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HR.com's Future of Performance Management 2024-25

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Executive Summary

If we had to evaluate performance management (PM) today, it would be something like, "Shows potential but needs to improve specific skills to boost overall success."

Why the half-hearted review?

Our research indicates that, although PM has made considerable progress in recent years, it's still underperforming at far too many organizations.

Here's one example. The top two performance management objectives reported by our survey respondents are 1) to meet overall organizational objectives, and 2) help employees learn and grow.

Yet, our study also finds that fewer than half of responding HR professionals say their organization's performance management systems actually meet those goals to a high or very high extent.

In this report, we examine these and many other trends to describe the state of performance management today. We also engage in various analyses in order to discern which strategies and practices are favored by organizations with better performance management systems.

Following are some of the key highlights from the full study.

About the Survey

HR.com's "Future of Performance Management 2024" survey ran in the second quarter of 2024. We gathered responses from 340 HR professionals in virtually every industry vertical.

Respondents are located all over the world, but most of them reside in North America, especially the United States. The participants represent a broad cross-section of employers by number of employees, ranging from small businesses with fewer than 50 employees to enterprises with 20,000+ employees. Three-quarters of the respondents represent midsize and large organizations.

Our Major Research Findings

Major Finding 1

Performance management reviews are linked to a series of important organizational goals.

- The most widely mentioned goals of performance reviews are to:
  - ▸ meet organizational requirements (73%)
  - ▸ help individual employees learn and grow (73%)
  - ▸ boost the individual performance of employees (71%)
  - ▸ help the organization improve overall performance (69%)
  - ▸ boost communication between employees and managers (69%)

Major Finding 2

Despite the importance of performance management goals, only a minority of organizations meet them to a high or very high degree.

- Organizations report the degree to which PM processes result in certain outcomes, and it's clear there is much room for improvement across many HR responsibilities. Only 45% of responding organizations say their PM processes result in the following to a high or very degree:
  - ▸ ability to meet organizational PM goals
  - ▸ improved employee performance
  - ▸ better employee development
  - ▸ better legal protection

Major Finding **3**

How has performance management changed in recent years and how has it stayed the same?

- When we asked how performance management has changed over the last two years, the most common responses were:

  ‣ managers schedule more frequent one-on-one meetings

  ‣ manager work harder to align employee personal goals with business objectives

  ‣ employees have greater input into performance goals

  ‣ managers are touching more on issues aside from performance (e.g., well-being)

  ‣ managers are conducting more performance discussions remotely rather than face-to-face

- One area of relative consistency is that while some organizations have PM processes that are strictly formalized (44%), others have a process with both formal and informal elements (42%) while only a minority has an informal process with no formalized elements (8%).

Major Finding **4**

How common are the various features of performance management processes?

- The most widely cited features are:

  ‣ includes both positive feedback and constructive critique (81%)

  ‣ includes a discussion of work goals (76%)

  ‣ involves a conversation about developmental goals and activities (68%)

- However, under half of respondents say the following are features:

  ‣ easy to use (49%)

  ‣ improves relationships between managers and employees (46%)

  ‣ accurately portrays employee performance (35%)

- In over seven in 10 organizations, work-related feedback between supervisors and employees happens at least four times a year, but formal reviews typically only happen once a year or less (63%).

Major Finding **5**

Most organizations use digital technologies for performance management, but these technologies too often fall short in certain ways.

- Over eight in 10 organizations use digital technologies, but only 42% use them to a high and very high degree, while another 22% use them to a moderate degree.

- The most commonly cited capabilities of PM technology systems are those that:
  - ▸ include performance appraisal ratings (66%)
  - ▸ facilitate employee performance review (62%)
  - ▸ allow users to evaluate performance in relation to goals (52%)

- However, despite the fact that helping employees learn and grow is a top goal for using performance management, only a minority of organizations have systems that:
  - ▸ enable recognition/praise by others (30%)
  - ▸ aid communication (29%)
  - ▸ aid training and development (28%)

Major Finding **6**

Organizations primarily rely on a handful of metrics.

- The three most commonly used PM metrics are:
  - ▸ goal achievement (67%)
  - ▸ self-ratings (57%)
  - ▸ behavior-related scores (39%)

- As a means of setting and tracking goals, the most widely used methods are:
  - ▸ SMART goals (60%)
  - ▸ key performance indicators (48%)

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Major Finding 7

Most managers lack PM-related training and accountability, which could help explain poor performance-management skills.

- Only 40% agree or strongly agree that managers have received sufficient training in PM.

- This probably contributes to why just 31% of HR professionals agree or strongly agree that the managers of their organizations are skilled at overall performance management, and just 29% say managers are good at having conversations about workplace performance and behaviors.

- Managers in most organizations are held accountable simply by tracking formal appraisals (63%).

Major Finding 8

Although many HR professionals think that top leaders see performance management as useful, some still believe leaders see it negatively.

- Close to three-fifths (58%) believe top leaders view PM in a positive light, saying it is one of the following:
  - ▸ crucial for improving performance
  - ▸ an aid to employee development
  - ▸ an effective way to make employee-related decisions
  - ▸ a means to improve engagement and/or retention

- Nonetheless, many HR professionals still say that top leaders view PM as a "necessary evil" (24%) or as an "unnecessary waste of time" (9%).

Major Finding **9**

Compared to organizations that do not excel at PM, those that do are:

- over 2X more likely to have leaders who view PM as crucial for improving performance

- almost 2X more likely to use digital technology for PM to a high/very high degree

- over 1.5X more likely to provide training to managers for PM

- 1.5X more likely to hold work-related feedback between supervisors and employees 4 or more times a year

- significantly more likely to:

    ‣ have achieved a variety of PM-related outcomes to a high/very high degree

    ‣ have a structured and formalized PM process

    ‣ hold their managers accountable for PM in a variety of ways

    ‣ leverage AI in PM to provide training recommendations, improve performance analysis and assessment, enhance goal-setting and tracking

Role of Performance Management in Driving Organizational Success

Finding: Fewer than half of respondents believe their organization's performance management process meets all organizational PM goals to a high/very high degree

We asked respondents to identify the degree to which their organization's performance management processes bring about ten major PM outcomes. Under half (45%) say their organization's PM processes meet all organizational PM goals, result in better employee development, improve employee performance or offer better legal protection. These are often the primary objectives of a PM system. The inability of PM processes to meet these outcomes suggests that there is much room for improvement in this area.

Performance management-based cohorts

To better analyze the data from our survey on performance management, we broke our respondents into groups based on responses to an option in the survey question cited above.

- **Performance-management (PM) leaders:** respondents who say their organizations' performance management processes result in them achieving all organizational performance management goals to a high or very high degree.

- **Performance-management (PM) laggards:** respondents who say their organizations' performance management processes result in them achieving all organizational performance management goals to a moderate, low, very low degree, or not at all.

Within the PM leader and laggard sections, we will reveal findings that come from the examination of the data in a way that identifies correlations between various organizational factors and the perceived effectiveness of performance management. Correlation does not prove causation, of course, but it may point our attention toward possible best practices and potential strategies.

To what degree does your organization's performance management process result in the following?
(% responding "high" or "very high")

Better employee development	45%
Better legal protection	45%
Improved employee performance	45%
Ability to meet all organizational performance management goals	45%
Increased employee engagement	36%
Improved distribution of rewards	32%
Improved corporate culture	31%
Improved employee retention	31%
Higher level of employee well-being	28%
Improved diversity, equity, inclusion and belonging	22%

Editor's Note: In the original data, 4% to 16% of respondents stated that they "don't know." For this graph, we removed those responses and recalculated, so only those who answered the question were included.

Less than a third say their PM processes result in better employee well-being

Finding: PM process efficacy seems better in 2024 but is still underwhelming

Across the last three years, under half of the respondents have said that PM processes in their organizations can meet all organizational goals to a high or very high degree. With long-term U.S. population projections indicating bad news for labor force growth, performance and productivity improvements seem to be the primary way forward when it comes to organizational success. Taken as a whole, organizations need to do better in the area of PM.

