



# The True Cost of Not Having a Performance Management System

## Are you leaving money on the table?

You are if you're treating performance management as a standalone process. Performance management works hand-in-hand with every other phase of the employee lifecycle: learning, succession, and even recruiting. It also is more effective when practiced as a continuous part of the culture, not as an end-of-year formality.

Creating a true performance management culture also drives engagement, retention, and profits. Case in point: a Harvard Business School study found that companies without a performance management culture increased net income by only 1% over 11 years. But those grew by 756% in the same time period.<sup>1</sup>

So how do you convince stakeholders it's wise to invest in a true performance management strategy? With the numbers.

## Use the following facts – and smart alternatives – to help you make the case for creating a true performance management culture:



Companies without a performance management strategy waste up to 34 days each year dealing with underperformers; managers spend 13% of their time managing them and 14% correcting their mistakes.<sup>2</sup>

*The Smart Alternative: Leveraging prescreening tools to build stronger candidate pools. Create competencies based on existing high performers to establish a performance baseline for new hires.*



High performers comprise just 5% of your workforce but produce 26% of its output.<sup>3</sup> Replacing an educated worker can cost up to 213 percent of their annual salary.<sup>4</sup>

*The Smart Alternative: Measure performance more than once a year to identify top performers and work to retain them by offering development and career planning opportunities.*



Studies show frequent reviews are a key factor in engagement and retention: 43% of highly engaged employees receive feedback at least once a week.<sup>5</sup> Yet many companies still just do a cursory, once-a-year review—or skip it altogether. Most employees (71%) prefer to get feedback as soon as possible; only 17% preferred quarterly or annual feedback.<sup>6</sup>

*The Smart Alternative: More frequent reviews—monthly or weekly—help employees feel engaged and allow for quick course correction. Make reviews more meaningful by soliciting 360 degree feedback and assign learning to improve skills or move employees along their chosen career path.*

The cost of not investing in true talent management is high, but the ROI is there. Without a true talent management strategy—one that unifies recruiting, onboarding, learning, performance, and succession—your company simply loses money.

1 <https://www.forbes.com/sites/johnkotter/2011/02/10/does-corporate-culture-drive-financial-performance/#bd656927e9e9>

2 John Skabelund. "Boost Your Bottom Line with Better People Management." Reliable Plant. Accessed at <http://www.reliableplant.com/Read/198/bottom-line-management>.

3 <http://www.businessinsider.com/google-policy-to-pay-unfairly-2015-4>

4 <http://www.foxbusiness.com/features/2017/03/03/minimize-cost-employee-turnover-hire-virtual-assistant.html>

5 Fermin, Jeff. "10 Shocking Stats About Employee Engagement." OfficeVibe.com. Date published: Jan. 28, 2014. Date accessed: March 10, 2014. <https://www.officevibe.com/blog/stats-employee-engagement-infographic>.

6 Darcy Jacobsen. "Infographic: The Startling Truth about Performance Reviews." Globoforce. August 28, 2013. Accessed on September 22, 2014, at [http://www.globoforce.com/g\\_log/2013/infographic-the-startling-truth-about-performance-reviews](http://www.globoforce.com/g_log/2013/infographic-the-startling-truth-about-performance-reviews).

**Cornerstone** | small & medium business

Cornerstone is committed to helping small to medium-sized businesses develop an engaged workforce to drive higher performance and revenue.  
[smb.cornerstoneondemand.com](http://smb.cornerstoneondemand.com)

North America Global HQ  
1601 Cloverfield Blvd.  
Suite 600 South  
Santa Monica, CA 90404  
888-365-CSOD

Europe, Middle East,  
Africa (EMEA)  
4 Coleman Street  
London, EC2R 5AR  
+44 (0) 203 700 2900

Asia Pacific Japan (APJ)  
Level 1, North  
29 Union St.  
Auckland 1010  
Australia: +61 (2) 8667 3178  
New Zealand: +64 9 968 2133

Stay connected:

