



Performance and Engagement: Better Together

How (and Why) to Integrate Employee Engagement and Performance Management

Introduction

You probably don't need us to tell you that engagement and performance have always been fast friends.

[Decades of organisational research](#) show us that when employees are highly engaged, they perform better at work. They're more productive, proactive, and motivated to contribute to your company's success. And when your employees are high-performing, they can see how their work positively impacts their organisation. They're more likely to be engaged as a result. Crucially, they're also more likely to stay at your organisation.

Nurturing this reciprocal relationship and purposefully integrating engagement and performance can add up to [some big wins](#) for your organisation. The problem is, where do you start? And how can you build a people strategy and operational framework that leverages both to their fullest potential?

In this ebook, we'll explore the relationship between performance management and employee engagement in more detail, and explain how both have a tangible impact on the success of your people and business. We'll provide you with an actionable framework to integrate the two, so you can take your first steps to build an engaged, high-performing organisation where everyone feels motivated and empowered to do their best work.

Why Performance and Engagement Are Better Together

Performance management and employee engagement are critical elements of your [People Strategy](#), but they have typically existed as two separate processes with different measures of success.

When we think of performance management, we usually think about evaluating employee productivity and their ability to hit business targets. Meanwhile, when we think of engagement, we tend to equate it with job satisfaction and doing our best at work.

Over the last few years, performance management has evolved into a more holistic process that encompasses an employee's entire growth and development journey at their organisation. When we consider this shift in the context of declining average tenure, a widening global skills gap, and the continuing impact of the [Great Resignation](#), it's easy to see how integrating performance and engagement offers organisations a competitive edge when it comes to talent.

Employees want to feel that their employer values their ongoing development. They value meaningful work that clearly connects to something bigger. And if they don't find what they're looking for at your organisation, they'll look elsewhere.

[Employee turnover](#) costs businesses money. [One report](#) puts it at around 30% of an employee's annual salary. Meanwhile, industry analyst Josh Bersin estimates that it costs organisations anywhere from tens of thousands of dollars to [1.5x to 2x an employee's annual salary](#).



*Engaged employees are 21% more profitable
and 17% more productive.*



Gallup

On the other hand, keeping employees engaged translates in a healthier bottom line, as well as a highly motivated, energised workforce. According to a Gallup study, engaged employees are [21% more profitable](#) and 17% more productive. They demonstrate higher levels of creativity and innovation. They're less likely to be absent from work, or have a [safety incident on the job](#).

They also deliver more value. Research shows that when organisations increase engagement by 1%, it translates to a 0.6% increase in new business. [Gallup](#) reported that organisations that prioritise engagement can improve their sales by 20%. And [according to our own data](#), employees need ongoing, continuous feedback on how they're performing if they're going to stay engaged long-term.

Engagement fuels great performance, and performance creates highly engaged employees that will strive to do their best for your organisation. In a rapidly evolving market for talent, creating the right conditions to engage and retain your top performers isn't just important, it's paramount. And when you focus on optimising performance management and supporting employees in reaching their goals, you're more likely to have an engaged team.

How to Integrate Engagement and Performance

Understanding the relationship between engagement and performance means you're better able to predict what motivates your employees to bring their best selves to work. But to leverage this relationship long-term, you need to build regular processes and norms that continually tap into your employees' need for development, recognition, and sense of competence.

We've distilled this approach into a four-step framework.

01 Understand how engaged your employees are.

Your highest-performing employees are likely to be among your most engaged team members. Understanding how they experience life at your organisation is a great predictor of their performance.

When employees become disengaged, they're at the highest risk of churn. But when you're measuring engagement on a regular basis, it means that you're better able to spot when your top performers are at risk of becoming disengaged, and take action to retain them.

