

THE CURRENT STATE OF PERFORMANCE MANAGEMENT

Xutong Bai | CAHRS research assistant, May 1st, 2025

RESEARCH QUESTIONS

- How have performance management systems **evolved** in recent years?
 - How performance is being measured
 - Performance dimensions / criteria being measured
- What are the **key drivers** of these changes?
- How are companies using **generative AI** and other **technologies**?
- What other salient **trends** or **challenges** exist today?

EVOLUTION OF PERFORMANCE MANAGEMENT SYSTEMS

- Annual Reviews → **Continuous Feedback**
- Annual Goals → **Short-term Objectives**
- Formal Review Conversation → **Informal Feedback**
- Forced Rating Distribution → **Distribution Guidance**
- Top-down Evaluation → **360-degree Feedback**
- Past Performance → **Future Development**
- Objectives Set by Leaders → **Co-creation of Goals**

HOW PERFORMANCE IS BEING MEASURED & WHAT IS BEING MEASURED

Ratings vs. No Ratings?

- Despite the trend toward rating-free systems, many companies still retain ratings, but with notable adaptations :
 - From forced distribution to **guidance**, to avoid penalizing high-performing teams with artificial bell curve constraints
 - **Stronger link** between ratings and **business and organizational outcomes**
 - **Multi-dimension** ratings that assess multiple facets of performance

Performance Dimensions

- Traditional: Individual goals, KPIs, project deliverables
- Emerging dimensions:
 - Collaboration & Teamwork
 - Customer Value Contribution
 - Employee Learning & Development
 - Wellbeing and Engagement

WHY CHANGE? KEY DRIVERS

- **Traditional Systems Are Not Working**
 - Current performance management processes fail to deliver expected ROI
 - Only 1 in 5 employees feel motivated by their company's system
- **Feedback is Untimely and Ineffective**
 - Employees often don't know where they stand
 - Annual reviews come too late to correct mistakes
 - Evaluations focus on the past, rather than supporting real-time improvement and future growth
- **Managerial Challenges and Systemic Inefficiencies**
 - Feedback is often unclear or misaligned with organizational goals
 - Systems are time-consuming, inefficient, and struggle to capture individual contributions
 - Only 32% of executives believe their performance management system enables high-quality talent decisions
- **Workforce Expectations Are Shifting**
 - Employees want a coach, not a boss
 - Rising influence of Millennials and Gen Z, who expect real-time feedback, transparency, and purpose
 - Growing emphasis on development, recognition, and flexibility
- **External Forces Are Reshaping the Landscape**
 - Accelerating technological change, globalization, and information overload
 - Shift toward remote and hybrid work requires new tools and metrics
 - Organizations now prioritize outcomes over presence, agility over rigidity

KEY ROLES OF AI & TECHNOLOGY

Reality Check: Hype vs. Practice

- AI in PM is widely discussed but **still in early stages of implementation**
- **Lack of case studies** and scalable models limits practical understanding
- Most current applications remain **supportive** rather than **transformational**

- **Cloud-Based, Real-Time Platforms**
 - Allow employees and managers to track, update, and review performance anytime, anywhere
 - Enable real-time alignment with evolving goals and feedback
- **Predictive Analytics**
 - Identify high-potential employees, performance risks, and development gaps
 - Support data-driven talent decisions
- **Real-Time Feedback Tools**
 - Encourage continuous dialogue and instant recognition
 - Enhance engagement in hybrid and remote settings
- **AI Capabilities**
 - Help draft performance reviews and co-create SMART goals
 - Aggregate and synthesize inputs from multiple feedback sources
 - Explore potential for self-learning systems to streamline PM processes (still vague and evolving)

OTHER TRENDS

- **Agile Performance Management**
 - Frequent feedback cycles, dynamic goal-setting, adaptability to rapid change
- **Human-Centered Design & Culture Shift**
 - More emphasis on psychological safety, trust, and employee well-being
 - Organizations redesigning work practices for both human and business outcomes
- **2025 Turning Point**
 - Despite the shift toward development, economic pressures in 2024–2025 have led many companies, especially in tech, to adopt stricter performance management. Performance-based job cuts are becoming more routine as firms use PM to drive workforce optimization.

