

Integrating Employee Feedback into the Continuous Improvement of Performance Management

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Abstract

This study aims to explore the relationship between employee feedback and the possibility to change and improve the organizational performance appraisal process for clearer evaluation results and process, more efficient appraisal meetings, higher employee engagement and motivation, better work performance, while using digitalization as a method to evaluate performance but also to collect, analyse and understand employee feedback information.

Our research on enhancing performance management is grounded in a series of surveys conducted via Lime Survey platform between 2020 and 2023, involving 1,400 employees from an international insurance company.

We consider that these survey results could lead to organizational changes and future improvements in performance management systems.

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JEL classification: M10, M12

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1. Introduction

Organizations and businesses do not activate in a vacuum, they are shaped by the world around them, specifically nowadays by certain transformative forces that include, besides climate changes, economic and political power, shifting demographics, also dichotomic trends (globalization and fragmentation at the same time) and workplace shifts (Marr, 2022).

Adapting to this new age of uncertainty should require rethinking business objectives and procedures as well as company structure and organizational culture, while integrating and developing technology and digitalization for efficiency and improvement.

In the fourth industrial revolution, the world is rapidly changing due to large data volume, internet and internet devices, artificial intelligence and new technologies. The 2020 Covid-19 pandemic also caused massive disruptions in the

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way we work and made several companies reinvent themselves from hierarchies to teams and more agile and flatter organizational structures (Schwartz, 2021).

Top-down systems with clearly defined positions, roles and responsibilities within the organization hierarchy have worked well for generations, but now things are changing as uncertainty, global workforces and fast technological developments require the company to be flexible and agile, to quickly respond, innovate and adapt (Marr, 2022).

In recent years, this shift in company structure and the rapidly changing business environment has caused a change in performance management as well, leading to a rethink of employee experience, engagement, motivation and a redesign of how performance is defined, measured and managed.

Modern performance management systems are elaborated based on the idea to motivate employees achieve their objectives, to help teams work together towards organizational goals and to create a positive work environment that fosters professional development (Newsome, 2015).

Redefining their performance management processes, organizations have highlighted the importance of HR platforms to successfully connect hybrid teams and employees, in general, of real-time data and reporting tools to support performance management strategies and company objectives, of technology to enhance performance management systems in order to improve performance outcomes. Technological developments lead to greater automation, faster employee data analysis and interpretation, better feedback and customized performance reviews (Savdharia, 2023).

2. Literature review

2.1 Defining and measuring performance

As a concept, performance has various interpretations, depending on the context and its usage in different fields, such as arts, music, business, sports, technology or education. The association with a large range of disciplines has led to the development of a complex web of vocabulary (Carlson, 2004), including terms as excellence (Humphrey & Hughes, 2023), habits (Clear, 2018), business achievements or job performance (Boyatzis, 1982), behavior change (Daniels, 2014). Therefore, “Built into the concept of performance there are other concepts which people attribute to it” (Hannabuss, 1987, p.150) as its meaning is continually being transformed and enriched (Carlson, 2018) and “the disagreement in essence is built into the concept itself” (Strine, 1990, p.182).

The concept of performance is pluralistic, mobile, complex and has a multi-disciplinary feature as it includes several layers of interpretation based on denotational and connotational aspects of the term, it migrates from one field to another and comprises various meanings depending on the usage context (Hannabuss, 1987). Thus, in his book “Performance: a critical introduction”, Carlson refers to three different concepts of performance based on the activity type: display

of skills (arts, theatre), pattern of behavior (social studies) and general success of activity measured against some achievement standards (education, business) (Carlson, 1996), while Hannabuss discusses the use of the concept as different but in terms of types of practitioners, such as managers who perceive performance as a way to profitability, employees for whom the performance is a certain level of efficiency or achievements or scholars that consider performance based on validity of their arguments (Hannabuss, 1987).

Looking at the concept of performance from a management perspective, the term is associated with efficiency and success, productivity and profitability, work and decisions, inputs and outputs (Drucker, 2011), goal-setting, norms, measurements and standards (Hannabuss, 1987).

