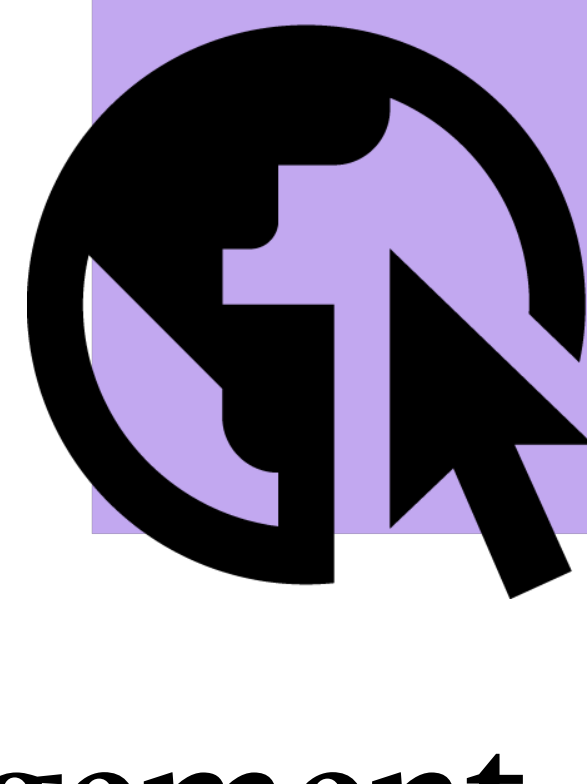


Asia Pacific employers are reshaping performance management and pay programs



Performance management and pay for performance affect business outcomes

Organisations that are highly effective at both aspects are more likely to say they perform better financially

Significantly higher financial performance

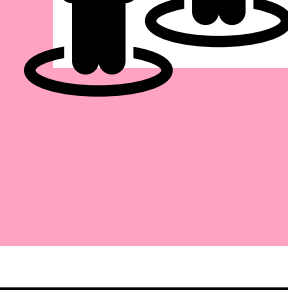
Effective at performance management

1.48x

Effectively using pay-for-performance programs

1.16x

However, only **2 in 5** employers have figured out how to get it right



How are Asia Pacific employers handling these programs?

They're putting focus on different performance aspects

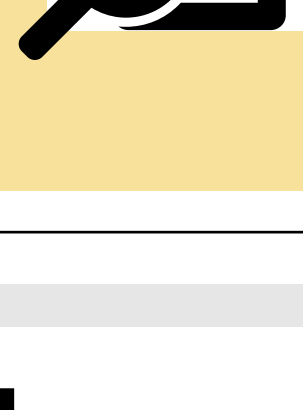
- Individual performance **82%**
- Team performance **60%**
- Demonstration of skills **63%**
- Individual potential **54%**
- Progress against development plan **53%**

High-effectiveness organisations are 3x as likely to also include these aspects

They're differentiating pay for performance

Merit increases	Employees who did not meet expectations	Short-term incentives
0%		0%
100%	Employees who met expectations	100%
170%	Employees who far exceeded expectations (e.g., top 10%)	147%

Note: All numbers are medians expressed as a percentage of the median of the number for employees who met expectations.



Yet only **2 in 5** indicate their employees feel their performance is evaluated fairly

Managers play a critical role

Majority of employers agree that managers are effective in differentiating and evaluating performance fairly



65% Managers are effective at assessing the performance of their direct reports

63% Managers are effective at properly differentiating the performance of their direct reports

Note: Agree/strongly agree

Barriers to managers properly differentiating their direct reports' performance

44% Discomfort in explaining the differentiation/having difficult conversations

44% Concern/avoidance of having to address underperforming employees

38% Concern/avoidance of having to address underperforming employees



Note: 4 or 5, to a very great extent, on a 5-point scale

Employers are taking actions to improve the performance management approach and process

Changes in the performance management approach

Ensure ongoing and meaningful **manager and employee performance dialogue** in a hybrid working environment

43%

38%

Allow for more **flexibility in goal-setting and/or discretion in year-end evaluation** to account for business volatility

41%

42%

Strengthen linkages between **performance management and career development**

35%

56%

Mitigate against **rater bias**

27%

55%

Respond to recent talent attrition pressures through enhancements in **performance management redesign and delivery**

15%

57%

Changes in the performance management process

Improving **goal alignment**

33%

51%

Improving employee understanding of **how their performance is evaluated**

32%

57%

Improving employee perception of **fairness of the evaluation process**

30%

57%

Introducing **Objective and Key Results**

26%

33%

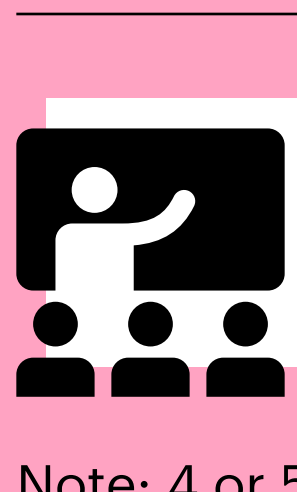
Improving the **employee and manager experience**

25%

63%

■ Already taken action ■ Planning or considering taking action

Two most common areas employers are investing in to enhance employee experience of performance management



73%

Manager capability building



72%

Employee learning and development programs

Note: 4 or 5, to a very great extent, on a 5-point scale

Next steps for employers

- 1** Help employees set performance goals that are aligned with their team's objectives as well as the strategic goals of the organisation.
- 2** Consider employee behaviours as well as attainment of goals when assessing performance.
- 3** Enhance manager capabilities by providing training around performance assessment, sharing feedback and handling difficult conversations.
- 4** Emphasise the importance of having career development programs and a continuous dialogue with employees, particularly in hybrid work environments.
- 5** Differentiate pay through merit increases and rewards programs to recognise and retain outstanding performers.