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Context

In the mid 2010's, performance management was a source of frequent conversation as companies sought to streamline their processes, better align performance management with other parts of the human resources (HR) system, and equip managers to have more frequent and productive conversations with employees. In subsequent years these conversations diminished as companies settled into their new performance management processes, but once again are being reinvigorated by heightened competitive pressures and a desire to achieve greater alignment between performance and reward structures. Indeed, a recent CAHRS survey revealed that a refresh of performance and rewards is a top priority for HR leaders for 2025.

In this working session, CAHRS companies gathered to assess the current state of performance management and discuss a variety of issues including the pros and cons of different rating systems, critical implementation and culture building practices, and the opportunities and challenges associated with leveraging AI in performance management.

Key Takeaways

1. Revisiting Rating Systems

- Many firms shared their experiences of moving away from conventional rating systems in their performance management practices.
- One company had prior experience of removing ratings entirely to adopt a more agile approach, aiming to reduce the administrative burden on managers and lessen employees' fixation on rating results. However, a "ratingless" approach also presents challenges, particularly around connecting performance assessments to compensation decisions and talent designation. For this reason, some companies are either in the process of bringing back ratings in some form or are considering doing so.
- As a middle-ground practice, another company kept the rating framework but removed the employee self-rating, reducing the time spent resolving disagreements between employee and manager perceptions. This approach was surprisingly well received and faced little pushback.
- A more emergent trend across the firms is the shift toward frequent, every day, or anytime feedback that links into the broader performance review process. Companies use a variety of technological vendors with built-in functions to support this continuous feedback approach. A challenge, though, is driving consistent use among managers and employees, which depends on keeping the system as simple and easy to adopt as possible.

2. Implementation and Administrative Practices

- Many firms emphasized the importance of having employees work on clear, robust goals and priorities as the foundation of effective performance management. Midyear calibration sessions for some companies are key opportunities to assess progress, celebrate success, adjust goals, and provide education on what "good" looks like. Some other companies maintain a clear and pre-established set of leadership behaviors expected of all employees, with the expectation that performance management will include specific examples demonstrating these behaviors.
- A recurring challenge is holding managers accountable for the quality of evaluations in practice. Some companies provide e-learning tools to help managers understand what they should focus on when assessing performance. Other companies have experimented with using employee engagement/feedback as an input into managers' discretionary bonuses, although this has been met with considerable resistance, often due to managers' distrust in the quality and accuracy of the data.

- There is also significant variation in how companies structure their performance and development discussions. Some firms separate performance reviews (focused on current results) from development discussions (focused on growth and future goals), pushing managers to consider employees' strengths, gaps, and career aspirations in a forward-looking way. Other firms combine the two, expecting managers to weave both performance feedback and development planning into midyear, year-end, and ongoing conversations. A common expectation is that every employee should have at least one professional development objective alongside their business objectives — even if the development goal has little formal weight, it signals commitment to growth. To reduce administrative burdens, some companies also integrate compensation discussions directly into performance conversations.
- To further reduce the administrative burden, some companies have worked to simplify their processes. For example, one company now asks managers to evaluate employees' performance using three simple questions (e.g., what's going well, where can they improve, other comments).
- A key implementation challenge across many firms, particularly those that operate in a matrix structure, is that the people managers who do the year-end review are often different than the project managers who work closely with employees throughout the year. To overcome this challenge, some firms have built a "matrix manager" feature into their systems that collects feedback from other managers that have worked with an employee so it can be used as input in their evaluation.
- Another challenge involves crowdsourcing feedback since manager and peer feedback may often not align. Specifically, peers may not have insights into the results/outcomes that other employees are (or are not) achieving and therefore rate performance differently. To address this challenge, some companies have put stricter parameters around crowdsourced data, often by anchoring around specific behaviors that peers have observed and what they perceive to be strengths and opportunities relative to those behaviors.

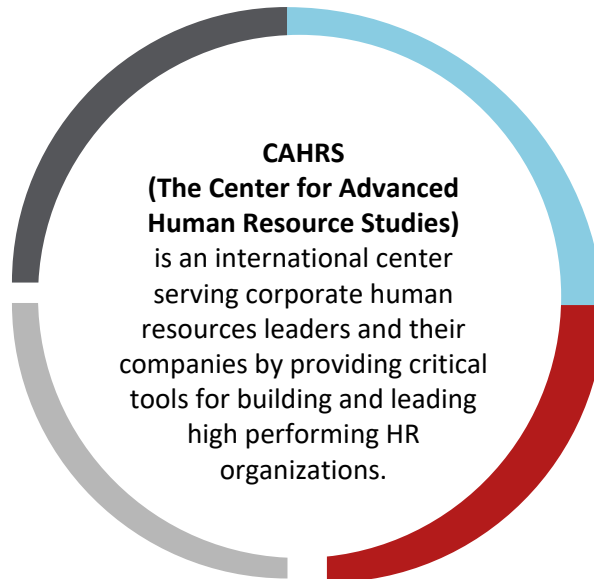
3. Organizational Climate and Culture

- Transparency and a safe, trustful culture for giving and receiving constructive feedback were identified as critical conditions for successful performance management. One company shared that reinforcing transparency around calibration placement has been a key focus this year. To support this, they introduced required (not optional) quarterly check-ins between managers and employees, ensuring ongoing conversations and reducing the likelihood of surprises during formal assessments. While challenges remain, these efforts signal a clear shift toward providing employees with greater **visibility and clarity** about how they are assessed and how their progress is tracked throughout the year.
- Some companies described hosting open-mic sessions at key points in the process (e.g., goal setting, midyear calibration, year-end conversations), where HR leaders address managers' questions and concerns. These sessions are designed to encourage honest discussion, peer learning, and alignment across teams. Despite using a very simple format, these sessions achieved high participation rates among managers, suggesting that simplicity and openness can be powerful drivers of engagement.

4. Technology and Artificial Intelligence (AI) Platforms

- Several companies are integrating AI platforms to support managers in tracking performance, managing the performance cycle, and identifying areas for employee improvement. For first-line managers, these systems help answer questions like: How is my employee doing? What should I prioritize to help them improve? For senior managers, performance data is often aggregated from multiple tools and presented in real time, providing a more comprehensive view of organizational performance.

- A key challenge with AI tools is finding the right balance between quantitative and qualitative indicators, as qualitative aspects are harder to code and capture automatically. While AI offers support, it cannot replace the human conversations that managers need to have with employees.
- Some AI tools now help evaluate whether goals and objectives are SMART (specific, measurable, achievable, relevant, time-bound) — a task traditionally handled by HR personnel. One company specifically shared that they are encouraging the use of built-in, internally trained Generative Pre-trained Transformer (GPT) systems to help employees draft their year-end reviews and set goals, aiming to improve the efficiency and effectiveness of the goal-setting process.



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