Although at the organizational level, goals and objectives are clear, performance can continue to be a confusing term for employees and teams, therefore it is very important to clarify organizational key performance indicators (KPIs), employees' expectations in terms of results and behaviour connected to their task, company goals and strategy (CIPD Report, 2022) and what to measure precisely, as performance can be measured in an objective (quantitative aspects) or subjective way (qualitative aspects) (Radu, 2021).

Measuring performance is a key process in performance management which should be relevant, meaningful and in alignment with organizational strategy, measuring what really matters for the company and its people. In the process, HR people need to identify and analyze data that is reliable (consistent results over time) and valid (clarity in what to assess) and not to make it as a tick-box exercise as the purpose is to develop the human capital and business activity (CIPD Report, 2022), to improve individual performance in line with the company performance (Aguinis & Pierce, 2008).

In terms of performance evaluation methods, a central role is played by performance reviews which are considered formal meetings between the employee and the direct manager, traditionally held twice a year (SHRM Report, 2017) with the purpose to assess employees' performance and discuss it with them, to monitor progress towards objectives to motivate people and to learn and improve (CIPD Report, 2022). As the workplace has changed, especially after the COVID-19 pandemic, the assessment process has also started to change (Behson, 2023) and the concept of performance review has been challenged and partially redefined, the focus shifting now to regular assessments, people improvement, conversations, coaching style, 360° feedback and strength-based approach, current challenges and opportunities, attention to learning and development rather than judging past performances yearly or twice a year, focusing on a bureaucratic and time-consuming evaluation process or using a single-source feedback (CIPD Report, 2022). Performance reviews have started to turn into performance conversations where feedback skills involve asking good questions, active listening, coaching approach, a two-way discussion and trust building (Young, 2023). Coaching may be used as a tool to unlock employees' potential and to make them aware of it (Tudoran, 2018)

while enabling managers to be accountable for engaging and retaining employees (Behson, 2023).

HR professionals should consider performance management carefully as it can lead to organizational conflicts if not applied adequately (Deaconu et al., 2012).

2.2 Digitalization in performance management process

In 1982, John Naisbitt envisioned the future dominated by ten megatrends, highlighting that the first two were information and technology (Naisbitt, 1982) changing the world and impacting both society and organizational life (Higgings, 1991).

The Covid-19 pandemic accelerated the trends mentioned beforehand, inducing shift to digital transformation and IT investments in order to address the challenges of a new hybrid work environment (Jacobides & Reeves, 2020) in a digital age (Kane et al., 2022). Digital transformation has been a topic of interest in the pandemic and post-pandemic years as the term is deeply connected to the business world changes and business models (Năstase, 2023).

Digitalization in HR field means more efficiency and transparency, less paper work and less time consumed in HR practices, easier and faster access from everywhere to introduce, collect, analyse and interpret data, more accuracy in analytics and timely feedback required for areas of improvement (Palwe, 2021).

At present, app-based systems (Behson, 2023), HR technologies, AI integration and machine learning algorithms have been integrated into performance management seeking a fair and evidence-based approach to manage people and to develop human potential at work (Chamorro-Premuzic & Waber, 2022). Therefore, in recent years, HR systems were equipped with survey platforms, apps that enable organisations to improve or change their performance management processes, facilitating faster, real-time and more accurate people analytics (Cappelli & Tavis, 2016). It is important to understand that information and data are different as information puts data into context (Anderson, 2015), therefore managers should also use their experience and knowledge in the evaluation process.

3. Performance management in practice

The theoretical context presented above enables us to understand organizational practice and improve it when possible. Additionally, learning from best practices across various organizations helps accelerate progress and refine the managerial tools we use.

We shall refer to an example of performance management carried out within the largest insurance company in Romania (Nica, 2023) which aims to align several HR processes such as performance evaluation, compensation & benefits, learning & development, talent & career management so that they ultimately contribute to achieving highly important objectives like individual performance, organizational

performance, employee retention, revenue competitiveness, business continuity, and efficiency.

The performance evaluation process was implemented as early as 2010, after the company entered the Romanian market by acquiring three existing local companies. Initially, the evaluation was conducted physically without using a digital platform, which brought about specific difficulties in conducting and reporting the process.

