

How to Increase the Effectiveness of Performance Reviews

Understanding the Impact of Eliminating Ratings

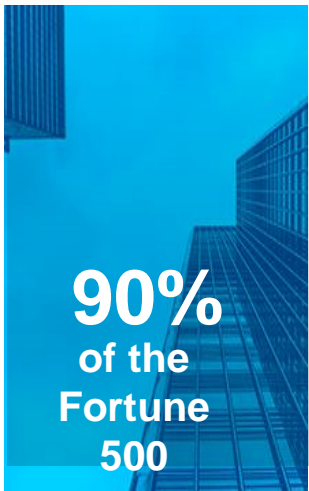
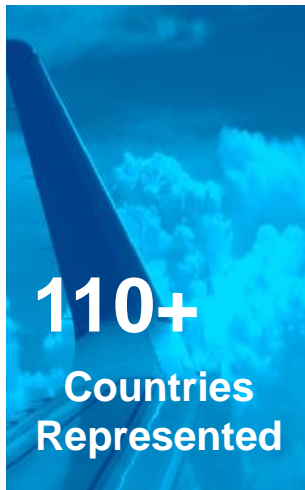
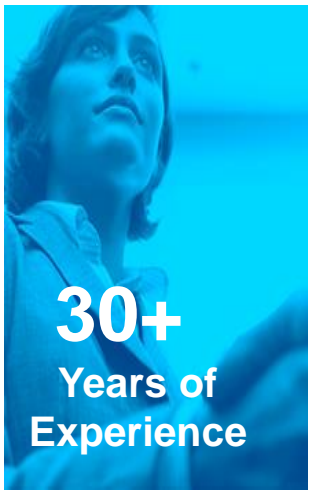
CEB Corporate Leadership Council™ CEB
Total Rewards Leadership Council

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is now Gartner.

CEB is a Member Based Advisory Company

We unlock the potential of organisations and leaders by advancing the science and practice of management



HR Sees Need for Performance Management Change

Performance Management Systems Are Failing

Only
4%

of HR leaders feel they are **effective** at accurately assessing employee performance.

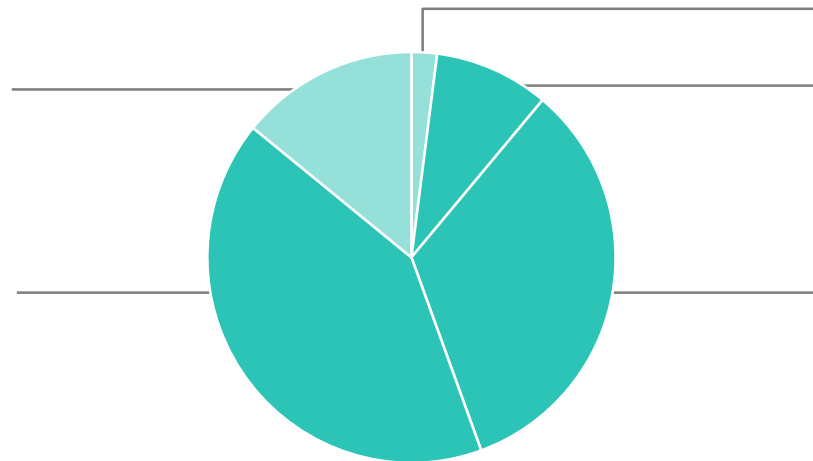
n = 379 Source: CEB 2016 HR Agenda Poll.

Significant Changes Needed for Performance Management

Percentage of Organizations Planning

14%
No Change

41%
Some Changes



2%
Other

9%
Complete Redesign or Overhaul

33%
Significant Changes

n = 99.
Source: CEB 2015 HR Agenda

Growing Momentum to Eliminate Ratings

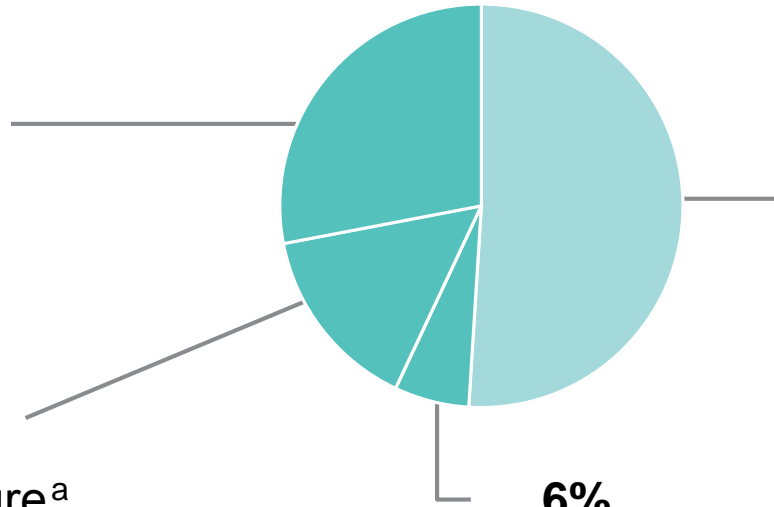
HR Leaders Eliminating or Considering Eliminating Ratings

28%

No Plans
to Remove
Ratings but Would
Consider

15%

Plan to Remove
Ratings in Near Future^a



51%

Do Not Plan on Removing
Ratings

6%

Have Removed Ratings

n = 296.

