

Gartner®

Gartner for HR Leaders

# Performance Management That Delivers

Executive Summary



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- Discussing or disclosing customer-specific information.
- Discussing or actively dividing or allocating markets or customers.
- Discussing or actively engaging in boycotts or refusals to deal.
- Discussing or taking joint action against a customer, supplier, distributor or competitor.

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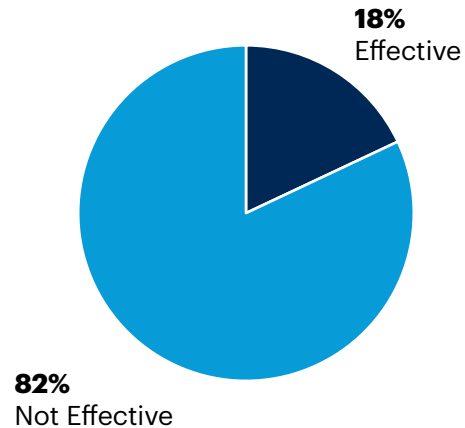
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# Performance Management Still Not Delivering

## Effectiveness of Performance Management at Achieving Its Primary Objective

Percentage of HR Leaders Selecting

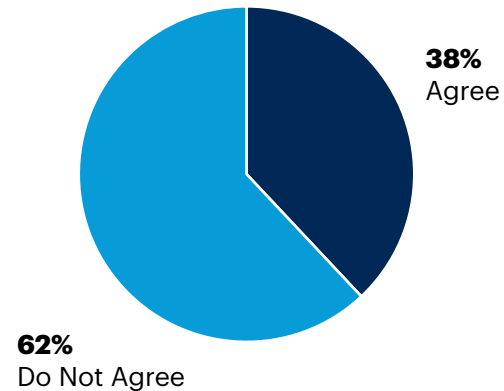


n = 132

Source: 2019 Gartner Performance Management Benchmarking Survey

## Q: "Performance Management Keeps Pace With Business Needs"

Percentage of HR Leaders Selecting



n = 132

Source: 2019 Gartner Performance Management Benchmarking Survey

**HR leaders recognize performance management (PM) is not delivering on its primary objectives nor keeping pace with the needs of the business.**



CEOs cite misalignment of talent processes as a top concern in managing the future workforce.

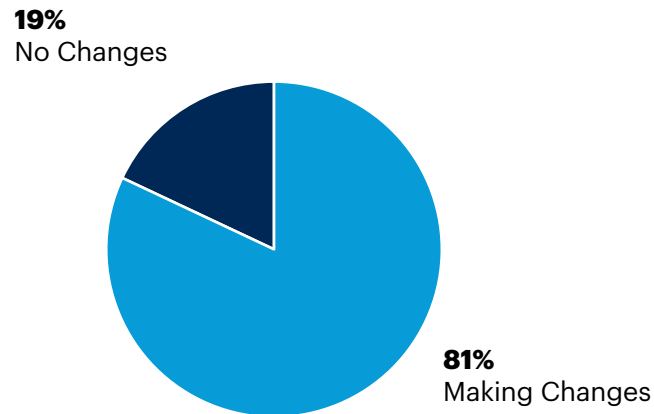
n = 106

Source: 2019 CEO-CHRO Priorities Survey

# Experimenting With Solutions, but Unsure of Impact

## HR Leaders Making Changes to Performance Management

Percentage Selecting



n = 132

Source: 2019 Gartner Performance Management Benchmarking Survey

## Uncertainty About Impact of Changes

**“We’ve rolled out lots of tools to increase feedback but haven’t seen the adoption we wanted.”**

VP, Total Rewards  
Retail

**“Many times I’ve wondered, if we just eliminated the entire formal performance management system, would we see any impact on the business?”**

SVP, Human Resources  
Manufacturing

**“Our approach to performance has negative value. It is a potpourri of nothingness.”**

Head of HR,  
Manufacturing

Source: Gartner (2019)

**Many HR leaders are experimenting with different ways to improve performance management, but they aren’t sure if those investments are paying off.**

# Increasing Demands on PM

## Functions of Performance Management



### **PM provides input to an increasing number of talent management processes.**

- When companies first began implementing PM systems, the primary goal was to assess employees' performance.
- Today, organizations rely on PM to inform compensation, promotion and succession planning decisions as well as to drive employee performance, development and engagement.
- Furthermore, employees now increasingly look to PM to advance their careers and gain line of sight to organizational priorities.
- These increasing demands on PM make it hard for HR to diagnose what's really wrong with PM and to prioritize solutions.

