieve.
Rethink what performance management is founded on – and what it can do

To enhance performance management with data-driven insights, companies must:

1. **Ask the right questions.** Identify critical performance management issues and focus on them at the very start, building your goals and data strategies around them. Where are you most deficient? What is of primary importance?

2. **Acquire the right data.** Find out what data is available to generate deeper business insights, and address the hurdles in how you collect and compare it. Quantify and align the value of this data with organizational priorities. Only a structured approach generates consistent and useful information.

3. **Perform the analysis.** Establish an HR analytics capability or function with standardized tools and methods. Execute and validate the analytics. Seek hidden data patterns, and revisit the issues identified previously.

4. **Summarize the insights – and act upon them.** To capitalize fully on HR analytics, organizations have to act upon their findings – even if they imply a major shift for the performance management approach or process, or even significant parts of the organizational structure.

5. **Repeat the steps.** Keep refining the data until you achieve the desired results!
Better performance management will create better business performance

Armed with a plan for a strong combination of performance management and HR analytics, Jeff convinced others in the C-suite about the need for action: namely, that a burdensome and biased process can be transformed into a crucial tool that fosters employee performance instead of hindering it.

The necessary capabilities are more of an investment than a cost – an investment in the people who turn your company’s vision into a reality, and therefore an investment in how much more your business can achieve. Don’t think of the goal as just a more efficient, effective and fair process. It’s better-performing employees and ultimately higher performance of your organization.
Want to learn more?

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