Engagement surveys are an effective tool for understanding both positive and negative employee sentiment. Companies can keep an eye on how engaged their top performers are by collecting qualitative and quantitative data:

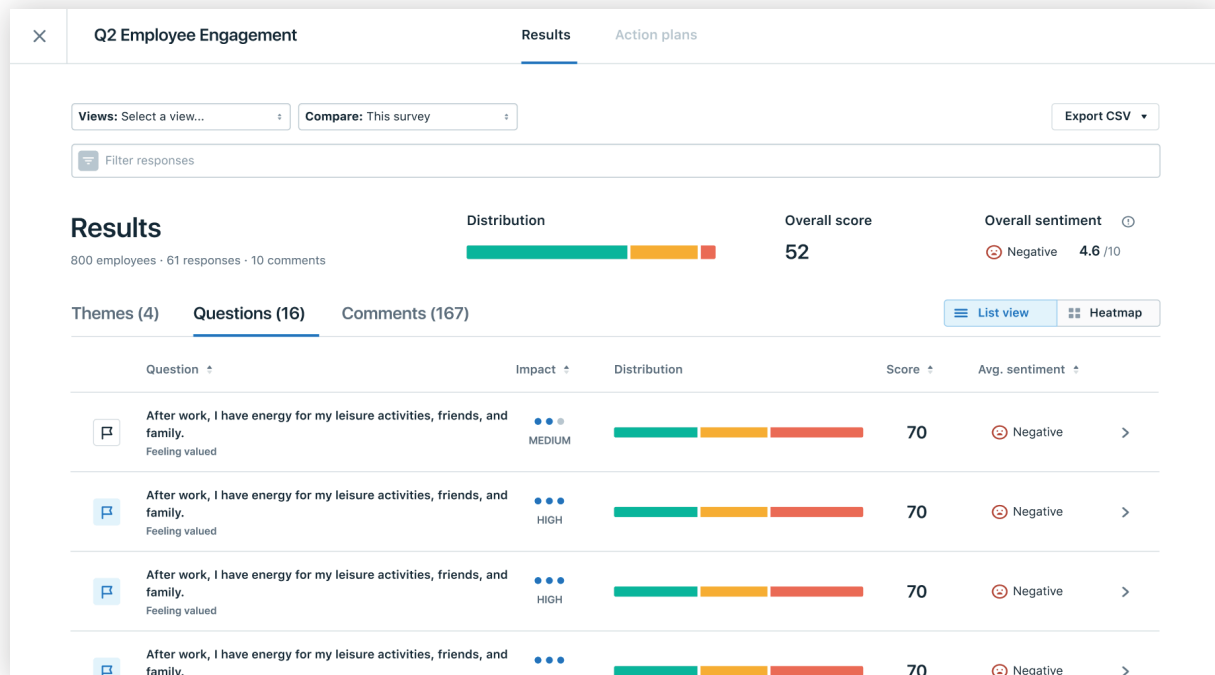


Quantitative feedback is the numerical data you capture as part of your engagement survey, as well as by measuring eNPS — or how likely your employees are to recommend your organisation as a place to work. It helps you capture the sentiment of your workforce, understand which factors impact your overall engagement, and track trends over time.



Qualitative feedback provides richer context into how your employees are feeling, adding a layer of insight that goes beyond a numerical value. It's helpful for identifying frustrations and roadblocks, as well as for exploring new ideas. You can collect qualitative feedback in real-time scenarios, like regular one-to-one meetings or conversations, in your engagement survey, or by implementing active listening throughout your organisation.

By collecting both types of data, you'll have a much better understanding of how your employees are feeling. And when you segment this data by your top performers, you can unlock greater insight into exactly which drivers are impacting your top performers' engagement.



An HR manager reviews the results of a recent engagement survey in Lattice. From here, she can filter the results by fields like department, manager, or even performance.

This is because employee performance doesn't exist in a silo. Your employees are whole, complex humans, and they don't exist solely to hit targets and KPIs. Viewing their performance in the context of how they're feeling at work means you know what's getting in their way to work at their best.

For example, digging into your marketing team engagement data might reveal that your top performers in the London office are feeling disengaged due to management issues. Having this insight helps you identify your most at-risk segments, and make proactive changes to head off [regrettable turnover](#). When you complement this insight with other data sources, like employee tenure, promotion frequency and [exit data](#), you can enrich your understanding of how to help your top performers thrive at work.

02 Create ample opportunities for recognition and feedback.

Biologically speaking, we're hardwired to crave recognition. Whether it's getting that coveted gold star at school, or being celebrated for our contributions at work, recognition is all part of an ancient biological chain reaction designed to make us feel good for a job well done.