Source: CEB 2016 HR Agenda Poll.

Sample List of Organizations Who Have Publicly Announced Removing Ratings



Organizations Expect Removing Ratings Will Drive Employee Performance

Organizations Expect Performance to Rise Without Ratings Because...

1 ...employees will become more **engaged**.

2 ...managers will have more time to spend on **informal conversations**.

3 ...the **quality** of manager conversations will improve.

4 ...managers can better **differentiate pay**.

Source: CEB analysis

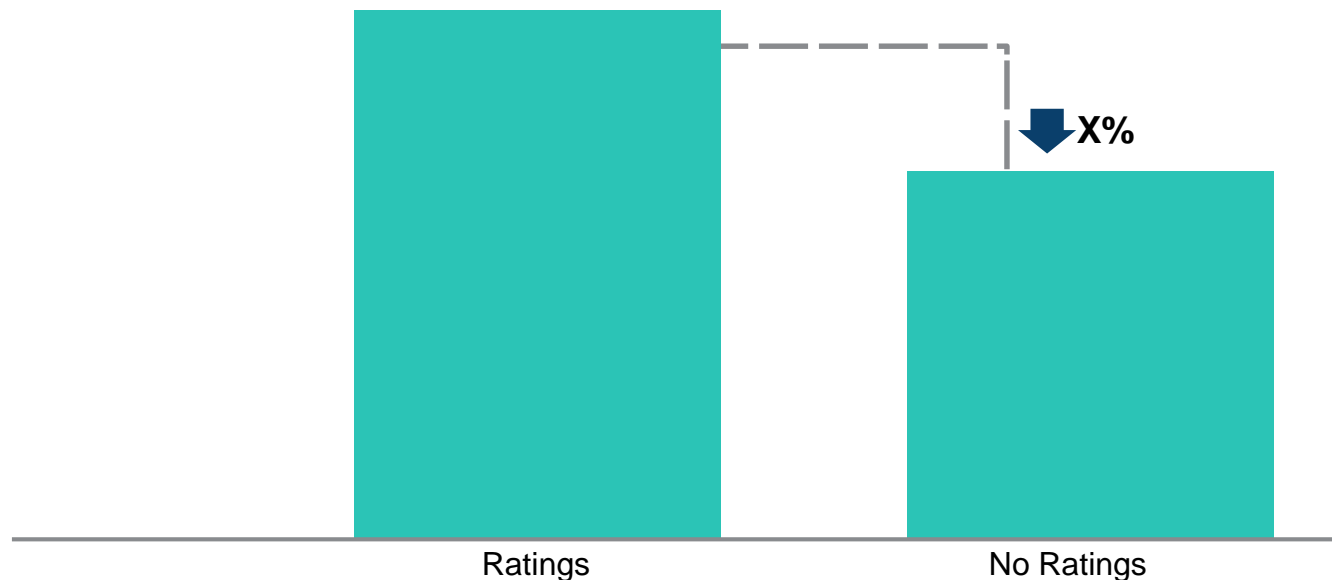
What We Did

Our Data Strategy

To better understand the impact that ratings have, we surveyed **nearly 10,000 employees** in our 2016 Pay for Performance Employee Survey. These employees were from across the globe, spanning **18 countries**, and from a representative sample of industries and organizational sizes

Comparison Between Employees With and Without Ratings

Illustrative Outcome



$n = 9,868$.

Source: CEB 2016 Pay for Performance Employee Survey.

