

What Actually Motivates Employees to Perform? Clarity, One Report Says.

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Consistency and simplicity win when it comes to goals and assessment, as well as updates throughout the year, a McKinsey report finds.



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Performance management appears to be most effective when it features consistent principles that employees understand, according to an Aug. 21 report from McKinsey & Co.

In particular, approaches with a coherent and connected framework across four areas — goal setting, performance reviews, feedback and rewards — correlate with the highest motivation to perform, the firm said.

“Each company can design a fit-for-purpose approach tailored to the needs of its organization, ensuring core elements are well connected and articulated to employees,” according to the report.

Goal setting, for instance, is critical for improving performance. In a survey of more than 1,000 employees, 72% said it was a strong motivator, though the “what” and “how” of goal setting was less clear.

In particular, employees felt more motivated when their performance goals included a mix of both individual and team-level goals, as well as a clear link between their goals and the company's goals. They also felt more motivated by measurable goals.

The process of setting a goal is also important, the survey respondents said. They were more motivated and perceived the performance management approach as fair when they were involved in the process. Respondents also wanted goals to be updated throughout the year to align with their team and company.

In addition, performance reviews with skilled managers were seen as crucial to performance, the report found. However, ratings may not work — and, in fact, showed negligible differences in how motivated employees felt.

Instead, employees were more motivated by performance reviews that reflected the individual achievement of a performance goal. This was particularly true when managers were involved in setting goals — and, as a result, were informed about assessing performance of those goals.

Investing in manager training could lead to meaningful development discussions, the report found. Only 21% of survey respondents who had no development conversations felt motivated by their companies' performance management, as compared with 77% of those who received ongoing feedback. About 25% said their managers didn't have sufficient skills to conduct their performance reviews or provide feedback.

Performance management remains a huge area of concern for employers; only 2% of Fortune 500 CHROs say their performance management system inspires employees to improve at their job, according to a recent Gallup report. In another survey of employees, Gallup found only 20% said their employer's performance review process was "fair and transparent," and more than half of employees said they formally review their goals with their managers only once a year or less.