Getting feedback on how we're doing at work — whether positive or developmental — has a huge impact on our happiness. According to a [recent study](#), 82% of employees consider recognition a key part of their happiness at work. A [Harvard Business Review report](#) found that 72% of survey respondents considered performance management the most impactful way to drive engagement — particularly when high-performing employees are recognised for a job well done.



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Gallup

Beyond its impact on individual employees, feedback also strongly impacts the wider organisation. Organisations with strong recognition and feedback cultures are [more likely to retain their employees](#). Employees that receive regular developmental feedback [demonstrate higher levels of commitment to their organisation](#).

These findings make perfect sense when viewed in the context of organisational psychology. Decades of research on employee motivation demonstrate that praise and recognition make us feel more valued at work, help us connect our contributions to a bigger picture, and increase our sense of competence in our role. Simply put, employees perform best at work when they're happy, and recognition is a key part of fostering employee happiness.

But here's the problem: Employees globally don't feel they're getting enough recognition. According to a [Capterra report](#), 79% of employees reported that they'd work harder if they felt more recognised for their contributions, meaning that employees are likely to invest more effort when they're given more feedback.

This makes recognition and feedback immensely powerful tools in your People Strategy for driving employee performance, because both are a high-impact, low-cost method of celebrating accomplishments, aligning on goals, and providing a direction of travel.

Implementing processes and norms around feedback

Striking the right balance when giving feedback can be tricky. While a heartfelt “thank you” might help your employees feel valued, by itself, it’s often not enough to let them know exactly what they did, or the actions they took to get there.

HR teams can facilitate greater feedback by instituting norms and processes that support regular feedback, and embedding it as part of the [organisation’s culture](#).

First, you need to ensure everyone knows what impactful feedback looks like. According to research, the best feedback is:



Specific: A [2020 meta-analysis](#) of the impact of feedback in classroom environments found that the more detail your feedback contains, the more effective it is. Employees need specific examples of what they did, and how this contributed to overarching goals so they can connect their actions to future behaviour.



Timely: Recognition and feedback are far more impactful in real-time because they help us connect our actions to outcomes, and highlight what we need to repeat or change for next time.



Regular: Regular feedback drives individual performance, because it not only helps everyone align on goals and course-correct as needed, but it also fosters increased trust and transparency.

Feedback helps us internalise new behaviours, change our habits, and take in new information. If you’re vague on the details, your employee won’t know how to repeat their behaviour next time. Too late, and they’ll struggle to meaningfully connect it to the steps they took to earn your praise. Too infrequent, and you’re missing prime opportunities for learning and growth.

When feedback is specific, regular, timely and positive all at the same time, we feel a sense of reward and satisfaction. At a cellular level, it's this warm and fuzzy feeling (or dopamine rush, if we want to get scientific) that not only makes us feel a sense of pride and pleasure in our contributions, but also conditions us to repeat that behaviour later.

HR teams can also connect feedback to key developmental processes to drive engagement and performance long-term:



Performance review: Performance reviews can be an impactful opportunity to review accomplishments over a longer period, and help employees connect their achievements to longer-term goals.



Ongoing feedback: Making feedback part of your culture means providing employees with ample opportunities to provide it. However, make sure that your feedback culture goes both ways and that everyone at all levels feels empowered to share feedback, [including at a team level](#). In fact, one study found that [peer recognition has twice the impact](#) compared with praise from a superior colleague.



Public praise: Public praise helps employees see the impact of their work among their extended peers. Public praise can be given in the company [all hands](#), over communication channels, social media or via employee awards ceremonies. However, remember that not all employees enjoy the spotlight, so praise (and its delivery) needs to be directly meaningful to each individual.

HR teams can extend the impact of feedback even further with thoughtful tooling. Company [praise walls](#) — either in person or on a messaging tool like Slack — are an effective way of communicating recognition across the whole organisation. Performance management tools like [Lattice](#), which has an inbuilt Praise feature, are also an impactful way of making praise visible to your whole organisation.

03 Leverage goal setting to drive engagement and performance.

Goals are vital for increasing motivation. Whether they take the form of a New Year's resolution to ditch an unhealthy habit, a practical goal to increase income, or a long-term life goal to write a novel, they're the reason we feel that *Rocky*-level "Eye of the Tiger" montage when we're fired up to achieve a new target.