Roadmap: Our Perspectives on the Ratings Debate

**Business Case Fails
to Hold for Most**



**Success Without
Ratings Requires
Significant Investment**

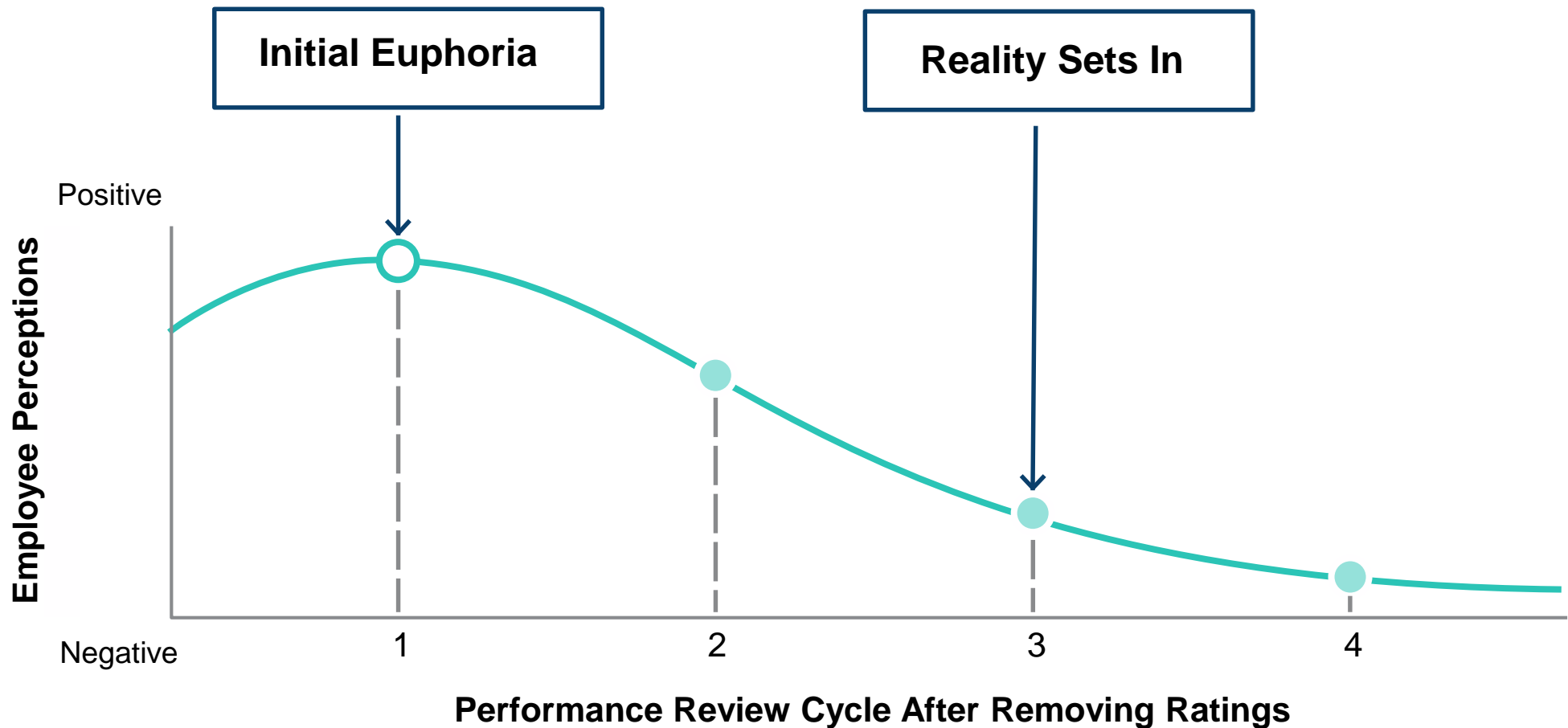


**Focus on Other
Changes Besides
Removing Ratings**

Initial Euphoria Does Not Last

Typical Satisfaction with Performance Management and Pay Over Time When Removing Ratings

Illustrative Satisfaction with Performance Management Over Time



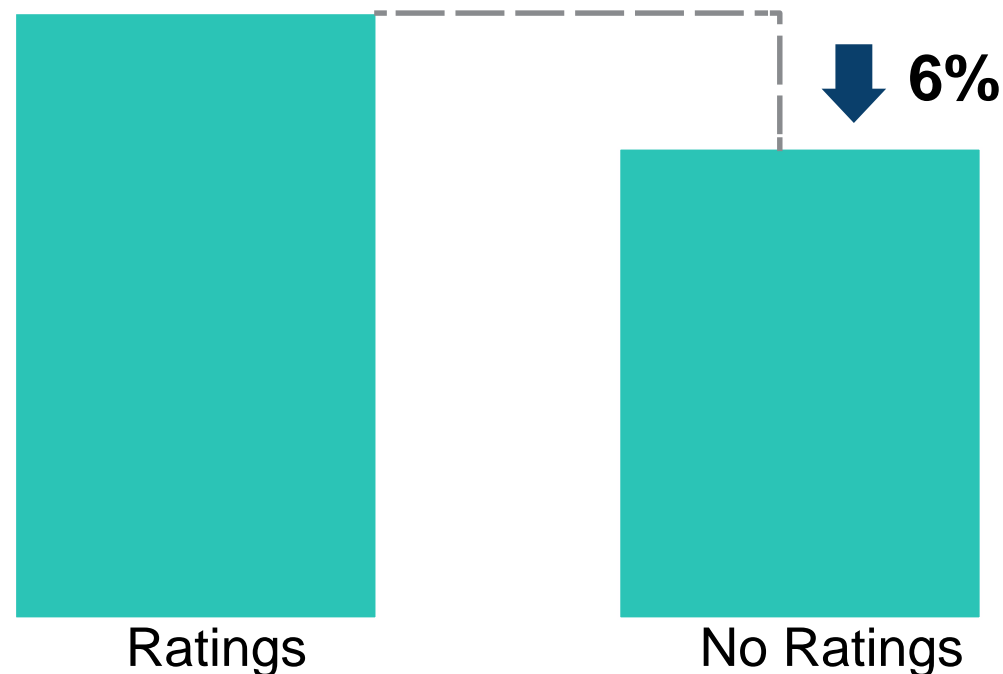
$n = 9,686$.