In 2012, the first digital HR management platform, internally named HRIS, was implemented, encompassing vital modules such as performance evaluation, recruitment, compensation, personnel, payroll, and reporting. Although it covered multiple processes, the platform was relatively simple, making it very difficult to implement modifications.

The performance evaluation process was custom-made and implemented, following the ideal process envisioned at that time by the HR team.

It included:

- a. Self-assessment of objectives and competencies
- b. Discussion with the manager regarding self-assessment and alignment of both parties' opinions
- c. Modifications in self-assessment
- d. Setting the goals for next year
- e. Sending the modified evaluation to the N+1 manager
- f. Manager review of evaluation and making additions/modifications, assigning a rating
- g. Sending the evaluation to the N+2 manager for approval of the rating
- h. Sending the evaluation to the employee for acknowledgment of the rating and digital signing

The ratings given were: Excellent, Above Expectations, Meets Expectations, Below Expectations, Far Below Expectations. These ratings were used in the compensation and benefits process to allocate annual bonuses and salary increases. The minimum accepted rating was Meets Expectations.

Those who received ratings below expectations or far below expectations entered a performance improvement or exit procedure. All managers in the company were previously trained by internal HR trainers and consultants on the new performance evaluation process and the use of the digital platform.

After five years of using the HRIS platform, in 2017, at the initiative of the HR team, the company decided to switch to a globally recognized HR platform called SuccessFactors, developed by the well-known multinational company SAP. This new platform aimed to cater to the need to conduct all HR processes digitally, provide greater transparency over personal and team-related data, and offer real-time access to information and data for both managers and non-managers to work more efficiently and make better-informed decisions.

The first process implemented in 2018 on the new platform was performance management (employees were familiar with the process from the past 10 years), so the performance evaluation session for the year 2018 took place between December

3rd, 2018, and February 15th, 2019. As the platform was user-friendly and intuitive, and the evaluation process was not unfamiliar to employees, there was no need for an extensive induction or training period on the new platform. Training was conducted through internal communications, webinars, and video tutorials on the SuccessFactors platform for a quicker and easier understanding of how the performance, objectives, and development modules functioned together to form the performance evaluation process.

This time around, the performance evaluation process partially transformed into a performance management process, implementing steps that help and encourage employees to be both high-performing and engaged. Among these steps were:

- a. Self-assessment of objectives and competencies.
- b. Sending the form to the manager (meeting with the N+1 manager to discuss objective evaluation, competency evaluation, individual development plan, feedback to the manager, clarification of motivational factors to support performance and engagement).
- c. Setting objectives for the following year.
- d. Calibration by N+2 and providing brief written feedback.
- e. Digital acceptance signature from the employee.

The new SuccessFactors platform also introduced several additional options that helped streamline and simplify the process, such as: manager's ability to cascade objectives to a team member; ability to copy performance and/or development objectives from another existing objective plan within the application; capability for the N+2 manager to simultaneously calibrate all final ratings; manager's ability to view and modify individual performance and development objectives in real time; Rapid access for managers and the company to reports; data integration capabilities into other HR processes.

During this session, out of a total of 1,475 active employees at the start of the evaluation process, 1,253 met the conditions to be evaluated and receive a final rating. The difference stemmed from Junior Sales Advisors with a different evaluation system, employees with less than 6 months of tenure in the company, employees on medical or childcare leave, and employees who had left the company. At the end of the evaluation period, all existing evaluation forms were successfully completed, adhering to all steps of the evaluation process.

Following the company's continuous improvement practice, after the second year of using the SAP SuccessFactors platform for performance evaluation, in March 2020, a feedback survey based on a multi-year questionnaire was launched.