To what degree does your organization's performance management process result in the ability to meet all organizational performance goals? (% responding "high" or "very high")

44%

34%

45%

2022   2023   2024
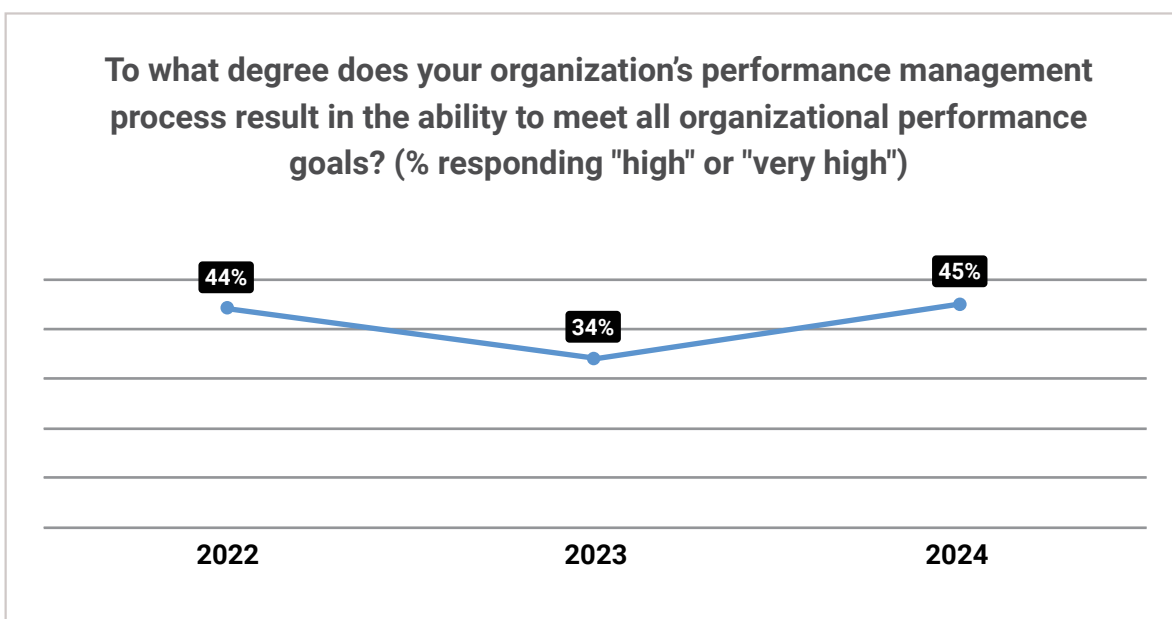
Finding: PM leaders tend to have greater success across a variety of performance indicators

Results of Chi-square Test

A chi-square test of independence shows that PM leaders are significantly more likely than PM laggards to say their PM processes result in all listed outcomes to a high/very high degree.

As shown below, organizations that have better success with their PM processes (PM leaders) are also far more likely to see advances across a variety of listed outcomes.

To what degree does your organization's performance management process result in the following? (% responding "high" or "very high")

Outcome	PM leaders	PM laggards
Improved employee performance	70%	24%
Better employee development	68%	28%
Increased employee engagement	57%	19%
Better legal protection	57%	29%
Improved corporate culture	47%	19%
Improved employee retention	46%	16%
Higher level of employee well-being	43%	17%
Improved distribution of rewards	43%	22%
Improved diversity, equity, inclusion and belonging	32%	12%

■ PM leaders ■ PM laggards

Maximizing Results with Formalized Performance Management

Finding: Just over two-fifths indicate their PM process is structured and formalized

PM processes can be implemented in a variety of ways. Of our respondents, just over two-fifths (44%) say PM processes in their organizations are structured and formalized, and about the same proportion (42%) say PM processes in their organizations have both formal and informal elements. In about a tenth (8%) of organizations, PM is informal with no formalized elements.

In 5% of organizations, there are no PM processes at all. These respondents have been excluded from the rest of the findings.

By Organization Size

Larger organizations (52%) are considerably more likely than smaller (32%) and midsize (45%) companies to have a structured and formalized PM process.

For the purpose of this report, large organizations have 1,000 or more employees, midsize organizations have 100 to 999 employees, and small organizations have 99 or fewer employees.

Does your organization have a performance management process? (select the one that best applies)

Response	Percentage
Yes, it is a structured and formalized process	44%
Yes, it is a process with both formal and informal elements	42%
Yes, but it is an informal process with no formalized elements	8%
No	5%
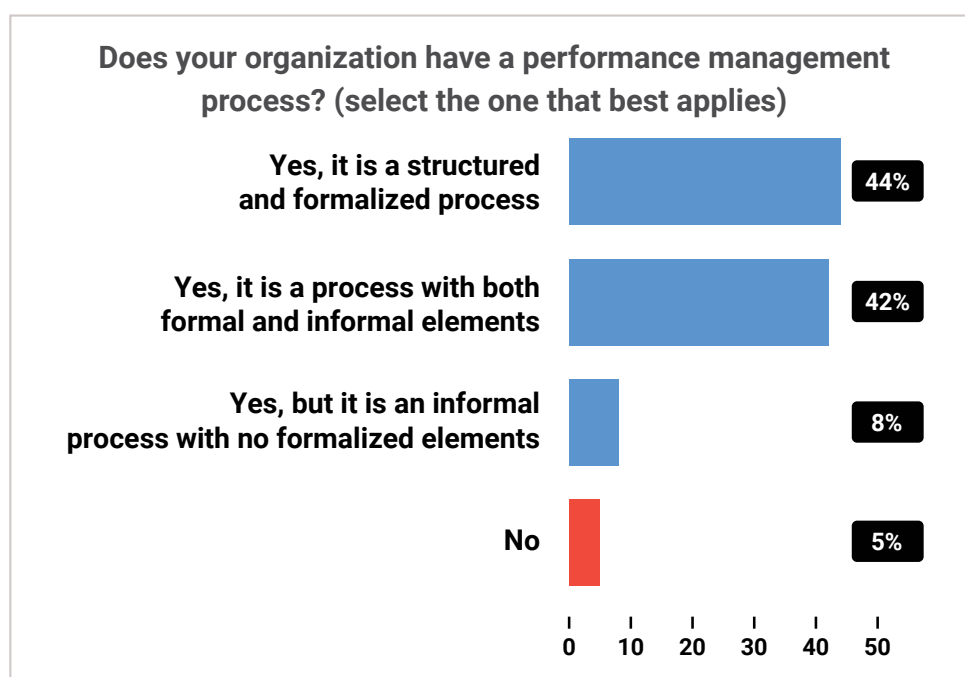
Editor's note: the numbers don't add up to a 100% due to rounding.

Emerging Trends in Performance Management

Finding: Performance management has multiple important objectives

Almost three-fourths of respondents say performance reviews in their organizations aim to meet organizational requirements (73%), help individual employees learn and grow (73%), and boost the individual performance of employees (71%). Other top objectives include helping organizations improve overall performance and boosting communication between employees and managers, both chosen by seven in 10 respondents.

Although these objectives are rated similarly in importance, effective PM processes can ensure that these interlinked objectives are achieved in a more seamless fashion. As we see in the findings below, recent changes in PM processes are aligned with achieving these goals in many organizations.

Longitudinal Changes in PM Objectives
Since 2018, one of the primary objectives of performance reviews in organizations has been to help individual employees learn and grow. Despite a drop in importance in 2023, there seems to be a resurgence in the importance of this objective in this year's research. This reiterates the findings of other studies that emphasize the importance of learning in addition to accountability as a PM goal.

By Organization Size
The top objective of performance reviews in larger organizations is to meet organizational requirements (88%), whereas in midsize organizations, it is to boost communication between employees and managers (78%), and in small organizations, it is to boost the individual performance of employees (76%).

Which of the following are objectives of performance reviews in your organization? (select all that apply)

Objective	%
Meet organizational requirements (e.g., goals, compliance)	73%
Help individual employees learn and grow	73%
Boost the individual performance of employees	71%
Help the organization improve overall performance	69%
Boost communication between employees and managers	69%
Identify barriers to performance at work	59%
Initiate a conversation about poor performance	52%
Facilitate performance-related changes in pay	49%
Justify actions taken against poor performers	43%
Improve succession planning/management	43%
Have a legal record of interactions with employees	42%
Have good conversation to enhance employee well-being	41%
Engage in upward and peer feedback for shared accountability	32%

About half use performance reviews to facilitate performance-related changes in pay

Finding: PM is shifting towards more frequent conversations and increased employee involvement in the process

Over a third of respondents say that over the last two years, their organizations have increased the frequency of one-on-one meetings with managers (41%), employee input in setting performance goals (36%), and aligning employee personal goals with business objectives (36%).

In just under a third of organizations, managers are handling issues aside from performance (such as well-being). We think this is a welcome trend given the rising importance of employee mental health. These were among the top changes cited in last year's report on the same issue, indicating a continuing shift from the traditional top-down, annual PM system.

Differences by organization size

Managers in larger organizations are more likely to touch more on issues aside from performance (39%) than in midsize (29%) and smaller organizations (20%).

How has performance management changed in your organization over the last two years? (select all that apply)

Category	Percentage
Managers are scheduling more frequent one-on-one meetings	41%
Employees have greater input into performance goals	36%
Managers work harder to align employee personal goals with business objectives	36%
Managers are touching more on issues aside from performance (e.g., well-being)	30%
Managers are conducting more performance discussions remotely rather than face-to-face	27%
Performance appraisals have become more reciprocal and/or multi-rater	17%
Performance management has become more project-based rather than time-based	13%
Managers have developed their performance management skillsets for remote workers	12%
There have been no changes over the last two years	21%

HRRI Strategic Recommendations

Based on our research, please consider the following suggestions:

- Provide learning and development to managers on effective communication and coaching techniques to improve the efficacy of frequent manager-subordinate conversations, facilitate constructive feedback, and personalize development plans.

- Implement tools and processes that facilitate transparent goal setting and encourage ongoing feedback throughout the performance cycle, therefore allowing for more employee participation in PM.

- Offer training and resources to help managers effectively communicate business priorities, and ensure that individual goals contribute to broader strategic initiatives.

Finding: HR professionals say that a quarter of top leaders view performance management as "a necessary evil"

It is common knowledge that traditional performance appraisals are too often despised by supervisors and subordinates alike. When healthy manager-subordinate relationships and regular conversations are absent, it's little wonder that a quarter of respondents say top leadership view PM as a "necessary evil."