Source: CEB 2016 Pay for Performance Employee Survey.

Reality: Managers Struggle to Engage Employees

Lack of Ratings Impact on Employee Engagement

Average Employee Engagement Score



$n = 9,686$.

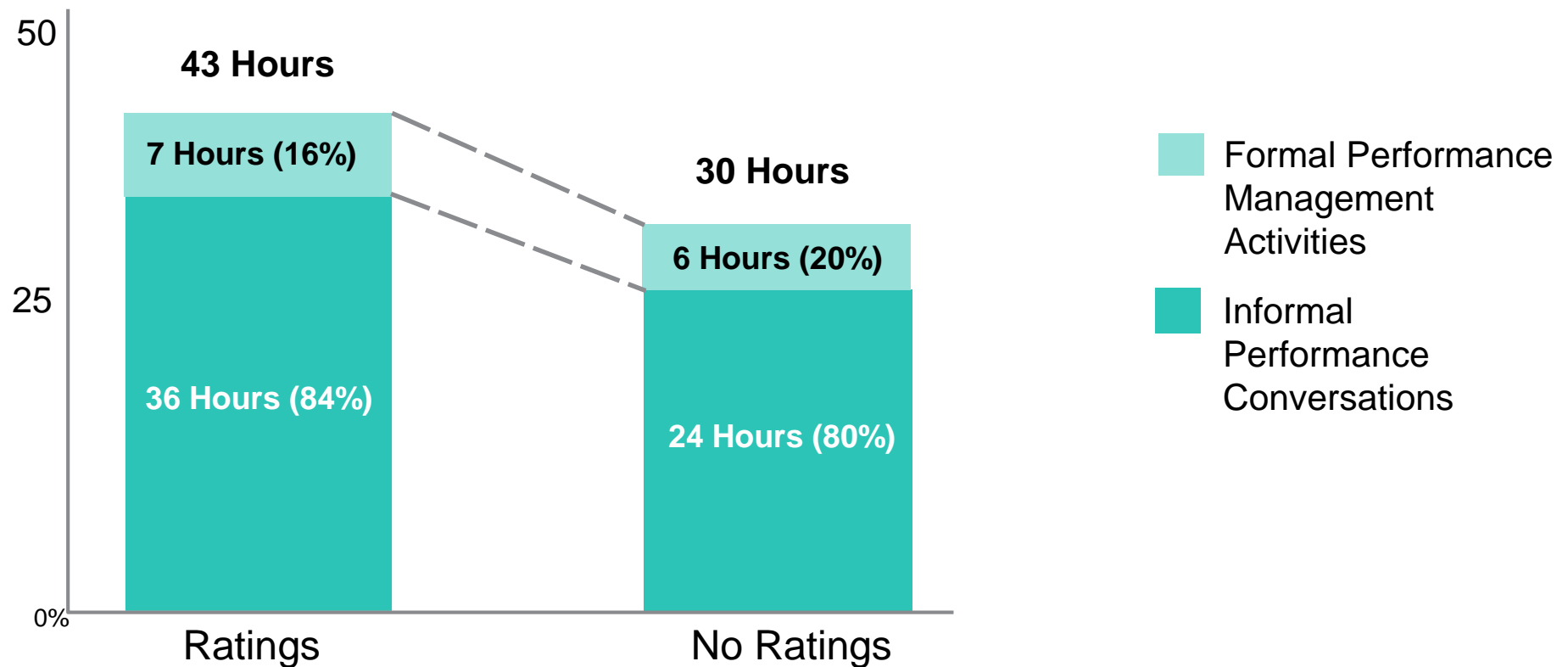
Source: CEB 2016 Pay for Performance Employee

Expectation 2: Increased Performance Management Time Spend

Reality: Managers Spend Less Time on Informal Conversations Without Ratings

Manager Time Spent on Performance Management Activities^a

Average Hours (and Proportional Time Spent) on Performance Management per Year, per Direct Report



n = 9,686.