4. Methodology

The Human Resources Department's concern to understand employees' opinions regarding the performance management methodology and its implementation has been the basis for successive annual surveys (2020, 2021 and 2023) conducted within the company. The research objectives were as follows:

O1: to assess the company performance management system based on the employees' feedback regarding different aspects of the process (transparency, flow, structure, HR support, explanatory materials, forms) in order to improve performance practices;

O2: to assess the company performance reviews in order to increase individual performance, considering efficiency, clarity of goals, manager's feedback, motivation, improvement areas, manager's attitude;

The tool used for investigation was a questionnaire comprising 19 questions grouped into three chapters:

Chapter One, titled "Items Addressing the Performance Appraisal Process," contains eight questions assessing: whether employees find the evaluation process fair; if the evaluation procedure is clear; if training materials and support are explicit and helpful; if HR representatives provide sufficient support to colleagues struggling with the evaluation form; if the form is well-structured and easy to complete; and if the flow of the evaluation form is adequate.

Chapter Two, named "Items Addressing the way the Annual Performance Evaluation Meeting was Conducted by the Manager," includes ten questions evaluating employees' opinions about the annual performance evaluation and planning meeting. These questions aim to gather responses regarding the quality of interaction with the manager during the evaluation meeting: if the manager behaved in a friendly manner; if the discussion was productive; if the feedback received was useful; if the manager highlighted the employee's achievements and areas for improvement, jointly constructing a development plan; if the manager clearly communicated the set objectives; and if the employee felt motivated after the evaluation discussion.

The third chapter is dedicated to a single open-ended question: "Please share your suggestions regarding performance management"

A Likert scale with 4 options was utilized in constructing the questionnaire: "completely disagree"; "partially disagree"; "partially agree"; "completely agree".

The questionnaire was sent in 2020 and 2021 to all 1400 employees through the Lime Survey platform, with a response time of two weeks. The response rate was 61% in 2020 and 74% in 2021, which is very good for such a niche questionnaire.

These 1400 employees are nearly 100% white-collar workers, exclusively working in urban areas, possessing good digital competencies, and representing all structures within the company.