COACHING CONVERSATIONS ROAD MAP

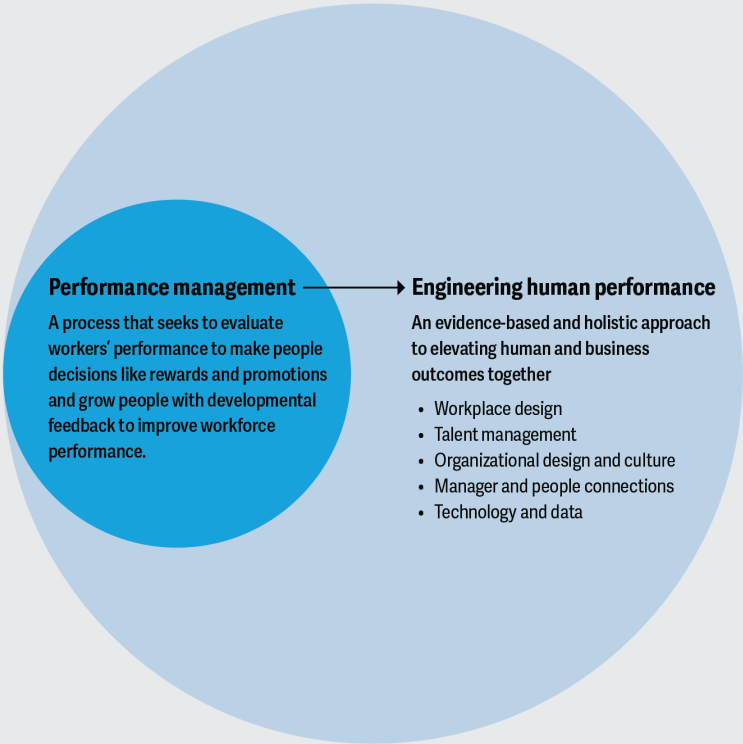
FIVE CONVERSATIONS THAT DRIVE PERFORMANCE

Establish Expectations		Continually Coach		Create Accountability					
1	Role and Relationship Orientation	2	Quick Connect	3	Check-In	4	Developmental Coaching	5	Progress Review

Cultivating Individualized Development 





OTHER TRENDS

Figure 2
Engineering human performance includes performance management, but goes beyond it



Source: Analysis of Deloitte's 2025 Global Human Capital Trends survey data.

In designing an effective performance management system, company leaders face a defined set of choices.

Design choice			Potential options			
	Goal setting	1	Degree of differentiation	1 system for all job families	2 systems (eg, sales and executives)	Multiple systems (eg, sales, R&D, executives, etc)
		2	The nucleus of performance	Priority focus on individuals	Priority focus on teams	
	Performance reviews	3	Performance formula: what vs how	Priority focus on business outcomes (eg, financial KPIs, objective key results)	Shared focus on business outcomes (the what) and employee behaviors (the how)	
		4	Review responsibility	Committee-led review	Manager-led review	Integrated review
	Ongoing development	5	Development levers	Assessment and rating	Individual growth	Combination of both
	Rewards	6	Incentives	Holistic (ie, compensation and benefits, career progression, development, recognition)	Strong focus on nonmonetary incentives (ie, career progression, development, recognition)	Strong focus on compensation and benefits

ONGOING CHALLENGES

- **Fragmented PM Initiatives**
 - Organizations frequently adopt new tools or frameworks without a coherent strategy
- **Inconsistent Manager Capability**
 - Gaps in feedback quality and coaching skills weaken Performance Management effectiveness
- **Disconnect Between Process and Purpose**
 - Many systems fail to reinforce culture, relationships, or employee potential
- **Over-Reliance on Tools Without Culture Shift**
 - Tech tools alone do not improve performance without manager-employee connection and trust

THANK YOU

A complete list of references and links is available in the accompanying resource file:
"The Current State of Performance Management .docx"