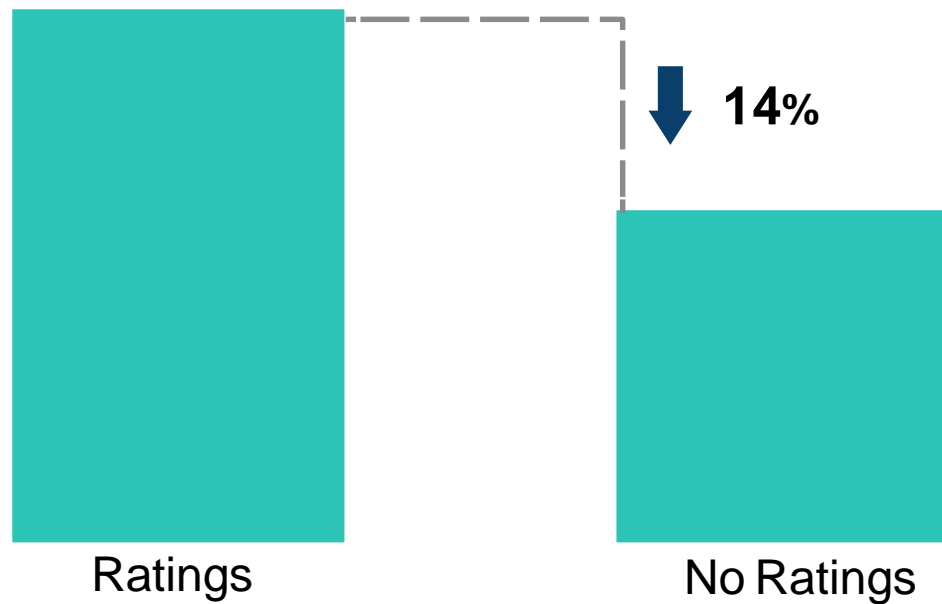
Source: CEB 2016 Pay for Performance Employee Survey.

Expectation 3: Improved Manager Conversations Quality

Reality: Manager Conversation Quality Decreases Without Ratings

Lack of Ratings Reduces Employee Perceptions of Manager Conversation Quality

Average Quality of Manager Conversation Score



Quality of Manager Conversation Score Defined

- 1 How They Performed in the Past
- 2 How to Improve Future Performance

$n = 10,531$.

Source: CEB 2014 Enterprise Contribution Workforce Survey.

Expectation 3: Improved Manager Conversations Quality

Greater Negative Impact for High Performers Without Ratings

Impact of Lack of Ratings on Employee Satisfaction with Manager Conversations by Performance Level

Average Quality of Manager Conversation Score



$n = 5,004$.

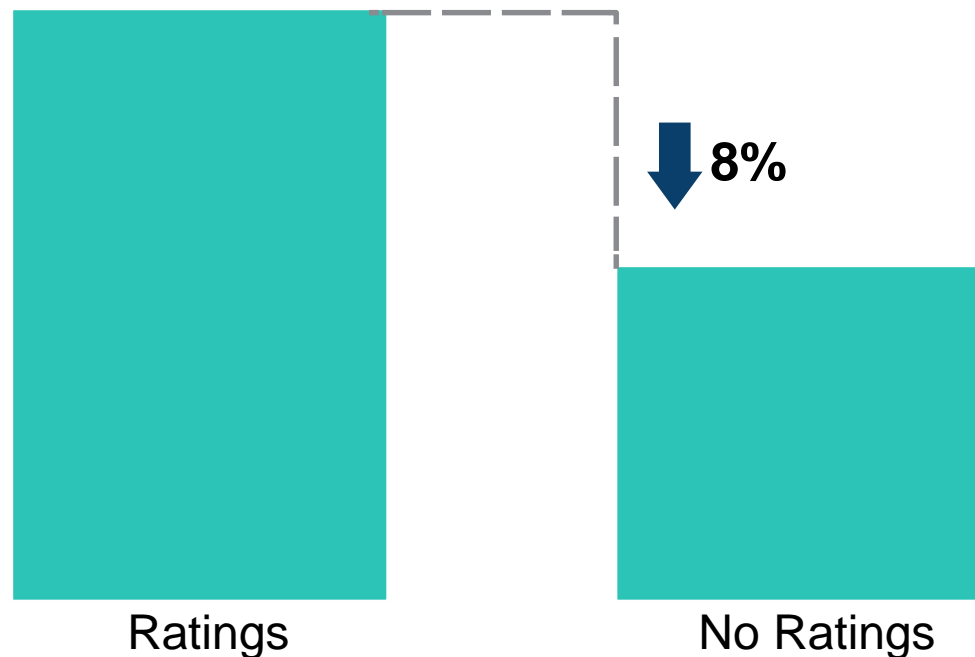
Source: CEB 2016 Pay for Performance Employee Survey.

Expectation 4: Increased Accuracy of Pay Decisions

Reality: Employee Perceptions of Pay Differentiation Decrease Without Ratings

Perceptions of Pay Differentiation Decrease Without Ratings

Average Perceptions of Pay Differentiation



$n = 9,686$.