# Investigating for You

## Our Research Strategy

### Research Question:

How do we increase performance management's effectiveness at driving performance amidst varied and changing business, employee and work demands?



### Executive Interviews

We interviewed **more than 80 CHROs and heads of talent management** to understand trends and challenges in performance management today.



### Organizational Survey

We surveyed CHROs and heads of talent management at **more than 130 organizations** to understand the spectrum of current approaches to performance management.



### Employee Survey

We surveyed **nearly 10,000 employees and managers** around the world to find out which performance management strategies and practices drive employee outcomes.

**We interviewed and surveyed executives and employees to understand what changes make performance management more effective at meeting varied and changing business, employee and work demands.**

Source: Gartner (2019)

# Two Categories of Performance Management Complaints

## Employees' Performance Management Concerns



### Effort Is Too High

Too much time required

Asking too much of managers and employees

Overly complex

Cumbersome technology

Requires extensive energy

Not user-friendly



### Usefulness Is Too Low

Disengaging and unmotivating

Built for individuals, not collaboration

Little line of sight to business priorities

Inaccurate and unfair

Not aligned with business needs

Not relevant to work

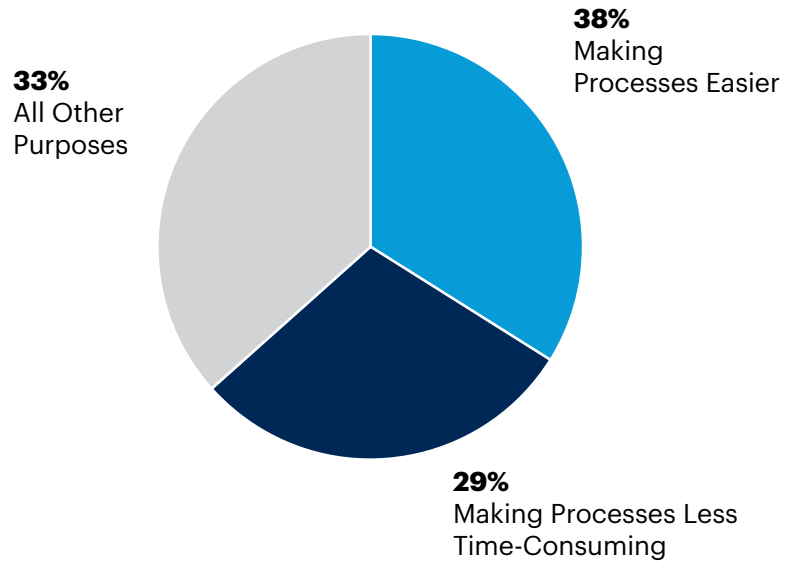
**Stakeholders' complaints about performance management fall into two categories: effort is too high or usefulness is too low.**

- **Effort is too high** — Stakeholders complain that the effort they must put into PM is too high.
- **Usefulness is too low** — Stakeholders complain that PM doesn't meet their needs, i.e., that the benefit they get from PM is too low.

# Responding to Complaints by Reducing Effort

## Purposes of Performance Management Changes

Percentage of Organizations



n = 132

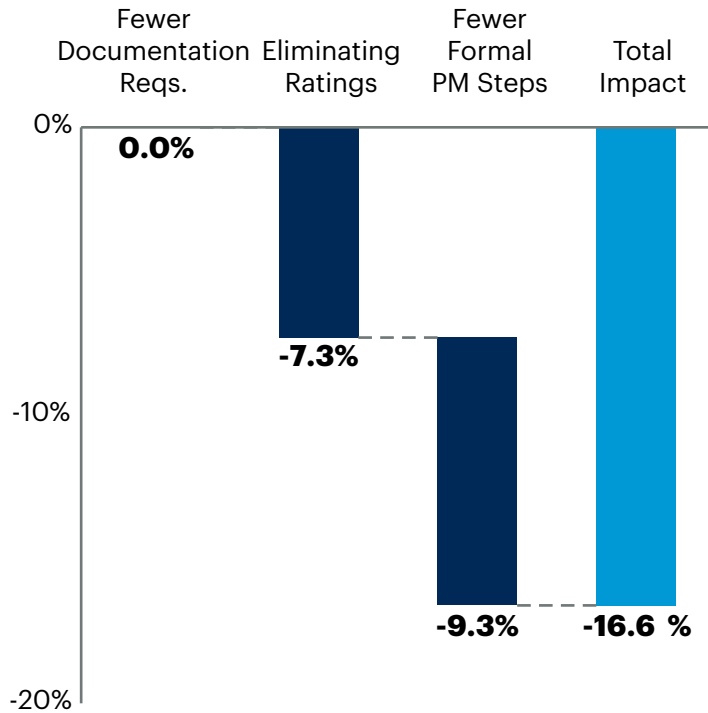
Source: 2019 Gartner Performance Management Benchmarking Survey