However, it is important to consider the repercussions of such an opinion, which are likely to affect the resources that top leadership allocates to managerial training, PM technology, and a host of other ways that PM can be elevated from an administrative to a strategic role.

Encouragingly, about three-fifths of top leaders see utility in PM as a way to improve performance (19%), develop employees (17%), make employee-related decisions (13%), and improve employee engagement and/or retention (9%).

In your organization, how do most top leaders tend to view performance management? (select the one that best applies)

Category	Percentage
As a necessary evil	24%
As crucial for improving performance	19%
As an aid to employee development	17%
As an effective way to make employee-related decisions	13%
As a means to improve engagement and/or retention	9%
As an unnecessary waste of time	9%

58% imply that top leaders view performance management as useful in some way

Editor's note: those who wrote-in other options (4%) or cited "don't know" (5%) are not represented in this chart.

Nearly a tenth of top leaders feel PM is an unnecessary waste of time

Finding: PM leader organizations are twice as likely to have executives who believe PM is crucial for improving performance

Results of Chi-square Test
A chi-square test of independence shows that PM leaders are significantly more likely than PM laggards to say leaders in their organizations view PM as crucial for improving performance.
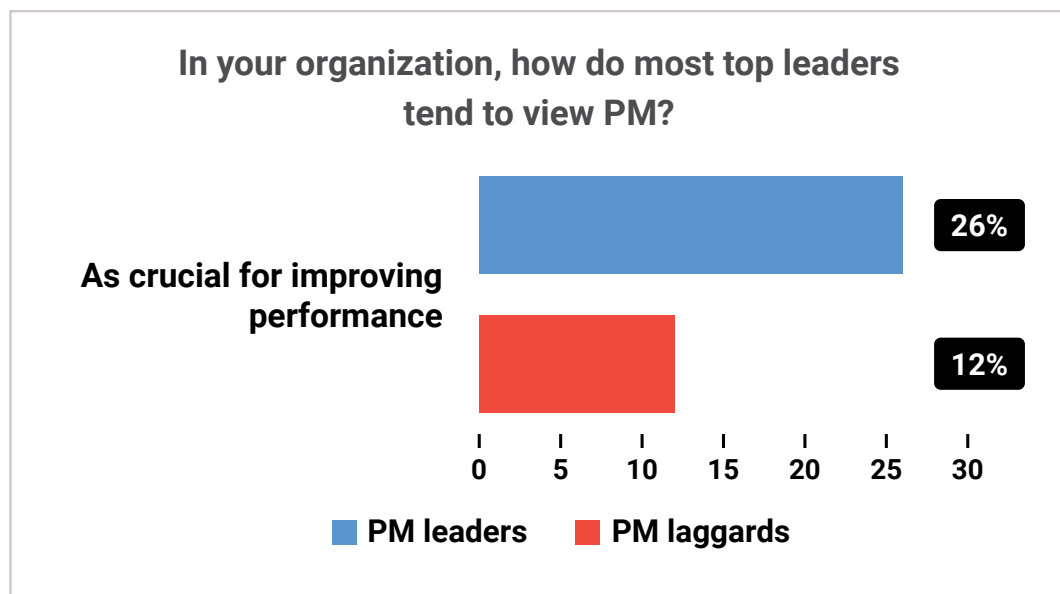
Leadership commitment to PM processes, programs, and initiatives tends to positively impact their implementation. This is reflected in the finding that PM leader organizations are twice as likely as laggards to say their top leaders view PM as crucial to improving performance.

In your organization, how do most top leaders tend to view PM?

As crucial for improving performance

26%

12%

0   5   10   15   20   25   30

■ PM leaders   ■ PM laggards

HRRI Strategic Recommendations

Based on our research, please consider the following suggestions:

- Provide education and training to leaders and other stakeholders to enhance their understanding of the benefits of performance management and how it supports organizational goals.

- Emphasize the importance of performance management as a tool for improving performance, aiding employee development, and making informed decisions.

- Ensure that performance management processes align with organizational objectives and contribute to improving engagement, retention, and overall performance.

Elements Shaping Effective Performance Management

Finding: Performance management typically involves positive and constructive feedback as well as a focus on work goals

The top features of PM processes today include a variety of different sorts of feedback. Fully 81% of organizations say their PM processes include positive feedback and constructive critique. Three-fourths say PM includes a discussion of work goals, and over two-thirds say it includes a conversation about developmental goals and activities.

Other important features are, however, scarcer. For example, only about half say it's easy to understand, easy to use and allows for continuous feedback. Moreover, despite the fact that communication is among the top goals of PM, as we saw earlier, just 46% say it improves manager-employee relationships and just 35% say it accurately portrays employee performance.

By Organization Size
Continuous feedback is more prevalent in smaller organizations (61%) than in midsize (50%) and larger organizations (51%).

Which of the following are features of your organization's performance management process? (select all that apply)

Feature	Percentage
Includes both positive feedback and constructive critique	81%
Includes a discussion of work goals	76%
Involves a conversation about developmental goals and activities	68%
Is easy to understand	52%
Allows for continuous feedback	50%
Is easy to use	49%
Improves relationships between managers and employees	46%
Accurately portrays employee performance	35%

Only about half say PM processes are easy to use

Finding: Seven in ten say managers see performance management as simply an obligation to get through

To those who responded that they do not think the performance management process "improves relationships with managers and employees," we asked why they think so. We found that a large majority of this sub-group thinks managers and employees look at performance reviews as just an obligation to get through (70%). Another half (52%) indicate that managers lack skill in this area.

In the previous question, you did not choose "It improves relationships between managers and employees." Why don't you feel the performance management process improves relationships between managers and employees?

It is seen as a obligation to just get through	**70%**
Managers lack good skills in this area	**52%**
Employees do not like constructive feedback	**20%**
Performance appraisals are too threatening	**9%**

0 10 20 30 40 50 60 70 80

One-fifth of this subgroup thinks employees do not like constructive feedback

Finding: Although formal appraisals are still most likely to happen only once a year, other forms of performance management occur more frequently

The most frequent PM actions are performance-related conversations and the exchange of feedback between supervisors and employees. These both happen four times or more in a year in a majority of organizations.

Despite increases in such informal discussions, in three-fifths of organizations, formal reviews or appraisals still happen annually. Another trend of note is that in two-fifths of organizations, there is no peer-to-peer feedback.

On average, how often are the following actions conducted in your organization?

Peer-to-peer feedback (coworkers give one another feedback)
- 25%
- 7%
- 14%
- 15%
- 40%

Work-related feedback between supervisors and employees
- 71%
- 13%
- 12%
- 4%
- 1%

Supervisor-employee conversations about career goals
- 29%
- 19%
- 38%
- 11%
- 4%

Supervisor-employee conversations about performance
- 52%
- 23%
- 21%
- 3%
- 1%

Formal reviews or appraisals of employee performance
- 10%
- 23%
- 61%
- 2%
- 4%

Legend:
- ■ Four times or more a year
- ■ Twice a year (semi-annually)
- ■ Once a year
- ■ Less frequently than once a year
- ■ Never

Editor's Note: In the original data, 5% to 15% of respondents stated that they "Don't know." For the purpose of this graph, we removed those responses and recalculated, so only those who answered the question were included.

Finding: The majority of PM leaders have manager-employee conversations about performance and development at least quarterly

PM leaders engage in more frequent discussions between supervisors and subordinates than laggards do. They are 1.5 times more likely to have work-related discussions between supervisors and subordinates (80% vs. 57%) and supervisor-employee conversations about performance (63% vs. 43%) at least four times in a year.

These relatively frequent conversations are likely beneficial in 1) improving clarity on work-related goals for subordinates and 2) improving supervisor-subordinate relationships.
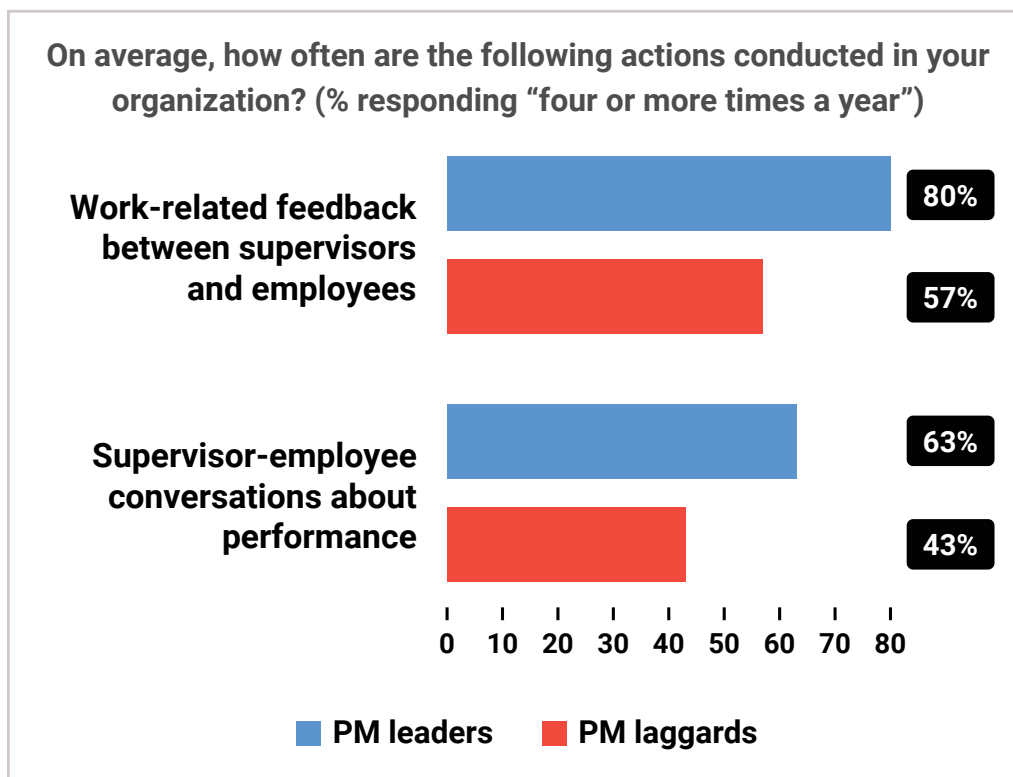
On average, how often are the following actions conducted in your organization? (% responding "four or more times a year")

Action	PM leaders	PM laggards
Work-related feedback between supervisors and employees	80%	57%
Supervisor-employee conversations about performance	63%	43%

HRRI Strategic Recommendations

Based on our research, please consider the following suggestions:

- Change the negative perception of PM by highlighting the benefits of constructive feedback and goal setting in fostering employee development and career progression.