Source: CEB 2016 Pay for Performance
Employee Survey

Roadmap: Our Perspectives on the Ratings Debate

**Business Case Fails
to Hold for Most**



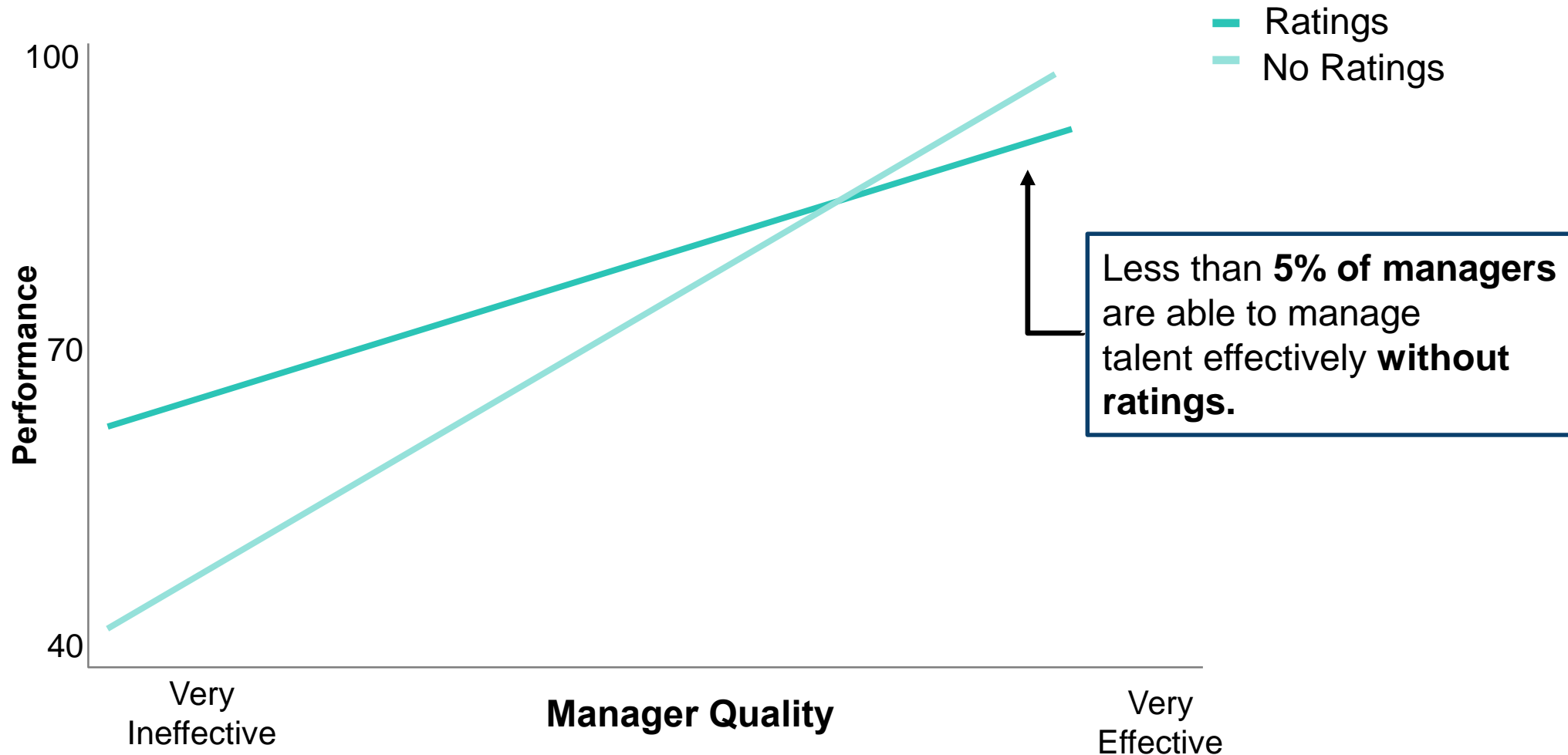
**Success Without
Ratings Requires
Significant Investment**



**Focus on Other
Changes Besides
Removing Ratings**

Successful Organizations Have Extremely High Manager Quality

The Relationship Between Manager Quality and Performance



$n = 9,686$.

Source: CEB 2016 Pay for Performance Employee Survey.

Organizations That Have Successfully Eliminated Performance Ratings Made Significant Investments

Investments Made by the Successful Few

1 ...Significant Ongoing **Manager Training**

2 ...Additional **Managerial Infrastructure** to Ensure Ability and Accountability

3 ...Large-Scale Adjustments to Related **HR Processes**

4 ...Robust, Multiyear **Change Management** Process

Source: CEB analysis.

Roadmap: Our Perspectives on the Ratings Debate

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**Focus on Other
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Three strategies to increase the effectiveness of performance reviews

Performance Management Strategies

Impact on Employee Performance

Provide Ongoing, Not Episodic, Performance Feedback

12%

Make Performance Reviews Forward Looking, Not Backward Looking

13%

Include Peer, Not Just Manager, Feedback in Evaluating Performance

14%

n = 23,339 (2012); 10,531 (2014).

Source: CEB 2012 High Performance Survey; CEB 2014 Enterprise Contribution Workforce Survey.