2020 - Feedback on performance appraisal process

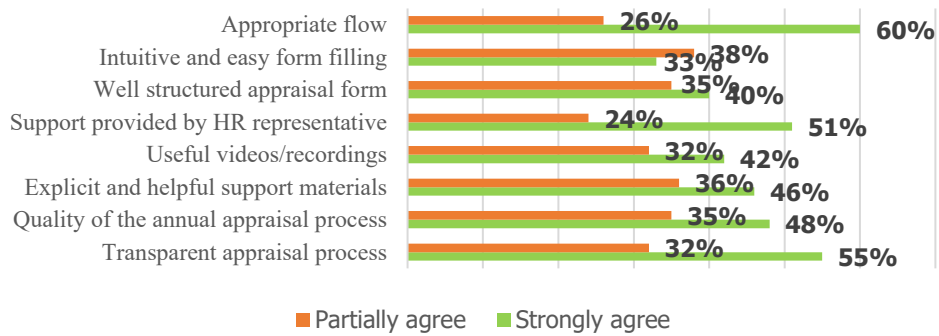


Figure 1. 2020 Feedback on performance appraisal process

2021 - feedback on the performance appraisal process

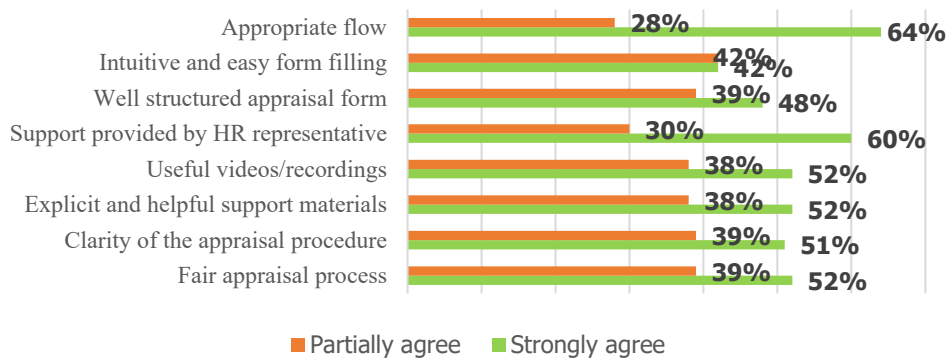


Figure 2. 2021 Feedback on performance appraisal process

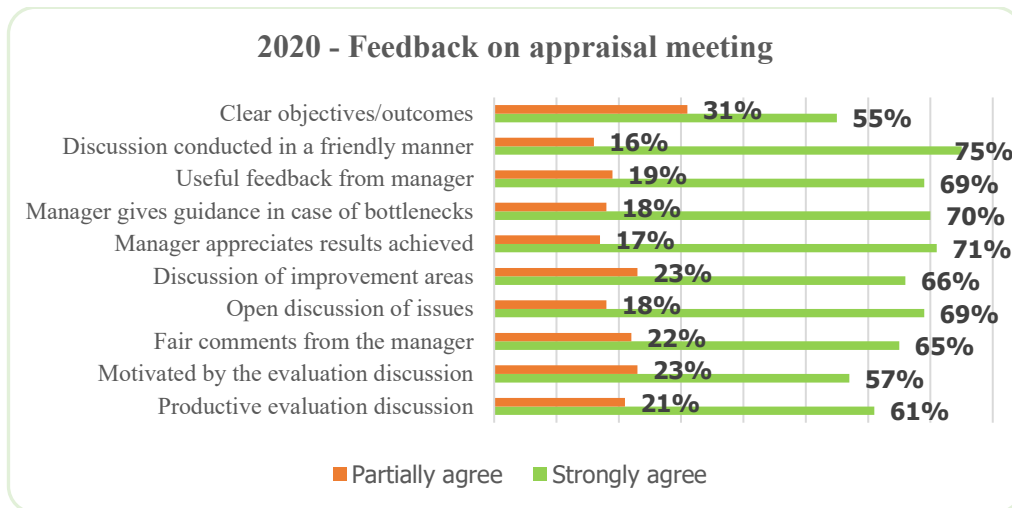


Figure 3. 2020 Feed-back linked to the appraisal meeting conducted by the manager

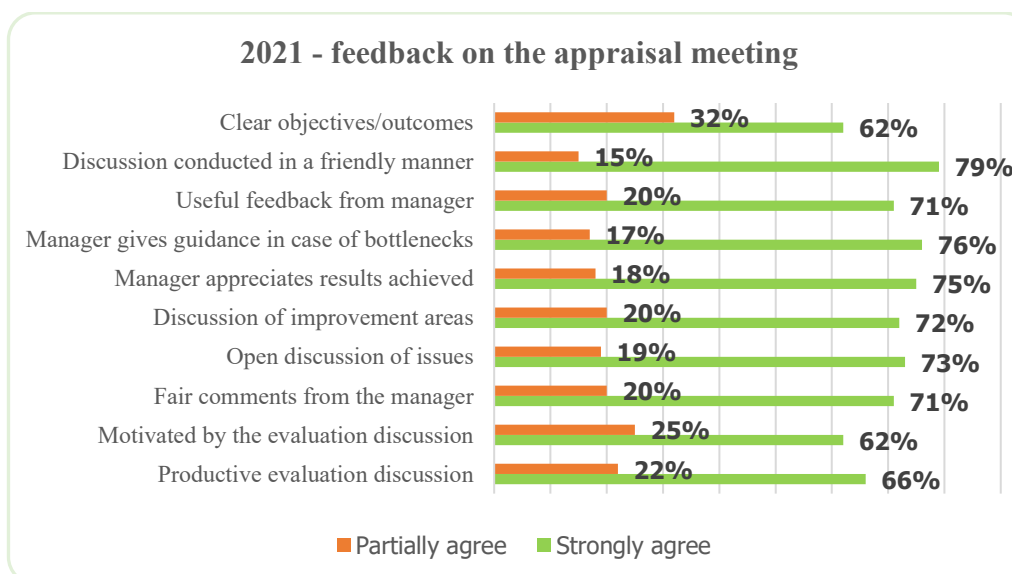


Figure 4. 2021 Feed-back linked to the appraisal meeting conducted by the manager

From the responses obtained to the open-ended question, "Please share your suggestions regarding performance management" several suggestions and improvement proposals were extracted. The most representative ones are listed below:

1. Simplify the process and the evaluation form.
2. Reduce the number of competencies.
3. Exclude the requirement to fill in the comments field in the "competencies" section.