- Implement strategies to make performance appraisals less threatening, such as promoting an open-door policy for feedback throughout the year, encouraging a culture of continuous improvement, and providing support mechanisms for employees to address concerns.

- Ensure that the performance management process is easy to understand and use, reducing administrative burdens and allowing more focus on meaningful conversations about goals and development.

Goals and Metrics Driving Performance Management Success

Finding: The "SMART" approach is commonly used to set goals and track results for increasing performance

A classic performance management approach, and one backed by a great deal of research, is the SMART process (specific, measurable, achievable, relevant, and time-bound goals). Fully 60% use this method, the only option leveraged by a majority of respondents.

Key performance indicators (KPIs) are the second most common method (48%). These tend to be subsets of goal-oriented activities or objectives that help an organization realize if it is on track for meeting a particular goal. The third most widely cited method is objectives and key results, often known as OKRs. These were the top three choices in the 2023 research as well, indicating their popularity over time.

What methods does your organization use to set goals and track results for the purpose of increasing performance? (select all that apply)

Method	Percentage
SMART (specific, measurable, achievable, relevant, and time-bound) goals	60%
Key performance indicators (KPIs)	48%
Objectives and key results (OKRs)	25%
Method used in our performance management module or system	21%
Key result areas (KRAs)	15%
Balanced scorecard (help drive goal setting)	12%
Management by objective (MBO)	10%

Just one-fifth rely on methods used in their performance management module or system

Editor's note: This graph doesn't include options chosen by less than 10% of the respondents.

Finding: Goal achievement is the top PM-related metric used in two-thirds of organizations

When it comes to metrics that are incorporated into performance management processes, goal achievement is cited by two-thirds of respondents. This is understandable given that previous findings show the top PM objective to be "meeting organizational requirements." This metric may be useful in tracking how well PM processes achieve objectives.

Self-rating is another popular metric, cited by three-fifths of respondents. This is helpful for self-introspection and allows employees more say in evaluating their performance and setting future goals.

Other specific types of metrics are used less often but, overall, metrics are common. Only 10% say they use no metrics at all for PM.

What types of metrics are incorporated into your PM process? (select all that apply)

Metric	Percentage
Goal achievement	67%
Self-ratings	57%
Behavior-related scores	39%
Rankings (either forced or unforced)	26%
360-degree feedback	26%
Metrics/analytics from other systems (e.g., ATS, HRMS)	22%
Customer feedback	19%
Engagement scores	17%
Employee experience score (e.g., internal NPS)	14%
Social recognition scores	7%
Employee sentiment scores (e.g., based on NLP)	7%
We use no metrics	10%

About one-fifth utilize customer feedback in their PM process

HRRI Strategic Recommendations

Based on our research, please consider the following suggestions:

- Utilize analytics from various processes along with customer feedback and employee sentiment scores to gain comprehensive insights into performance and engagement.

- Foster a culture of continuous improvement by regularly reviewing and updating performance management processes based on metrics and evolving organizational needs.

Managerial Responsibilities and Accountability in Performance Appraisal

Finding: Just two-fifths say managers in their organizations receive sufficient training in performance management

Managers are linchpins in ensuring the effectiveness of PM processes. However, the results of our survey indicate that organizations are overlooking this issue, with just two-fifths saying managers in their organizations have received sufficient training in performance management.

Even fewer agree/strongly agree that managers are good at helping employees set goals (39%), or at having conversations about workplace performance and behaviors (29%). We believe these are essential competencies that managers must possess to evaluate their subordinates fairly and ensure improvements in their performance.

By Organization Size
You might expect large organizations to typically be better at performance management given larger budgets and economies of scale, but this study indicates you'd be wrong. Large (25%) organizations are, in fact, far less likely than smaller (60%) and midsize (38%) organizations to agree or strongly agree that managers are good at helping employees set goals. Large organizations (32%) are also less likely than smaller (53%) and midsize (36%) organizations to say managers have received sufficient training in performance management. What's more, they (21%) are less likely than smaller (51%) and midsize (27%) organizations to indicate managers are good at having conversations about workplace performance and behaviors.

To what extent do you agree with the following statements about most managers in your organizations?

Statement	Agree	Strongly agree	Total
They have received sufficient training in performance management	31%	9%	40%
They are good at helping employees set goals	32%	7%	39%
They are satisfied with our performance management system	27%	6%	33%
They are skilled at performance management	25%	6%	31%
They are good at having conversations about workplace performance and behaviors	25%	4%	29%

■ Agree   ■ Strongly agree

(scale: 0 5 10 15 20 25 30 35 40)

Just a third of managers are satisfied with their PM systems
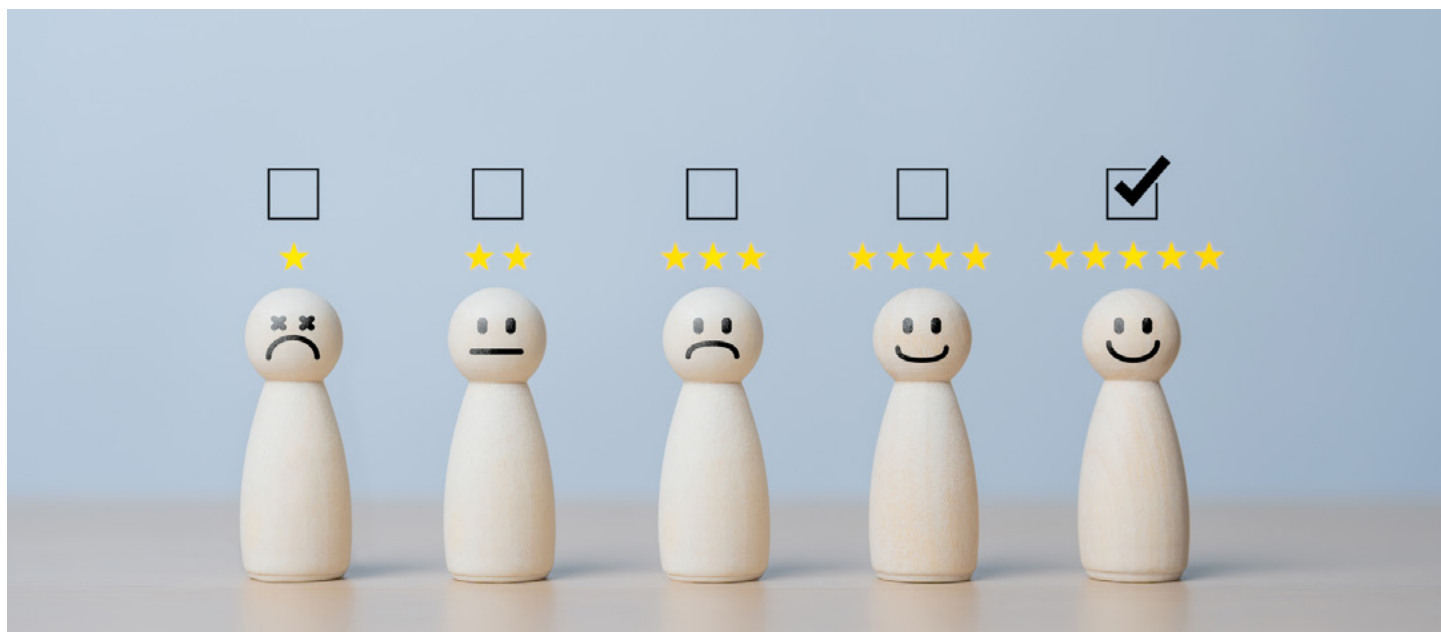
Finding: Managers in PM leader organizations are significantly more likely to have skills and training

Managers in PM leader and laggard organizations are significantly different. It could be because PM leader organizations already have a holistic approach to PM that enables them to excel in the function, and we believe that those resources aid them in developing managers, who in turn implement more effective PM.

Results of Chi-square Test

A chi-square test of independence shows that PM leaders are significantly more likely than PM laggards to agree/ strongly agree that their managers possess all listed skills required for PM.