Thank You

Martin Fourie

Account Director

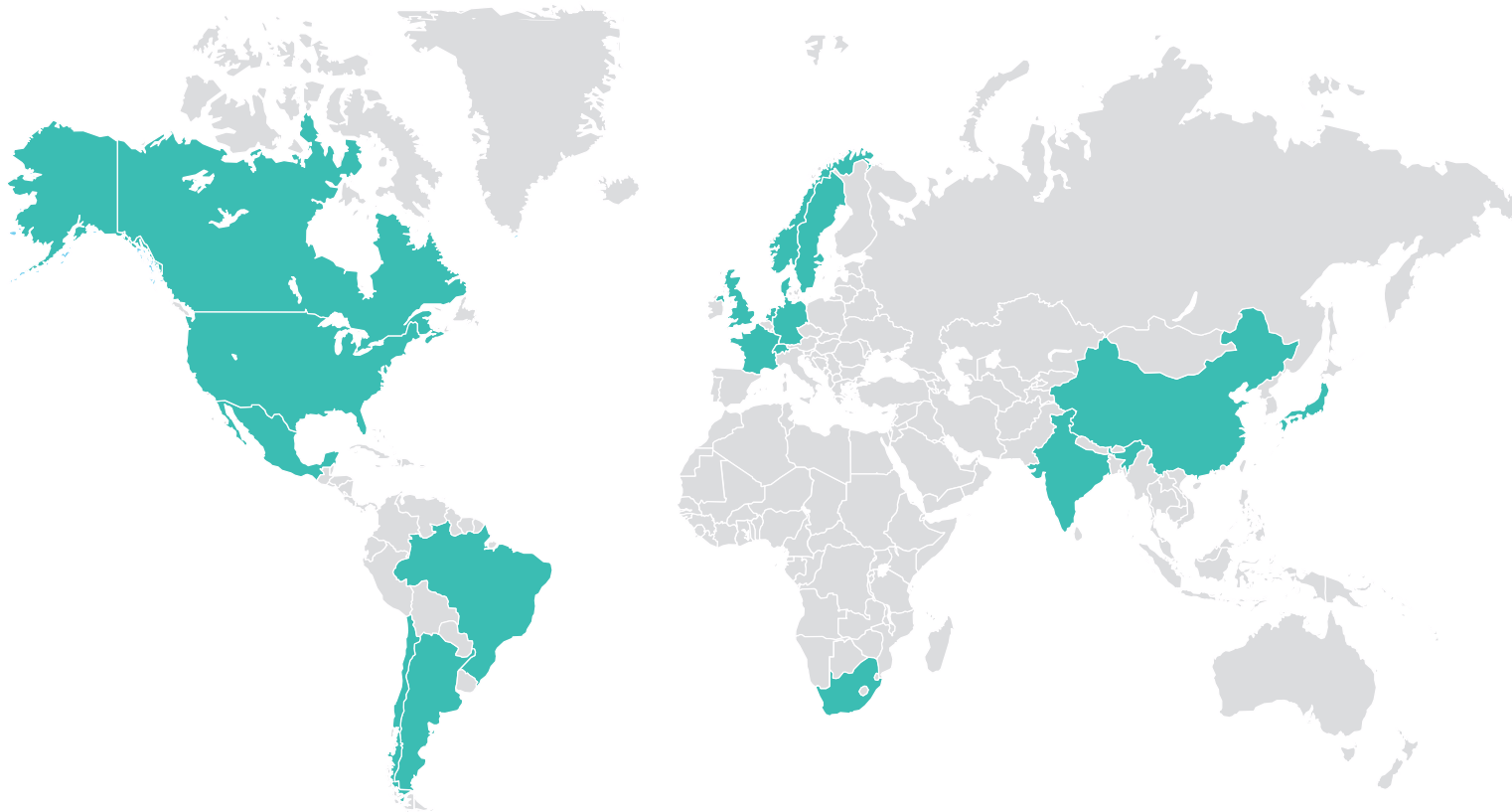
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Appendix

