

Motivating Employee Performance – Employee Reviews that Work

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Insights from Pedro Hipólito, Partner at IMSA Search Global Partners Portugal and Argo

According to Gallup's recently published 2024 State of the Global Workplace, after several years of gains, last year saw global employee engagement stagnate. When employee motivation declines, organizational productivity suffers. In fact, Gallup estimates that low employee engagement costs the global economy \$8.9 trillion dollars annually or 9% of global GDP.

Why does employee motivation seem to be stagnating? Following the widespread work-from-home phenomenon, the employee burnout phase, and the changes around employee expectations for work-life balance, new workplace norms have evolved. Across the globe, we see a hiring slowdown and simultaneously, companies are demanding more from their strongest employees in an attempt to boost productivity with fewer people. As companies wrestle with their talent strategies, they are reassessing their approach to performance management.

According to Pedro Hipólito, Partner at IMSA Search Global Partners Portugal and Argo, "Companies are evaluating the effectiveness of their performance assessments. They want to be sure their assessments are inspiring their employees, motivating them to do their best, building morale, and strengthening overall productivity." A McKinsey & Co study of 1,200 employees from around the world, conducted in 2023 and 2024 in companies with 100 to 100,000 employees, among employees across a range of positions and industries, on the subject of performance management, reveals what motivates employees today:

Employees want consistent and clear performance management that they can understand.

In recent years many companies moved away from results-based metrics toward evaluations that incorporate assessments of employees' processes and adherence to company culture and norms. This was part of an attempt to give employees the sense that they were being evaluated in a more holistic manner. Some companies streamlined goal setting and formal reviews, separated compensation conversations, or eliminated ratings entirely. However, McKinsey's survey revealed that employees prefer results-based analysis. Process and culture-based assessments are seen as more subjective and ultimately, less fair. To address this, survey your employees to understand their perceptions about the company's current assessment practices.

Employees want goals that are measurable and link to company priorities.

Employees feel more motivated when they have individual and team goals and when they can see how both correlate with broader company goals. Employees feel even more inspired when they have a role in: setting the goals, assessing the accomplishments, and adjusting the goals based on business environment and industry occurrences. As a result, they feel vested, they "own" the goals and the accomplishments. To address this, ensure your company has a goal-setting structure that incorporates employee input and provides feedback loops.

Employees want more than reviews.

Recent Gallup research concludes that "80% of employees who received meaningful feedback in the past week feel fully engaged." In fact, employees want regular feedback on their performance. To address this, ensure all managers schedule regular check-ins with employees on their teams. In these sessions, managers should communicate about employee performance on specific projects and provide constructive feedback and future direction. If communication is open and regular, annual reviews will be less anxiety provoking. Annual reviews should be a 2-way dialogue, giving employees the opportunity to ask questions about how they can strengthen skills, improve performance, and move towards their next goal. In this context, Pedro Hipólito emphasizes that more and more companies are betting on Real Time Feedback, moving away from annual reviews towards ongoing feedback loops and including more data sources, incorporating feedback from peers and managers to provide a more comprehensive view of performance.

Employees want reviews from skilled reviewers.

While employees don't seem to feel strongly about receiving ratings on scales or other frameworks, they do seem to be motivated by performance reviews delivered by a skilled manager. This seems to be an area of weakness for many companies with 34% of respondents in the McKinsey survey calling out their manager for a lack of skill. To address this, create and strengthen professional development and training programs that build performance assessment skills.

Employees want rewards that include nonfinancial as well as financial incentives.

"More than half of employee respondents felt motivated when financial rewards were combined with nonfinancial rewards," according to McKinsey's study. Nonfinancial incentives might include greater control over workplace space and time, a more senior project role, or increased autonomy. Consider public acknowledgments such as: company-wide announcements, awards ceremonies, milestone recognitions, and social media features. Consider celebratory events, free professional development, and gift card incentives. Employee recognition awards can be: performance-based such as Employee of the Month, anniversary-based such as based on tenure, or special achievement such as Innovation Award.

Pedro Hipólito, Partner at IMSA Search Global Partners Portugal and Argo concludes: "Top-performing companies want to be sure they are generating assessments that are inspiring their employees, motivating them to do their best, building morale, and strengthening overall productivity. We help them find leaders who recognize the importance of performance assessments to motivate their teams, boost productivity, and drive success."

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