To what extent do you agree with the following statements about most managers in your organization? (percent answering "strongly agree" or "agree")

Statement	PM leaders	PM laggards
They have received sufficient training in performance management	52%	32%
They are good at helping employees set goals	52%	31%
They are skilled at performance management	46%	22%
They are satisfied with our performance management system	46%	25%
They are good at having conversations about workplace performance and behaviors	44%	23%

■ PM leaders ■ PM laggards

Only a third of laggard organizations say managers have had sufficient training in performance management

Finding: About three-fifths of organizations track the formal appraisals that managers complete with employees, but they don't regularly do much else

Most (63%) track the formal appraisals managers do with their direct reports. While such tracking is rudimentary at best—since it does not account for the host of less formalized PM activities that help ensure effective PM—we do find it surprising that close to two-fifths of organizations do not even track this!

Managers are seldom financially incentivized to do PM well. In fact, 79% indicate that manager compensation rates, bonuses, or other rewards are not tied to PM activities. Moreover, just as many do not make PM part of manager KPIs.

How do you hold managers accountable for completing performance management activities? (select all that apply)

Category	Percentage
The formal appraisals they do with employees are tracked	63%
Their compensation rates, bonuses or other rewards are tied to it	21%
The process is part of their key performance indicators (KPIs)	21%
Their coaching and/or conversation sessions with employees are tracked	19%
The engagement and/or retention rates of direct reports are assessed	15%
The direct reports fill out an annual manager feedback survey	14%
Their employees rate them, in part, by how well they manage performance	12%
They are not held accountable in any particular way	16%

Finding: PM leaders are more likely to hold their managers accountable

Results of Chi-square Test

A chi-square test of independence shows that PM leaders are significantly more likely than PM laggards to hold managers accountable across all three activities listed in this chart.

While there is certainly room for improvement even among the PM leaders, they are faring better than laggards in holding managers accountable for PM activities.

How do you hold managers accountable for completing PM activities?

Activity	PM leaders	PM laggards
The formal appraisals they do with employees are tracked	74%	55%
Their coaching and/or conversation sessions with employees are tracked	28%	13%
The process is part of their key performance indicators (KPIs)	31%	13%
They are not held accountable in any particular way	7%	21%

■ PM leaders ■ PM laggards

HRRI Strategic Recommendations

Based on our research, please consider the following suggestions:

- Ensure that performance management activities are aligned with managers' key performance indicators (KPIs) to emphasize their importance and accountability.

- Consider linking managers' rewards and recognition to their performance management effectiveness to incentivize engagement.

- Track managers' coaching and conversation sessions with employees to monitor their engagement in performance management processes.

- Utilize feedback mechanisms such as manager feedback surveys and employee ratings to assess managers' effectiveness in performance management.

- Allocate resources towards providing managers with the necessary tools (such as technologies) and support (such as L&D) to effectively carry out performance management responsibilities.

- Conduct a comprehensive evaluation of the performance management system to ensure it meets the needs and expectations of both managers and employees, addressing any identified issues promptly.

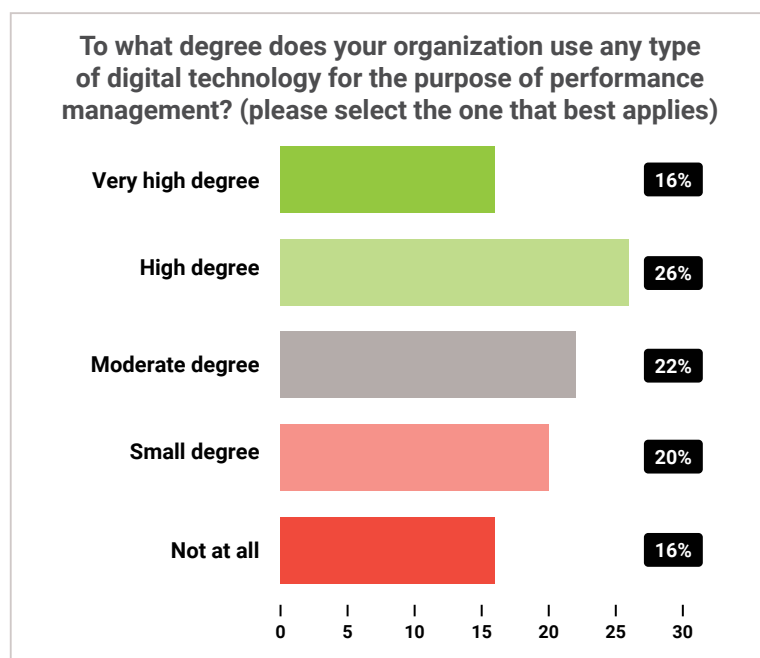# Key Attributes of Performance Management Technologies

Finding: Two-fifths of organizations use technology to support performance management to a high or very high degree, with large firms being the most likely to use it

Just over two-fifths (42%) use performance management technology to high and very high degrees, while 22% use it to a moderate degree. Over a third do not use it at all (16%) or use it only to a small degree (20%).

The use of technology can improve the ease of use of PM systems by automating PM activities and ensuring the accuracy of information. It could also benefit the accuracy of performance data being used and improve the fairness of the process.

By Organization Size
Smaller organizations (32%) are far less likely than large (50%) and midsize companies (43%) to use technology to high and very high degrees. This might be because some smaller organizations think the investment in the technology is less likely to provide a payoff for them given different economies of scale.

To what degree does your organization use any type of digital technology for the purpose of performance management? (please select the one that best applies)

Degree	Percentage
Very high degree	16%
High degree	26%
Moderate degree	22%
Small degree	20%
Not at all	16%

Finding: PM leaders are more likely to use digital technology for PM to a high or very high degree

Results of Chi-square Test

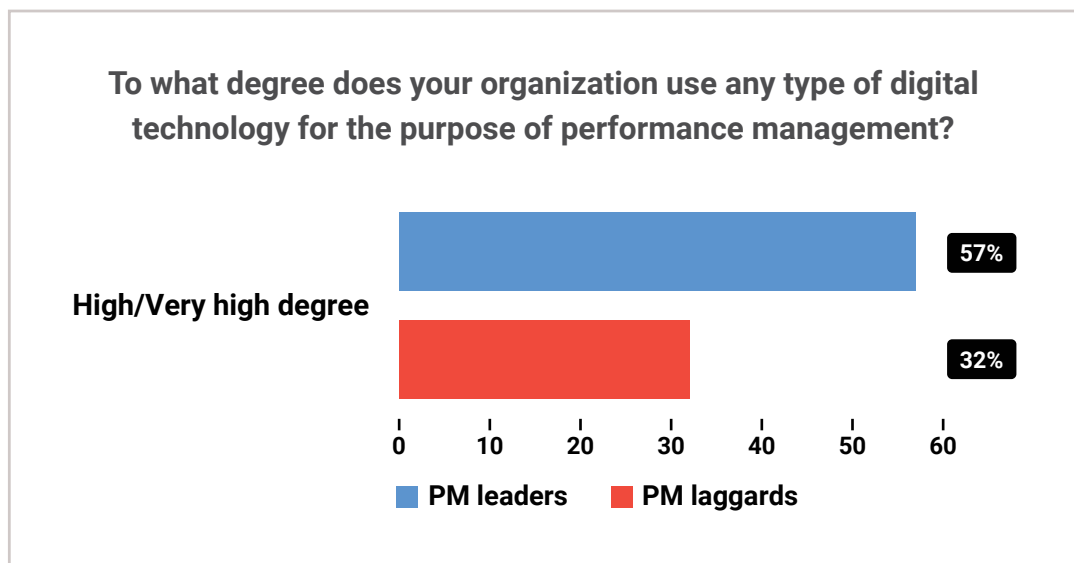A chi-square test of independence shows that PM leaders are significantly more likely than PM laggards to use digital technology for PM to a high/very high degree.

PM leader organizations (57%) are more likely than laggard organizations (32%) to use digital technology for performance management to a high degree or very high degree. This may be because they recognize that technology helps them provide structure around performance management, allowing employees and managers to better understand what they are expected to do to manage their performance over time.

In addition, technology may help PM leaders capture historical data that is often critical to making strategic decisions about employee and business performance today and in the future.

To what degree does your organization use any type of digital technology for the purpose of performance management?