In business, goals are typically connected to driving performance and business outcomes. But when goals are [clear, individual, and realistic](#), it directly translates into higher employee satisfaction and engagement. This is because employees can connect their individual contributions to a larger context, and have a clear direction of travel on what they need to do to succeed. In short, they have tangible proof that what they're doing matters.

These benefits alone make goal setting one of the most impactful processes an HR team can implement from a performance and engagement perspective.

In order to set effective goals, you need to make sure they're clear, specific, and relevant. And most importantly, your employees need to have buy-in. According to a [1990 study](#) co-authored by psychologists Gary Latham and Edwin Locke, setting effective goals relies on five key principles:



Clarity

Effective goals are clear and specific.



Challenge

Goals need to be sufficiently challenging.
Goals that are too easy or difficult can be demotivating.



Commitment

People need to be involved in their own goal-setting process in order to set meaningful, realistic targets.



Feedback

Goals must be reviewed at regular intervals and adjusted as necessary.



Task Complexity

Larger goals should be broken down into more manageable sub-goals.

Latham and Locke's study found that people are more likely to commit to a goal if they're involved in the goal-setting process from the start. This is because when we're personally involved in setting goals, it taps into our intrinsic motivation.

Intrinsic motivation describes the simple satisfaction we get from doing something because we find it enjoyable or fulfilling, rather than because we're being influenced by external factors, like a performance bonus, deadline, or threat of punishment. It's the reason we'll go the extra mile on a project we enjoy at work, help to onboard a new team member, or share our knowledge with a peer.

The problem is that business goals are, by definition, extrinsically motivating. They often involve imposed targets, like revenue or customer growth.

When managers [involve employees in the goal-setting process](#), employees feel they have a voice in setting targets that are meaningful, fair, and realistic. And according to a [Gallup report](#), employees involved in this process are almost four times more likely to be engaged than their peers.

Building goal-setting processes

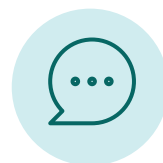
While there isn't a universal or "[best](#)" [method of setting goals](#), researchers agree that setting goals at regular intervals, such as on a quarterly basis, is the most effective way to drive performance. Setting SMART goals and OKRs are effective frameworks that help employees add specificity and context around how these goals matter to business success.

Devised by Peter Drucker, the concept of [SMART goals](#) is based on an acronym that stands for **specific, measurable, achievable, relevant** and **time-bound**. SMART goals can drive a sense of urgency and measurable criteria that define success. They focus more on achieving an objective, rather than measuring results.

[OKRs](#) are another impactful way of setting goals. OKR — which means **objectives** and **key results** — is based on two questions:



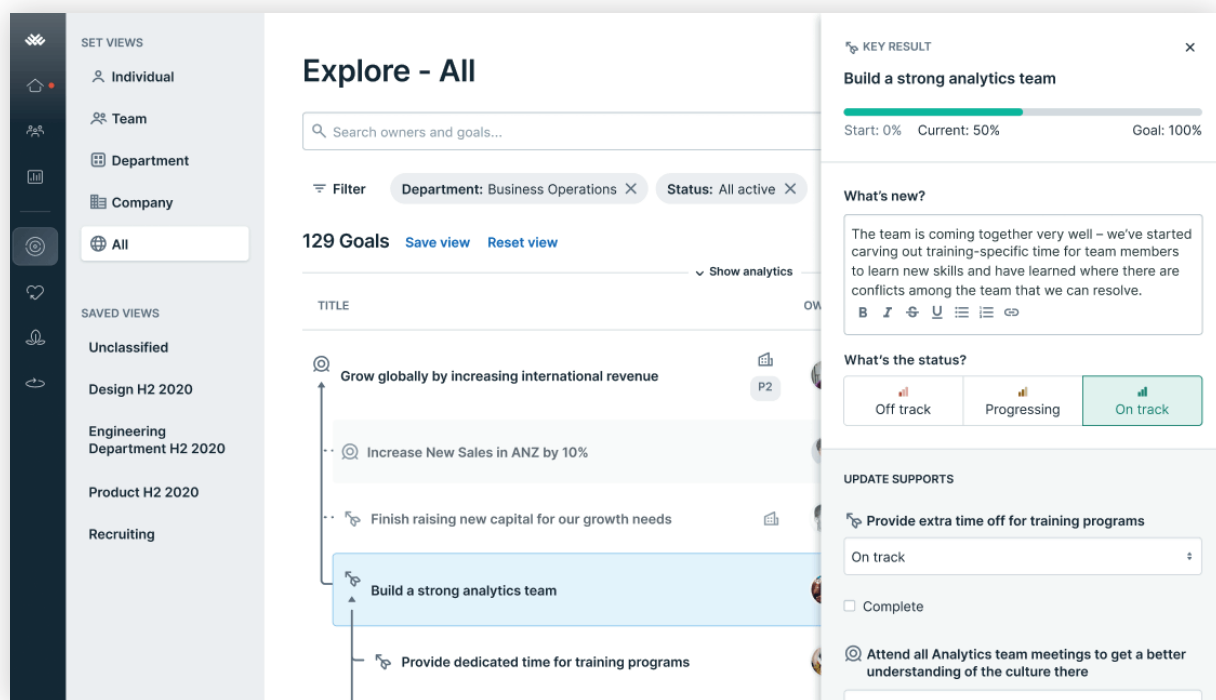
Where do I want to go?
(Your objective)