4. Incorporate comments made in the semi-annual evaluation.
5. Ensure that objectives are realistic, SMART (Specific, Measurable, Achievable, Relevant, Time-bound), and mutually agreed upon.
6. Import objectives, especially those related to sales.
7. Consider abandoning the semi-annual evaluation—utilize dashboards instead, focusing more on development.
8. Implement evaluation/feedback from the project manager, especially for extensive project work.

These suggestions encompass streamlining, enhancing objectivity, and fostering a more development-focused approach within the performance evaluation process.

In April 2023, a new survey was initiated to gather employee feedback on performance management. However, due to survey fatigue caused by multiple rapid surveys related to the pandemic over the past two years, the response rate was 52%, equating to 728 out of a total of 1400 employees.

Looking at the results of the three years of analyzing employee opinions regarding the performance evaluation process and meetings, we observe continuous improvements in certain aspects. These increasingly positive results stem from enhancements made to the evaluation process itself and the training provided to managers regarding the importance of positive and constructive feedback.

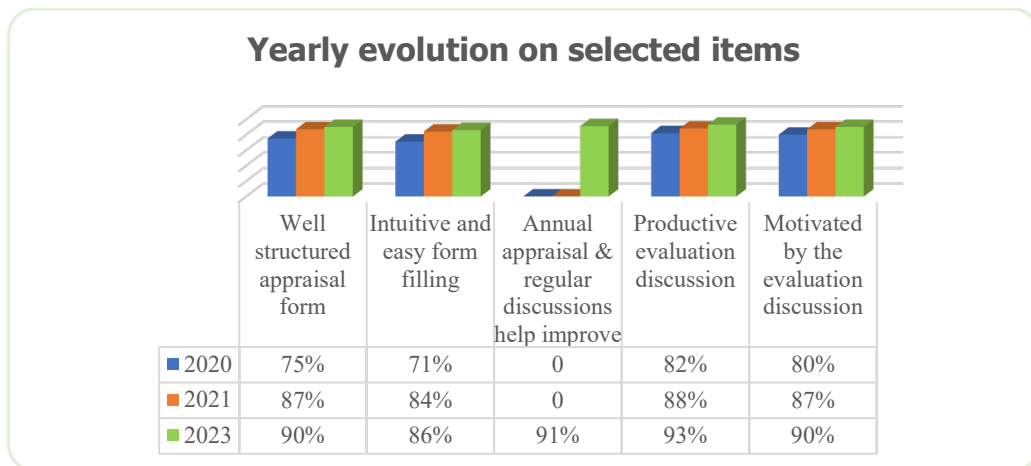


Figure 5. Multiannual analysis of the opinion linked to the performance appraisal process and appraisal meeting (selected items)

Conclusions

Our research has shown that improving the digitalization of HR activities is not only necessary but also feasible. However, beyond this aspect, we aimed to highlight the fact that the concern for continuously monitoring and correcting HR processes, such as performance evaluation is mandatory. This ensures the accurate progression of evaluation steps, the proper and transparent measurement of each

employee's results, and the maintenance of a high level of motivation and engagement from all members of the organization in achieving performance.

Consulting employees often leads to improvement proposals that can have tangible benefits. In the analyzed case, credible proposals were formulated, relatively easy to implement:

- Abandoning semi-annual evaluations.
- Placing greater emphasis on development and qualitative aspects.
- Simplifying the evaluation process and form.
- Improving the formulation of objectives (SMART).
- Facilitating the importation/adoption of objectives, especially those in sales.
- Automatically incorporating quantitative results from specific applications into the evaluation form.
- Ensuring transparency and objectivity in the process.
- Justifying the ratings given.
- Increasing the frequency of 1:1 meetings with the N+1 manager, feedback, and recommendations from N+1 and N+2.
- Providing clearer and more accessible percentages for the rating scale.
- Reducing the number of competencies.
- Removing the mandatory requirement to fill in the comments field in the "competencies" section.
- Incorporating evaluation/feedback from the project manager, particularly for project work.

The organisation has shown a genuine interest in collecting and implementing employee's feedback on improving the performance management system within the company.

Additionally, we believe that the data analysed in this article could be adopted by other organizations interested in boosting their employees' performance regardless of their activity field.

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