High/Very high degree

- PM leaders: 57%
- PM laggards: 32%

■ PM leaders ■ PM laggards

Finding: Three-fifths of organizations use PM module(s) bundled into the HRIS/HRMS
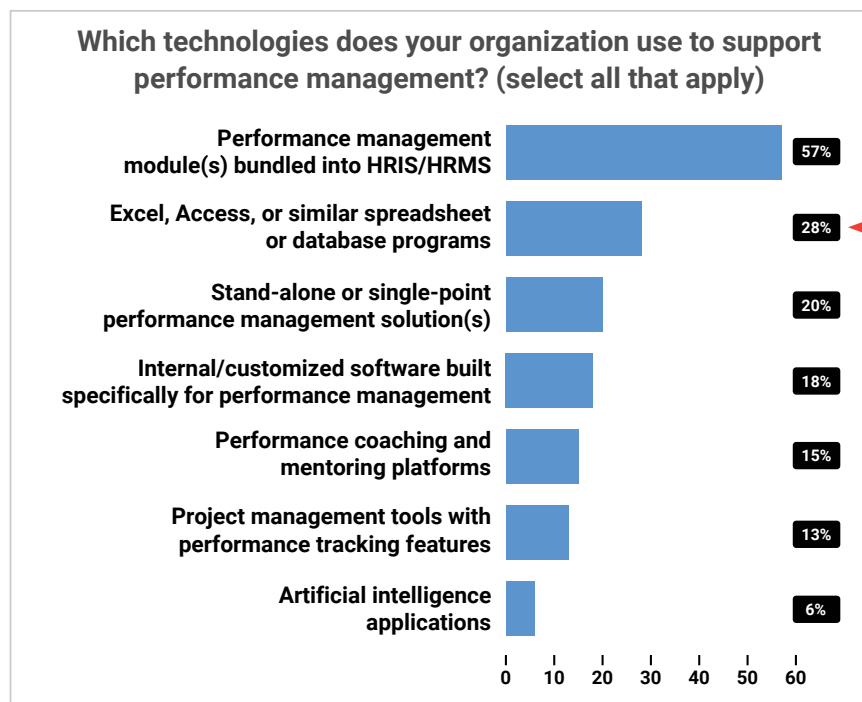
Among organizations that use some kind of performance technology, three-fifths (57%) use a module bundled into HRMS/HRIS. Organizations often choose a module based on ease of integration and comprehensive support offered by the provider.

However, a bundled solution may have fewer needed features than some standalone or single-point solutions (used by 20%). Standalone/single-point solutions can typically be integrated with an HRMS/HRIS, though this process may take time and work. Another 18% cite building performance management software by themselves, and an additional 28% use Excel, Access, or similar spreadsheet or database programs,

We should note, however, that this was a "select all that apply" question, and organizations often have more than one technology.

By Organization Size
Large (60%) and midsize organizations (67%) are much more likely to use module bundles in an HRMS when compared to small organizations (35%).

Which technologies does your organization use to support performance management? (select all that apply)

- Performance management module(s) bundled into HRIS/HRMS — 57%
- Excel, Access, or similar spreadsheet or database programs — 28%
- Stand-alone or single-point performance management solution(s) — 20%
- Internal/customized software built specifically for performance management — 18%
- Performance coaching and mentoring platforms — 15%
- Project management tools with performance tracking features — 13%
- Artificial intelligence applications — 6%

More than a quarter still use spreadsheet or database software for performance management

Editor's Note: Those who responded, "Not at all" to the question "To what degree does your organization use any type of computer technology for the purpose of performance management?" were not shown this question.

Finding: Many performance management technologies seem underpowered

We asked organizations about a variety of important performance-management capabilities that should exist in a full-blown performance-management technology solution.

The top three options indicate that most companies are using technology to track and monitor their review process, which is often based on performance goals. Fewer organizations, however, have technology with a higher degree of automation and user configuration, such as "permits automated reminders" (47%), "allows workflow approvals" (41%), and "enables one-on-ones and/or check-ins between managers and employees" (44%). The lack of reminders and timely workflow could put organizations at greater risk for biases such as recency error (where managers often have trouble remembering older performances).

Most companies are also not using technology as much for development and rewards. Just 28% indicate their technology aids training and development, which is concerning given that helping employees learn and grow is among the widely cited objectives of performance management. Just 29% say their technology aids communication, another major objective of PM.

Which of the following capabilities does your performance management technology system(s) include? (select all that apply)

Capability	Percentage
Includes performance appraisal ratings	66%
Facilitates employee performance review or appraisal process	62%
Allows users to evaluate performance in relation to goals	52%
Permits automated reminders	47%
Tracks performance review meetings	46%
Enables one-on-ones and/or check-ins between managers and employees	44%
Allows workflow approvals	41%
Enables recognition/praise by others	30%
Enables 360-degree feedback between managers, employees and peers	29%
Includes a calibration process	29%
Aids communication	29%
Aids training and development	28%
Can integrate with third-party solutions	18%
None of the above	5%

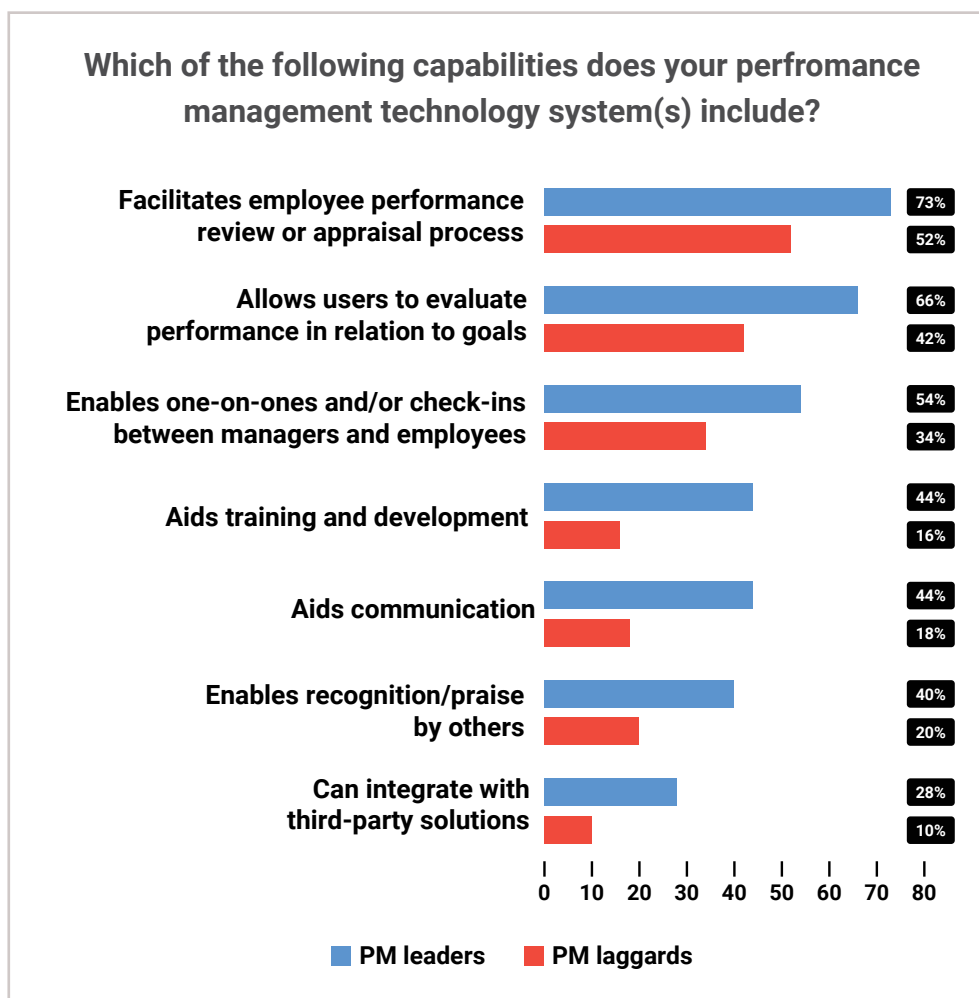**Under half (46%) track performance review meetings**

Finding: Compared with laggards, PM leaders have more capable PM technologies

The PM technology systems used by leaders outperform the PM technology systems of their laggard counterparts the most in aiding training and development (2.5X), aiding communication (2.5X), and integration with third-party solutions (3X). We believe that PM leaders investing well in better-quality PM systems may be one of the reasons why their PM functions are more effective.

Results of Chi-square Test

A chi-square test of independence shows that PM leaders are significantly more likely than PM laggards to say their PM tech systems have all listed capabilities.

Which of the following capabilities does your perfromance management technology system(s) include?

Capability	PM leaders	PM laggards
Facilitates employee performance review or appraisal process	73%	52%
Allows users to evaluate performance in relation to goals	66%	42%
Enables one-on-ones and/or check-ins between managers and employees	54%	34%
Aids training and development	44%	16%
Aids communication	44%	18%
Enables recognition/praise by others	40%	20%
Can integrate with third-party solutions	28%	10%

■ PM leaders ■ PM laggards

HRRI Strategic Recommendations

Based on our research, please consider the following suggestions:

- Explore integration with HRIS/HRMS for streamlined performance management processes.

- Consider performance management technologies with features such as automated reminders and note-taking capabilities for ease of use.

- Utilize systems that allow users to evaluate performance in relation to goals to maintain alignment with organizational objectives.

- Explore technologies enabling 360-degree feedback to provide comprehensive performance insights.

- Seek ways of connecting performance management systems and L&D achievements.