**HR is trying to address the most common complaints about PM: that the process is too onerous and time-consuming.**



# Reducing Effort Doesn't Pay Off

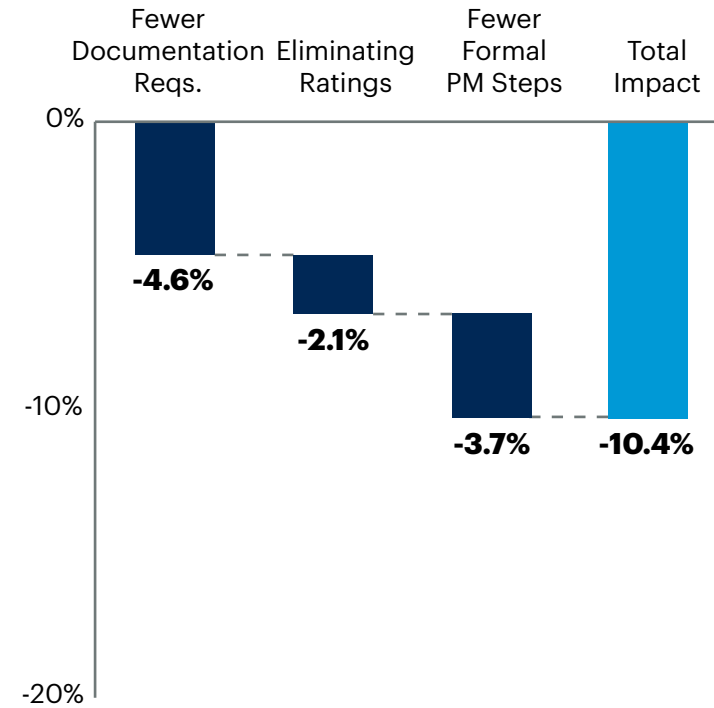
Effects of Reducing Effort on Workforce Performance



n = 132

Source: 2019 Gartner Performance Management Benchmarking Survey

Effects of Reducing Effort on Employee Perceptions That PM Is Worth the Time and Effort



n = 9,438

Source: 2019 Gartner Performance Management Employee Survey

**Workforce Performance** is measured based on HR leaders' ratings of the extent to which their:

- Employees develop products and services that are considered the best in the industry.
- Employees enable the organization to implement strategies that improve effectiveness and efficiency.
- Employees enable the organization to respond to new or changing customer needs.

# Focus on Usefulness, Not Effort

Responses to Performance Management Concerns



## Organizations' Response: Decrease Effort

Reducing the effort employees and managers must put into PM



## Organizations' Response: Increase Utility

Focusing on meeting employee and business needs.

**HR is trying to address the most common complaints about PM: that the process is too onerous and time-consuming.**

Source: Gartner (2019)