How do I get there?
(Your key results)

OKRs are a powerful way of setting goals that connect your objectives with the results you want to achieve. The OKR framework is based on setting intentionally challenging goals, and quantifying their level of success.

Whichever approach you choose, research shows that frequent check-ins on progress are a great predictor for success — [especially when progress is publicly reported](#).



An employee provides a status update on her goal of building a strong analytics team in Lattice.

Taking an employee-centric approach to goal setting maximises this impact even further. When employees are involved in the goal setting process and understand where their contributions fit in with your business objectives, they're likely to take a greater sense of ownership on monitoring their own progress. And when completed goals are celebrated, this translates directly into higher levels of engagement and performance.

04 Make growth conversations a regular part of your cadence, not just during annual reviews.

When we think about growth and performance management, we tend to think about it in the context of optimising employee productivity, and how high performance positively impacts revenue. And that's not entirely wrong — but it is a bit one-sided.

Because if you want to maximise these metrics long-term, you need to consider how investing in your employees' personal and professional growth [plays a key role in your organisation's success](#).

Lack of career progression consistently ranks as one of the top reasons employees leave their organisation. Our [2021 career progression survey](#) revealed that 76% of employees would be somewhat or very likely to leave a company due to feeling dissatisfied with the growth opportunities on offer. Almost half of respondents said they were actively looking or considering looking for a new role that offered them better growth opportunities.

The bottom line is that when employees feel they have nowhere to grow, they're likely to become disengaged, which has a knock-on impact on their productivity and performance.

But this situation is completely reversible. Multiple small-scale studies point to how growth and development has a strong positive impact on retention, including among [younger employees](#) and [technical employee cohorts](#).

