



# Supporting Organisation-wide Innovation Through Effective Performance Management Practices

*Many companies want to establish a culture of innovation, one that will encourage flexibility, creativity and support risk-taking. The benefit? Breakthrough products, superior customer experience and an agile response to market challenges. Innovation has been identified by many business leaders as the single most important predictor of future growth. Research indicates that over 90% of executives believe the long-term success of their organisation's strategy depends on their ability to develop new ideas.<sup>1</sup> Yet many companies struggle to achieve innovation-led growth.<sup>2</sup>*

## Why it's important for HR functions to support and drive innovation

HR is uniquely placed to enhance or hinder innovative behaviour and practices within the organisation. The most effective innovation strategies focus on people and talent management practices. Talent management encompasses the practices and processes companies have in place to manage their most important assets - their people. And this includes the area of performance management.



## Our global research

In November 2016, PageUp, in partnership with Alexander Mann Solutions, launched the inaugural Global HR Innovation Survey. The survey asked business and HR professionals to rate how well their organisation, and HR, supported a culture of innovation, and to assess the maturity of their current talent management practices. Using the 322 responses, we determined:

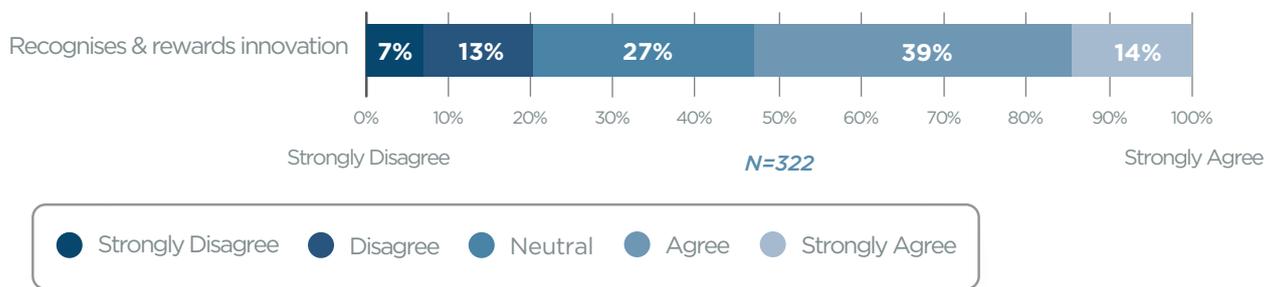
- Where companies are placed on their journey to create a culture of innovation.
- The effectiveness of current talent management practices in driving and supporting innovation.
- How prepared HR is to meet the future talent needs of the business.

## HR has a role to play in driving innovation... but is not delivering

There is an increasing awareness that innovation is crucial for both short-term competitive advantage and long-term survival. Our research found that 64% of respondents believe driving innovation is a priority for their organisation in the next 12 months, but HR is more confident (80%) than its non-HR peers (67%) that it has a role to play in driving organisation-wide innovation.

The challenge for HR is to shift the perception of its value proposition. The wider business and HR agree, that HR and the people and performance function within it, have a role to play in driving enterprise-wide innovation – but they are not quite there yet. Focus and determination are required to ensure HR delivers the strategic value it inherently holds. But where are the gaps? We looked at respondents' evaluation of how their organisation currently supports innovation and compared it to the maturity of their underlying performance management practices.

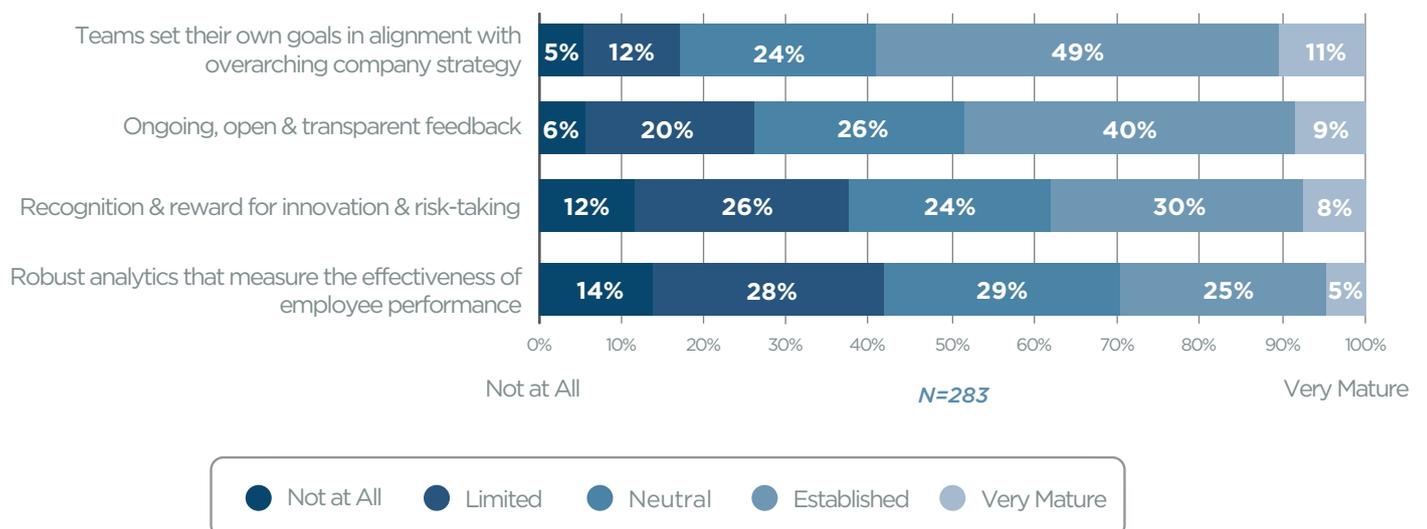
Figure 1: Respondents' evaluation of how their company supports innovation



## Performance management – more than reward and recognition

- Recognising and rewarding innovation is key to establishing a culture of innovation. Currently 53% of companies say they do this but only 38% are supported by established performance management processes.
- 60% of companies allow teams to set their own goals within the overarching organisational strategy.
- Despite the market shift in emphasis from annual performance reviews to continuous feedback, most companies aren't there yet. Less than half have an established process for ongoing feedback.

Figure 2: How respondents rated the maturity of their performance management practices



## Reward and recognition - a missed opportunity for HR

The importance of reward and recognition in driving a culture of innovation cannot be overstated. More than just positive reinforcement for new ideas, it must encourage risk-taking and reduce a fear of failure. It reinforces that 'everyone innovating' means sharing of ideas through collaborative work practices, embracing failure as a learning experience (rather than worthy of reprisal), and continuous improvement.

Given the strong ties between recognition, reward and performance management it was hardly surprising that many companies scored themselves lower on this aspect. Our results found although 53% of respondents said their organisation recognises and rewards innovation (Figure 1), and only 38% had established or mature performance management practices for doing so (Figure 2). This is a missed opportunity for HR and reflects the willingness of companies to support innovative practices without the endorsement or participation of the HR function.

## Continuous feedback is needed for innovation

Innovation cannot be truly optimised without ongoing, open and transparent feedback. Despite a market shift in emphasis from annual performance reviews to continuous feedback, the majority of companies aren't there yet. We found only 49% have established or mature ongoing, open and transparent feedback processes (Figure 2). The current swing away from annualised performance reviews and ratings has been criticised for its lack of transparency. However, it doesn't have to be an either/or situation. Putting in place a solution that supports both formal objectives and reviews, coupled with continuous point-in-time feedback increased the transparency of the process for 78% of employees.<sup>3</sup> It also increases the speed for fail-fast iterations to create consumer-centric, commercially viable products, and reinforces innovative and creative behaviours through immediate recognition and formal reward mechanisms.

### HR's role in creating a high-performance culture that supports innovation.

When it comes to prioritising performance management to drive a culture of innovation many companies still have a long road to travel. Only 38% of CEOs believe promoting and rewarding entrepreneurship and risk-taking is critical to creating a culture of innovation.<sup>4</sup> Likewise, only 38% felt that a focus on effective performance management is required to remain relevant and competitive.<sup>2</sup> HR has a pivotal role to play in educating, developing and coaching management and employees in this regard. HR needs to:

- Democratise innovation by embedding it in day-to-day work practices – set objectives and goals with innovation and creativity front of mind.
- Hold managers and leaders accountable for promoting idea sharing within teams, supporting risk-taking and entrepreneurial behaviour and creating an environment of trust.
- Reinforce the importance of innovation and creativity by using recognition and reward schemes that motivate and encourage employees to share and develop ideas – even if the ideas may fail.
- Empower teams to own their approach to innovation. Allow teams to set their own goals within the context of the overarching strategic goals of the organisation.
- Drive engagement and innovation by supporting ongoing feedback, meaningful discussions between managers and employees, and by creating an environment in which employees can do their best every day.
- Establish processes for team-based, collaborative and cross-functional feedback and reward.
- Use robust analytics to measure the effectiveness of performance management initiatives in driving company-wide innovation and creativity.

For more detailed findings and discussion of the survey results that the data and insights in this document are derived from, head to our PageUp [Resource Hub](#) and download our whitepaper, [DRIVING A CULTURE OF INNOVATION: Insights from PageUp's Global HR Innovation Study](#). In this report, we explore the challenges organisations are facing in establishing a culture of innovation and the current effectiveness of HR in driving enterprise-wide innovation. We discuss the shortfalls and provide practical advice for how HR can close the gaps across not just in performance management, but also recruitment, learning and development, and succession planning.



Interested to explore how PageUp can help you drive a culture of innovation at your organisation, through effective performance management practices?

Chat with us now.

## References

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- 4 The Conference Board. CEO Challenge 2016. The Conference Board, 2016.

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Rebecca is the Head of Customer Insights & Market Research at PageUp and is responsible for research into customer and market insights. She has nearly 20 years of experience delivering product, thematic and strategic human capital management research and thought leadership. With a diverse background covering academia, strategic consulting and equity investment, she holds a Bachelor of Science with Honours, Master of Science, Master of Commerce (Management) and a financial industry qualification (CFA).