THE CURRENT STATE OF PERFORMANCE MANAGEMENT

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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?

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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**

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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-dimensio**n 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

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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

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KEY ROLES OF AI & TECHNOLOGY

Reality Check: Hype vs. Practice

o AI in PM is widely discussed but **still in early stages of implementation**

o **Lack of case studies** and scalable models limits practical understanding

o Most current applications remain **supportive** rather than **transformational**

- **Cloud-Based, Real-Time Platforms**
  - o Allow employees and managers to track, update, and review performance anytime, anywhere
  - o Enable real-time alignment with evolving goals and feedback

- **Predictive Analytics**
  - o Identify high-potential employees, performance risks, and development gaps
  - o Support data-driven talent decisions

- **Real-Time Feedback Tools**
  - o Encourage continuous dialogue and instant recognition
  - o Enhance engagement in hybrid and remote settings

- **AI Capabilities**
  - o Help draft performance reviews and co-create SMART goals
  - o Aggregate and synthesize inputs from multiple feedback sources
  - o Explore potential for self-learning systems to streamline PM processes (still vague and evolving)

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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.

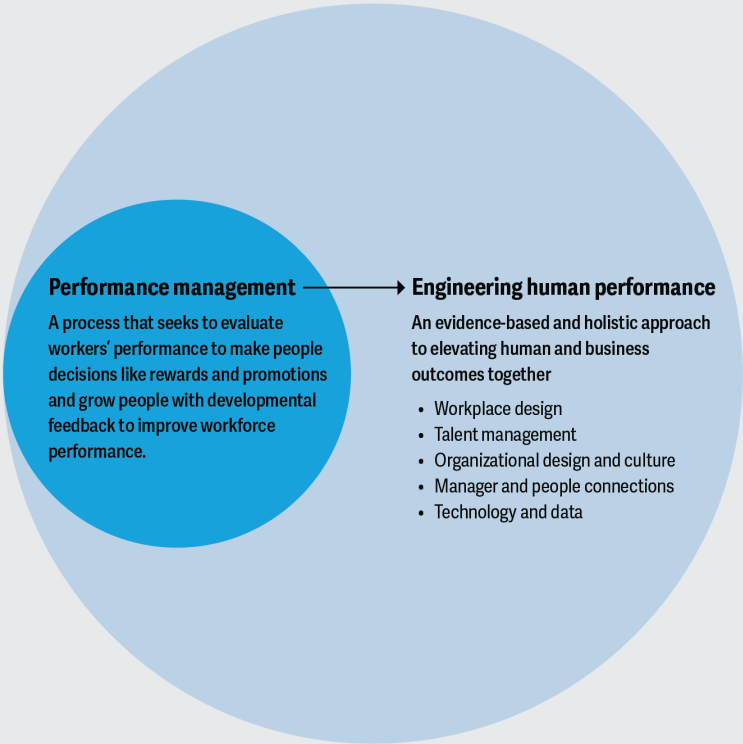COACHING CONVERSATIONS ROAD MAP

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 ⟶

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OTHER TRENDS

Figure 2

Engineering human performance includes performance management, but goes beyond it

Performance management

A process that seeks to evaluate workers' performance to make people decisions like rewards and promotions and grow people with developmental feedback to improve workforce performance.

→ **Engineering human performance**

An evidence-based and holistic approach to elevating human and business outcomes together

- Workplace design
- Talent management
- Organizational design and culture
- Manager and people connections
- Technology and data

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

Deloitte. Insights | deloitte.com/insights

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**

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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

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THANK YOU

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