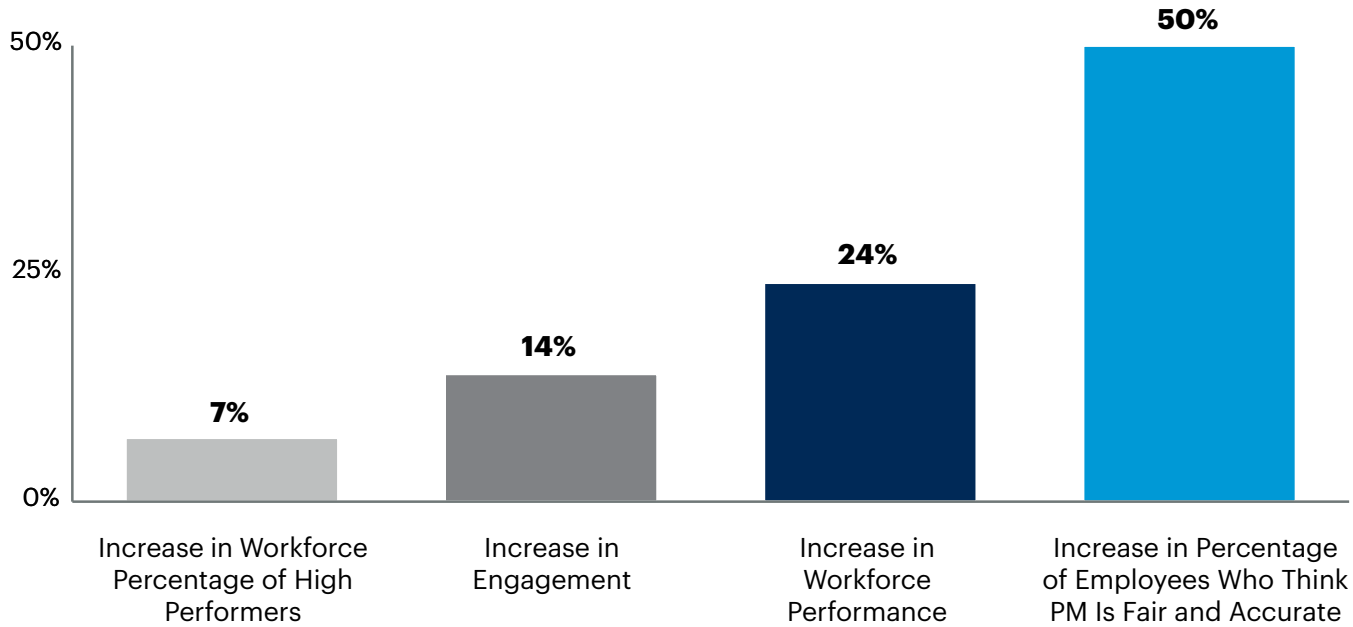
### **Operationalized Measure of Usefulness: PM Utility**

The extent to which PM:

- Demonstrably delivers what employees need to perform
- Helps the organization achieve business goals

# Utility Increases Performance, Engagement and Fairness

Impact of Increasing Utility



Increasing utility has substantial positive effects on workforce performance, engagement and employee perceptions of PM's fairness.



A 7% increase in the workforce percentage of high performers leads to an average increase in revenue of £631.47 per employee per year.