Appendix A: Employee Survey Demographics

Survey Participation by Region *Percentage of Organizations*



Africa | 3%
South Africa | 3.0%

Latin America | 10%
Argentina | 2.0%
Brazil | 3.1%
Chile | 2.4%
Mexico | 2.9%

North America | 48%
Canada | 3.4%
United States | 44.2%

Asia | 17%
China | 4.4%
India | 10.5%
Japan | 2.1%

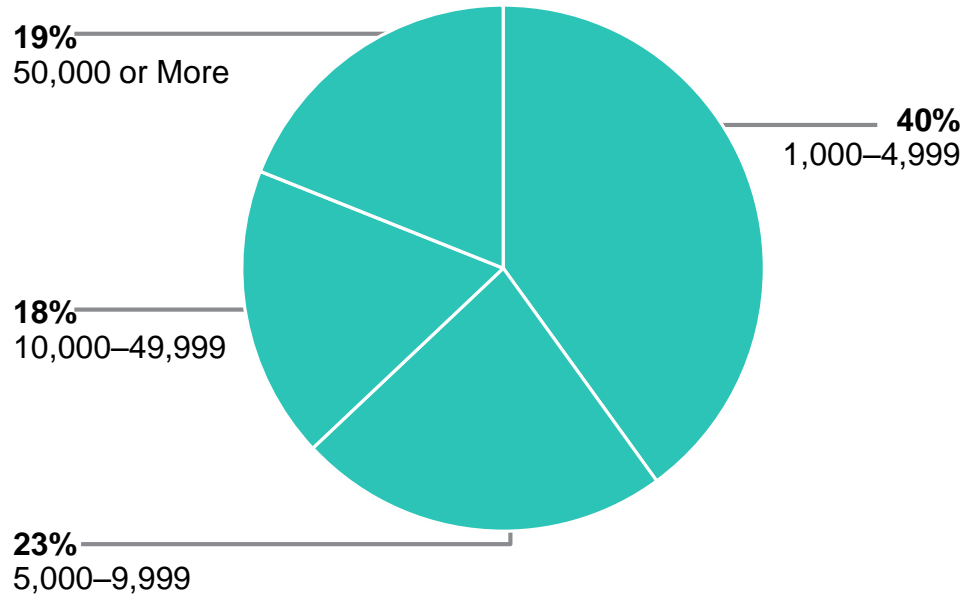
Europe | 22%
Denmark | 2.0%
France | 3.4%
Germany | 2.6%
Netherlands | 2.7%
Norway | 0.9%
Sweden | 1.8%
Switzerland | 1.3%
United Kingdom | 7.3%

Source: CEB 2016 Pay for Performance Employee Survey.

Appendix A: Employee Survey Demographics (Continued)

Survey Participation by Organization Size

Percentage of Organizations

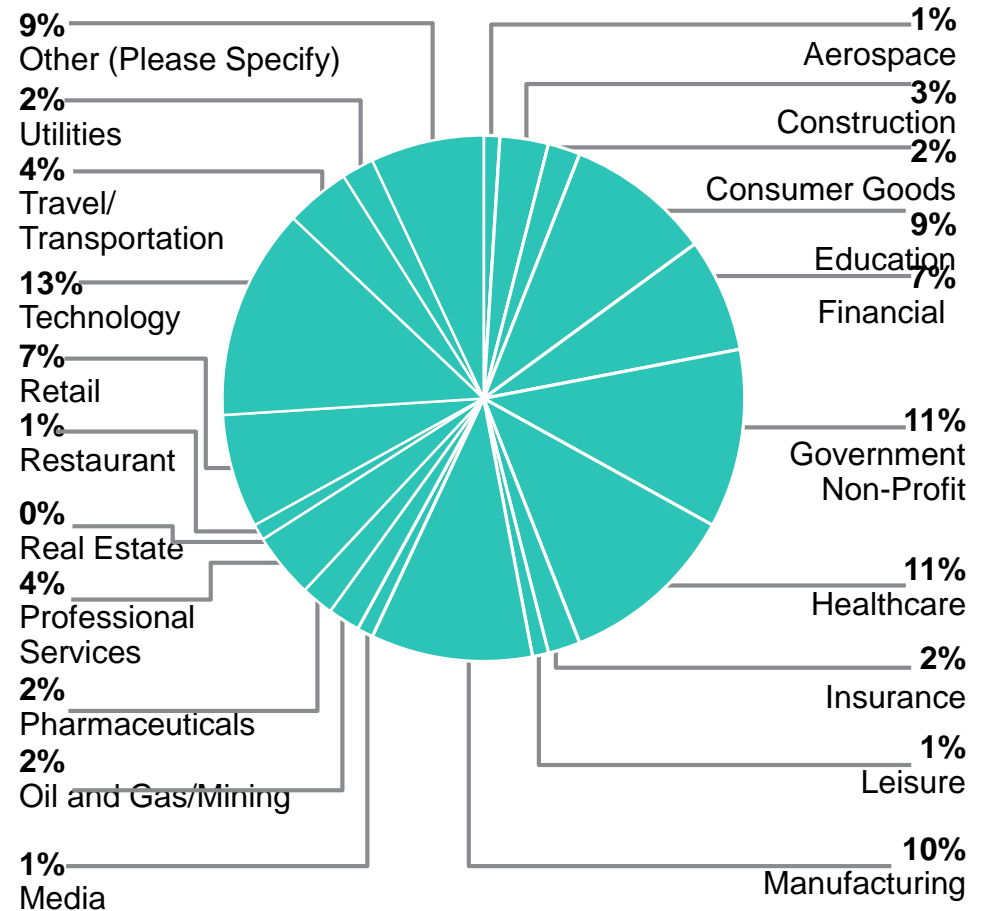


$n = 9,686$.

Source: CEB 2016 Pay for Performance Employee Survey.

Survey Participation by Industry

Percentage of Organizations



$n = 9,686$.

Source: CEB 2016 Pay for Performance Employee Survey.

Note: Total does not equal 100% due to rounding.