- Regularly assess and enhance performance-related technologies to meet evolving organizational needs and technological advancements.
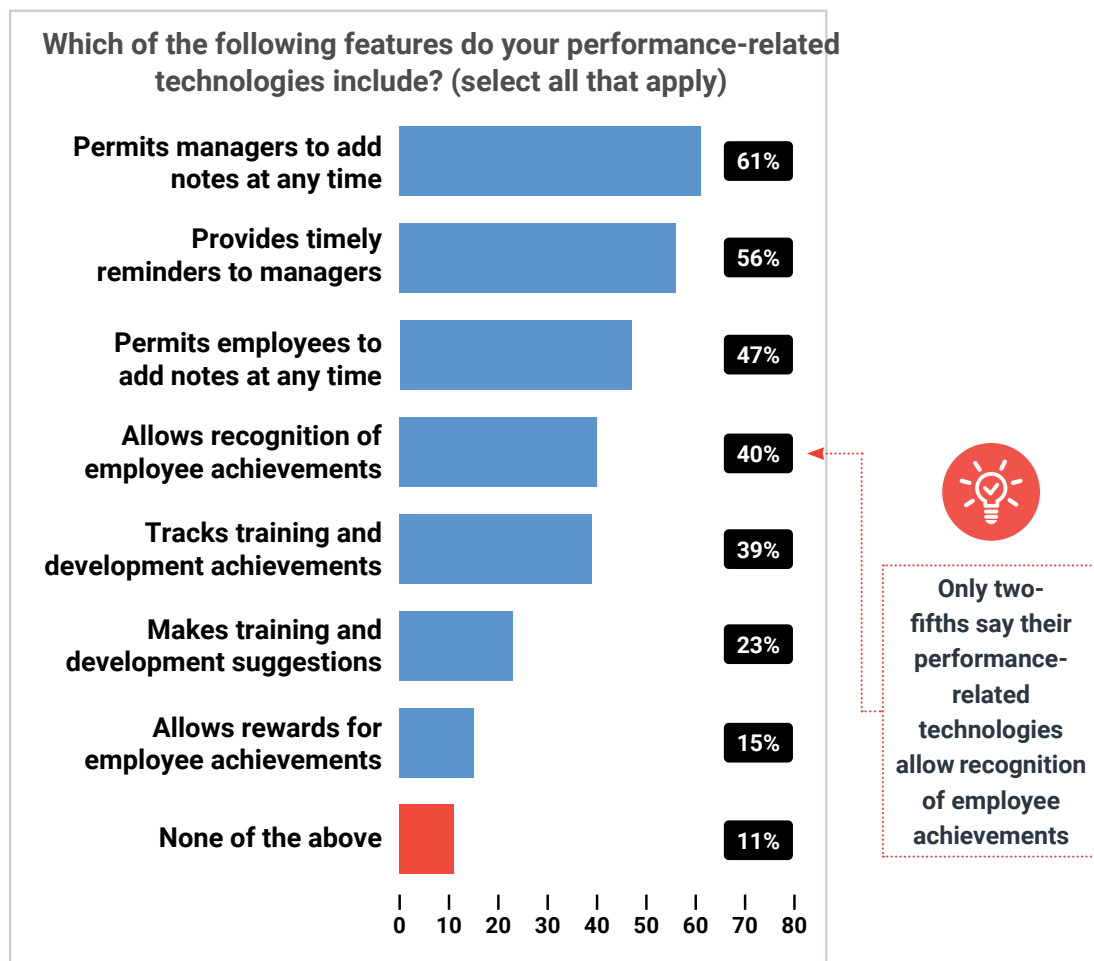
Finding: In over half of organizations, PM technologies permit managers to add notes at any time and provide timely reminders to them

We asked respondents which features their performance-related technologies include. Two of the top three features permit managers and employees to make performance-related notes at any time, helping to ensure that PM is not just an annual occurrence.

On the other hand, PM technology systems more rarely make training and development suggestions (23%) or track training and development achievements (39%). This suggests that many companies do not focus on development as much as performance or that some have a separate learning and development system that is distinct from performance unless data is entered manually.
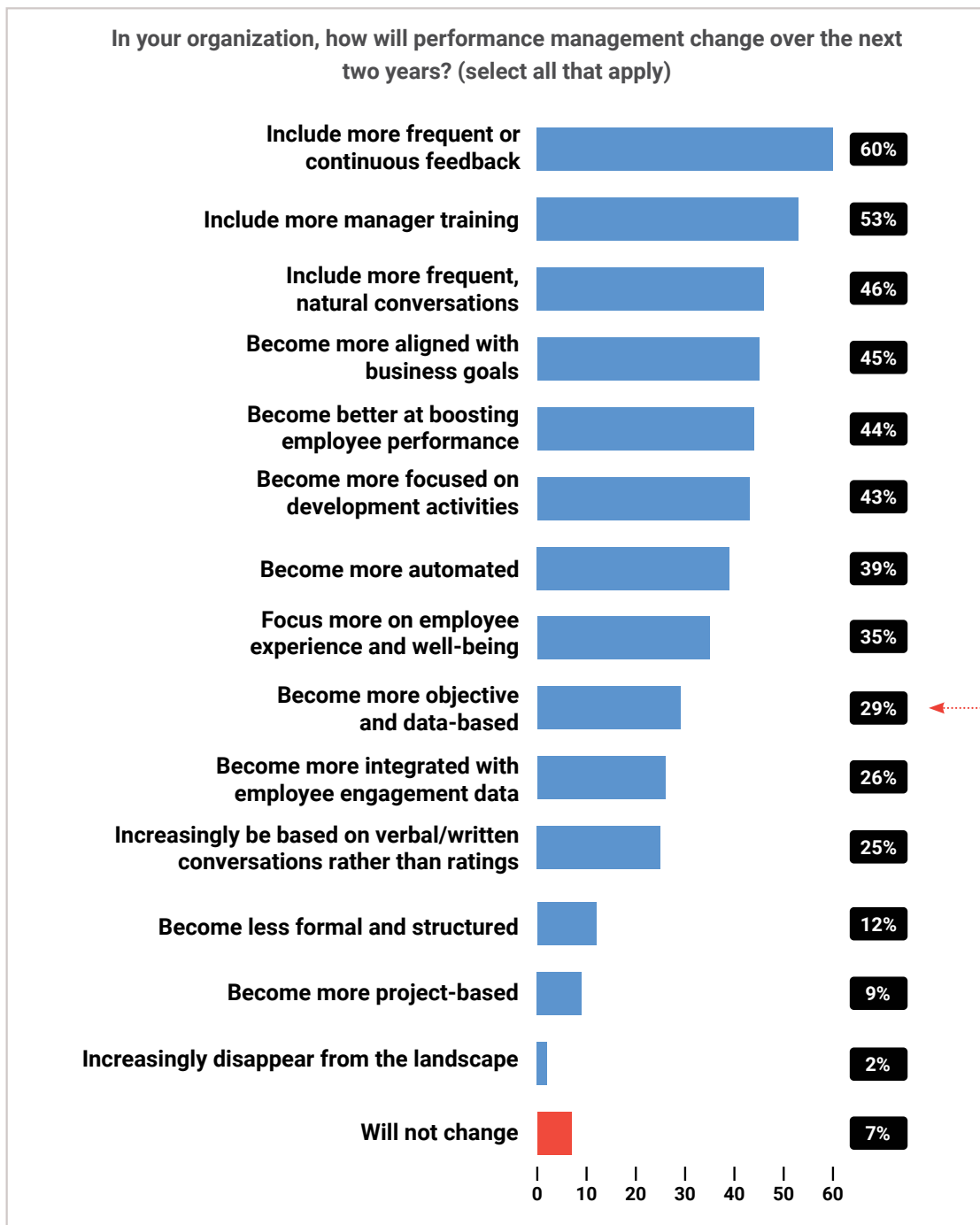
Which of the following features do your performance-related technologies include? (select all that apply)

Feature	%
Permits managers to add notes at any time	61%
Provides timely reminders to managers	56%
Permits employees to add notes at any time	47%
Allows recognition of employee achievements	40%
Tracks training and development achievements	39%
Makes training and development suggestions	23%
Allows rewards for employee achievements	15%
None of the above	11%

Only two-fifths say their performance-related technologies allow recognition of employee achievements

The Future of Performance Management

Finding: Organizations most commonly say performance management in the future will include more feedback and continuous conversations

Given previous findings in this report, we see it as a positive sign that three-fifths of respondents foresee more frequent and continuous feedback over the next two years in their organizations. Another good sign is that over half expect more manager training in PM (53%). About half of respondents also feel PM in their organizations will include more frequent, natural conversations (46%) and become more aligned with business goals (45%).

In your organization, how will performance management change over the next two years? (select all that apply)

Category	Percentage
Include more frequent or continuous feedback	60%
Include more manager training	53%
Include more frequent, natural conversations	46%
Become more aligned with business goals	45%
Become better at boosting employee performance	44%
Become more focused on development activities	43%
Become more automated	39%
Focus more on employee experience and well-being	35%
Become more objective and data-based	29%
Become more integrated with employee engagement data	26%
Increasingly be based on verbal/written conversations rather than ratings	25%
Become less formal and structured	12%
Become more project-based	9%
Increasingly disappear from the landscape	2%
Will not change	7%