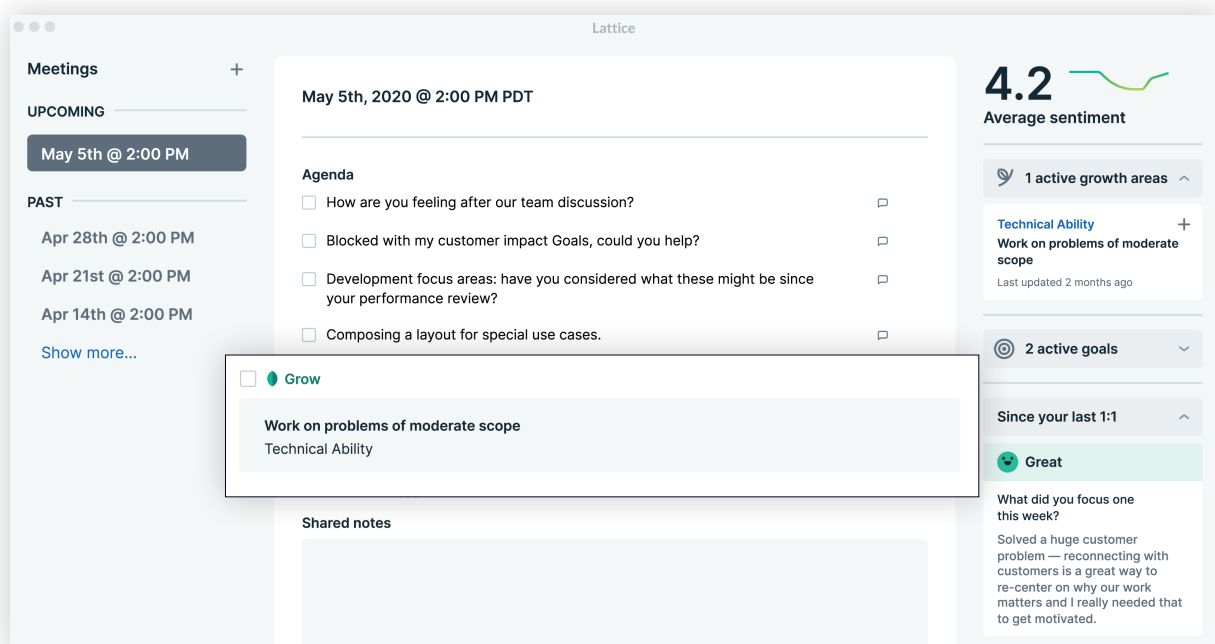
Investing in employee development has an impact that extends far beyond just improving engagement and retention. Organisations that provide thoughtful learning and development initiatives to cater for both sides of employee development experience [increase creativity](#), build a better employer brand, and enjoy [reduced costs associated with hiring and talent acquisition](#). They're also better equipped to shield themselves from the impact of the digital skills gap, because they're focused on developing talent from within.

Creating a framework for regular growth conversations

Employee development works best when it's structured, specific, and regular. This is because, much like setting performance goals, growth plans work best when employees know what their next steps look like.

Without structure and regularity, growth can feel ambiguous and employees can't see what their future looks like at your organisation. And as other priorities come up, the lack of a formalised, regular process risks communicating to your employee that their individual personal and professional growth isn't high on your priority list.

While some organisations hold growth conversations as part of their employees' annual performance review, this approach means that they fail to capture and respond to their employees' evolving needs over the course of the year. In a competitive talent market where average tenure continues to decline, these needs can change very quickly. And if your employees don't feel like their growth needs are being met, they're not going to hang around for their next annual review to let you know.



A direct report and manager updating their one-to-one agenda in Lattice to discuss a new career growth opportunity.

Bringing growth conversations into shorter, more frequent meetings means organisations can keep employee growth ticking over. Managers can make development a priority year-round, by weaving development conversations into regular meetings like one-to-ones, or by checking in on a monthly or quarterly basis to surface new career aspirations.

Adding structure to this process can also help eliminate ambiguity around next steps. [Formalising job levels and competencies](#), and giving employees clarity over internal promotion frameworks means that they know exactly what they need to do to reach their career and development goals.

Conclusion

Performance management and employee engagement are two sides of the same coin. When employees are engaged, they perform better. When they perform better, they're more engaged and bought in to seeing your organisation succeed.

When you integrate the two in a platform like [Lattice](#), you gain vital insight into what motivates your employees to bring their best selves to work on a daily basis. Our [people analytics dashboard](#) gives you visibility into sentiment among high performers, specific departments, demographics, and other criteria. Because both data sets live within the platform, you won't need to reconcile them with a separate tool.

However, it's not enough to monitor performance and engagement — you also need to take action to encourage both long-term. Creating thoughtful frameworks and processes around goal setting and employee development will give your employees clarity on how their goals connect to your organisation. Meanwhile, instituting a strong feedback culture will help them feel recognised for their contributions.

About Lattice

Lattice is the people success platform that enables HR leaders to develop engaged, high-performing teams. By combining OKRs, continuous performance management, employee engagement, development, compensation, and growth in one solution, organisations get powerful, real-time analytics that lead to actionable insights turning managers into leaders, employees into high performers, and companies into the best places to work.

The Lattice People Success Platform



Lattice works with 3,900 companies who put their people first. Whether redefining the beauty industry or building self-driving cars, all of our customers have one thing in common: They value their employees and want to invest in the development and success of their people. To see Lattice's platform in action, schedule a [product tour](#).