Editor's Note: In the original data, 8% of respondents stated that they "don't know." We removed those responses and recalculated, so this only shows percentages for those that answered the question.
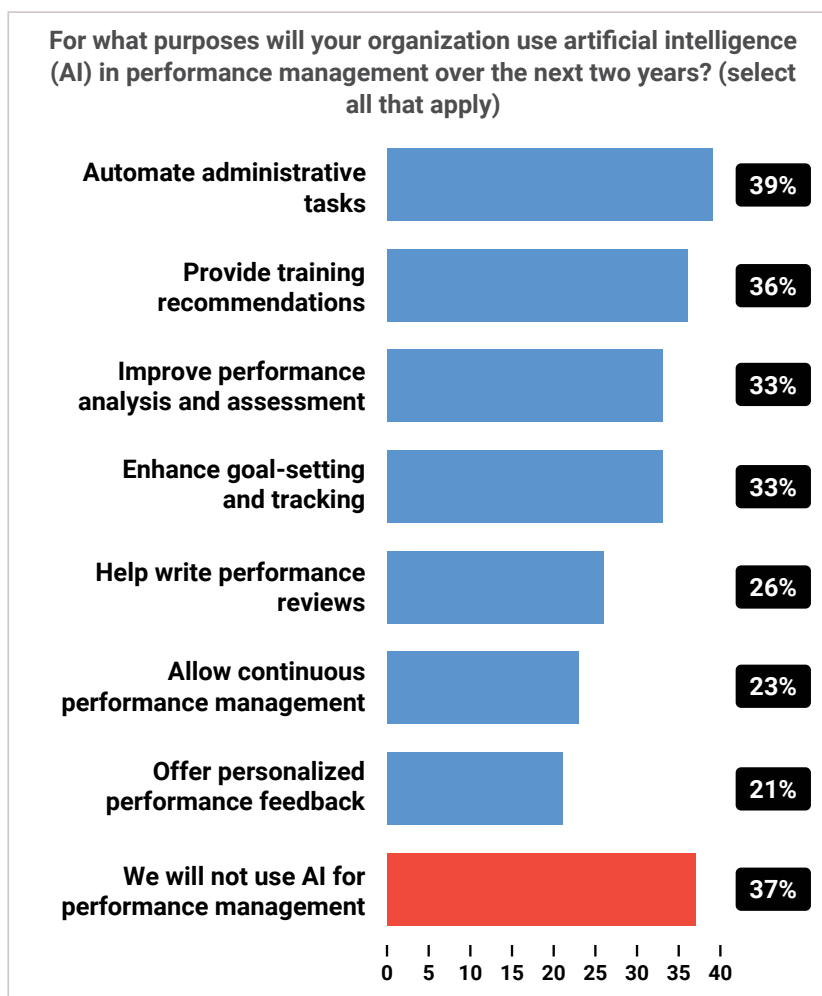
Just 29% indicate that performance management will become more objective and data-based

Finding: Over a third of organizations will use AI in PM to automate administrative tasks and provide training recommendations

With artificial intelligence (AI) becoming a larger part of today's HR technologies, we wanted to know in which areas organizations will leverage this technology for PM. Over a third of HR professionals responded saying "they don't know," indicating a need for many HR professionals to further investigate this trend. Of those who provided other answers, however, nearly two-fifths don't anticipate using AI in PM over the next two years at all. On the other hand, over a third (36%) aim to use it to provide training recommendations and 39% aim to automate administrative tasks.

For what purposes will your organization use artificial intelligence (AI) in performance management over the next two years? (select all that apply)

Category	Percentage
Automate administrative tasks	39%
Provide training recommendations	36%
Improve performance analysis and assessment	33%
Enhance goal-setting and tracking	33%
Help write performance reviews	26%
Allow continuous performance management	23%
Offer personalized performance feedback	21%
We will not use AI for performance management	37%

Editor's Note: In the original data, 36% of respondents stated that they "don't know." We removed those responses and recalculated, so this only shows percentages for those that answered the question.
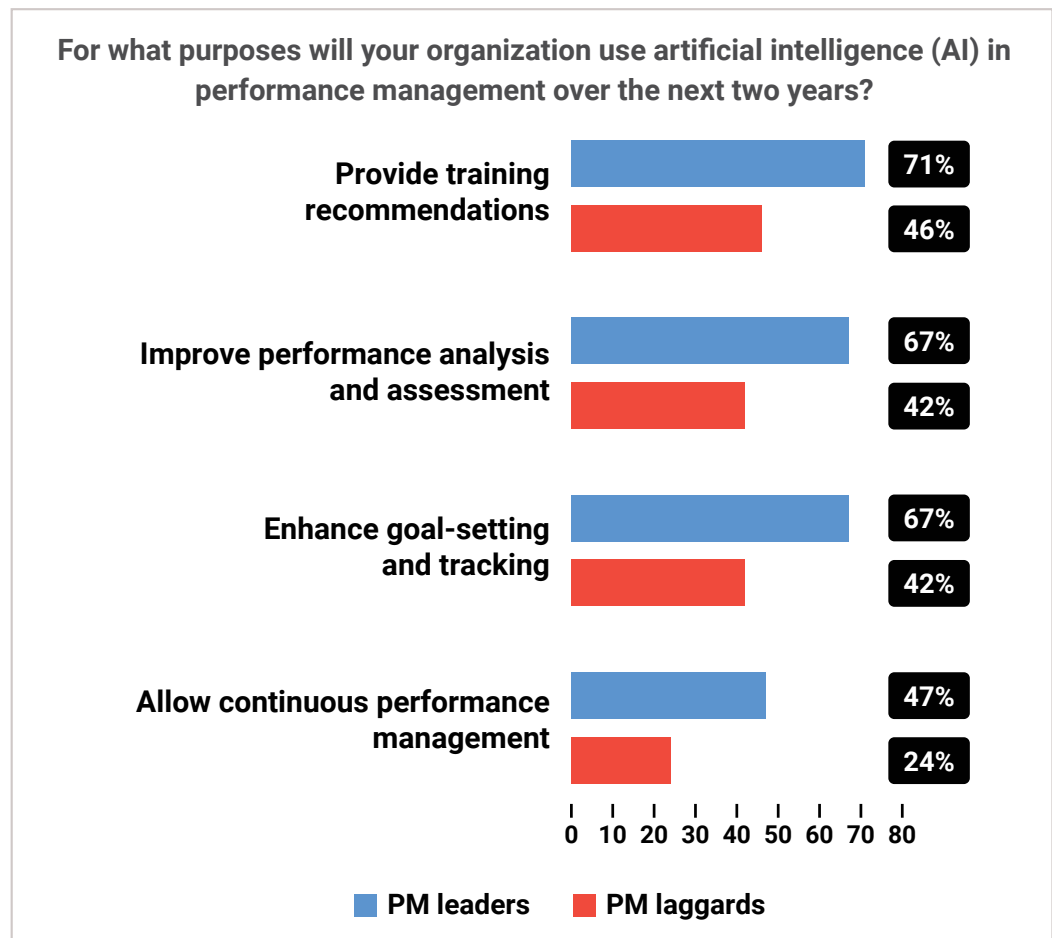
Finding: About seven in ten PM leaders plan to use AI to provide training recommendations over the next two years

Results of Chi-square Test

A chi-square test of independence shows that PM leaders are significantly more likely than PM laggards to use AI for PM in all listed ways over the next two years.

PM leaders show more intention to use AI in PM over the next two years when compared to PM laggards. Seven in ten PM leaders plan to use AI to provide training recommendations, and two-thirds plan to improve performance analysis and assessment and enhance goal setting and tracking, compared to less than half of laggards who say the same.

For what purposes will your organization use artificial intelligence (AI) in performance management over the next two years?

Purpose	PM leaders	PM laggards
Provide training recommendations	71%	46%
Improve performance analysis and assessment	67%	42%
Enhance goal-setting and tracking	67%	42%
Allow continuous performance management	47%	24%

(Scale: 0 10 20 30 40 50 60 70 80)

■ PM leaders   ■ PM laggards

HRRI Strategic Recommendations

Based on our research, please consider the following suggestions:

- Prepare for the shift towards more frequent or continuous feedback by implementing tools and processes that facilitate regular performance conversations.

- Keep abreast of advancements in AI technology and their applications in performance management to leverage their benefits effectively.

Key Takeaways

The findings of this research have many organizational implications. We have highlighted them along with some recommendations in the takeaways below.

Key Takeaway 1

Embrace continuous feedback. Incorporate regular and continuous feedback loops into performance management processes. Ongoing feedback drives employee growth and productivity.

Key Takeaway 2

Set clear expectations and goals. Our research suggests there are many methods of setting goals, though the SMART system is most commonly used.

Key Takeaway 3

Focus on goal alignment. Ensure that performance management systems align individual goals with broader organizational objectives. Clear goal-setting and alignment are important for employee engagement and organizational success.

Key Takeaway 4

Enhance managerial skills. Invest in training programs to enhance managers' skills in providing constructive feedback and conducting performance discussions.

Key Takeaway 5

Leverage technology. Explore technology-driven solutions for streamlining performance management processes. Performance management software can help in automating feedback mechanisms, tracking progress, and facilitating real-time performance discussions.

Key Takeaway 6

Help employees learn and grow. Create career pathways and give employees the opportunities to develop along the lines they identify as long as it also serves the needs of the organization.

Key Takeaway 7

Encourage employee involvement. Foster a culture of employee involvement and empowerment in performance management processes. Involving employees in goal-setting, feedback sessions, and self-assessment can help foster ownership and accountability.

Key Takeaway 8

Adapt to remote work dynamics. Adapt performance management practices to accommodate the challenges of remote work environments. Remote teams often require flexibility and agility in performance management processes.

Key Takeaway 9

Measure and iterate. Continuously measure the effectiveness of performance management initiatives and iterate based on feedback and insights. Data-driven decision-making and continuous improvement are essential to optimize performance management practices.

Key Takeaway 10

Stay abreast of emerging trends and best practices. Performance management best practices, techniques, and technologies continue to evolve. Pay attention to trends such as agile performance management, continuous feedback culture, and the integration of AI-driven analytics.

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