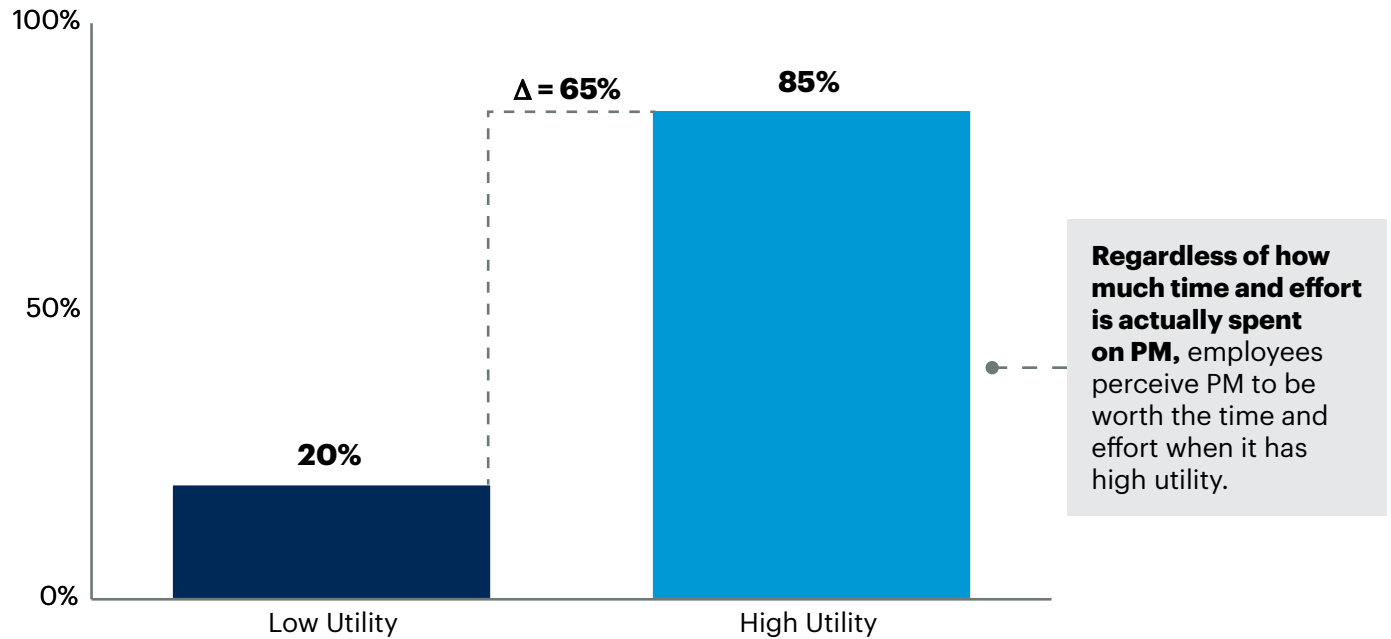
n = 9,438; 132

Source: 2019 Gartner Performance Management Employee Survey; 2019 Gartner Performance Management Benchmarking Survey

# High Utility Makes PM Worthwhile

Q: "Performance Management Is Worth the Time and Effort It Takes"

Percentage of Employees Who Agree



n = 9,438

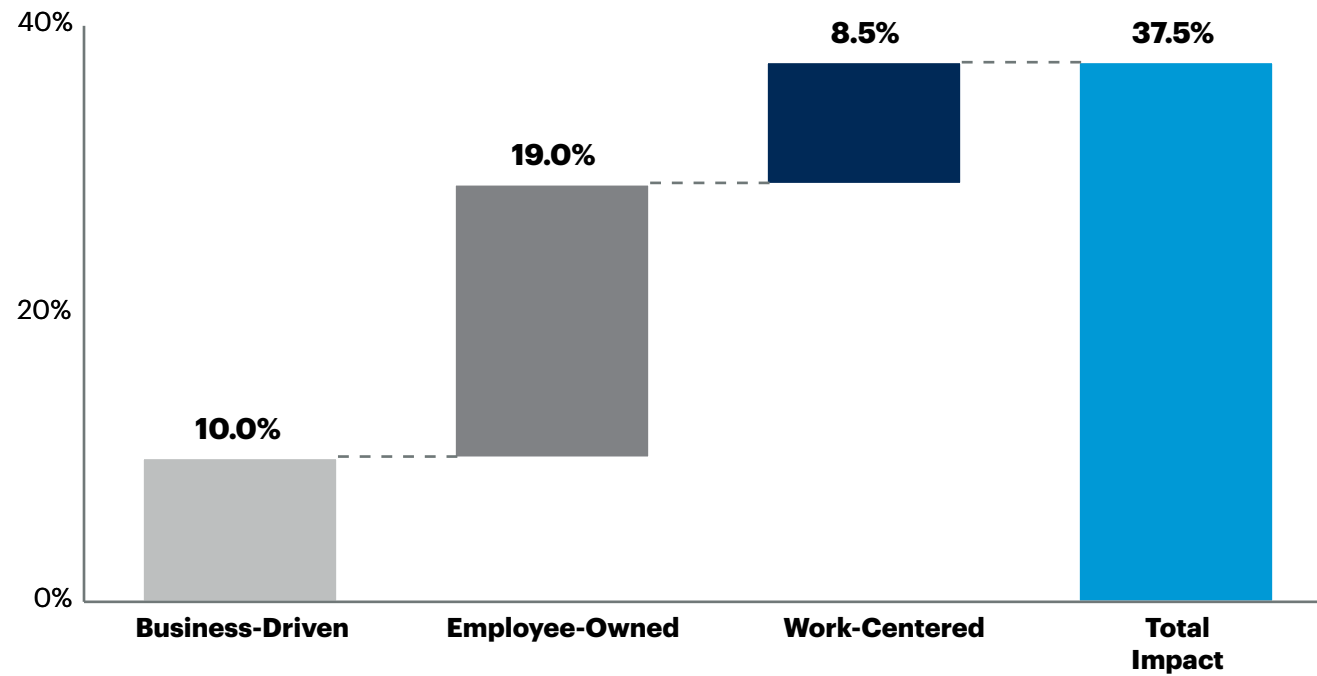
Source: 2019 Gartner Performance Management Employee Survey

Employees were four times more likely to say that PM was worth the time and effort when they judged its utility to be high rather than low.

# Three Strategies for Increasing PM's Utility

Effects of Performance Management Strategies on Utility

Three Key Strategies



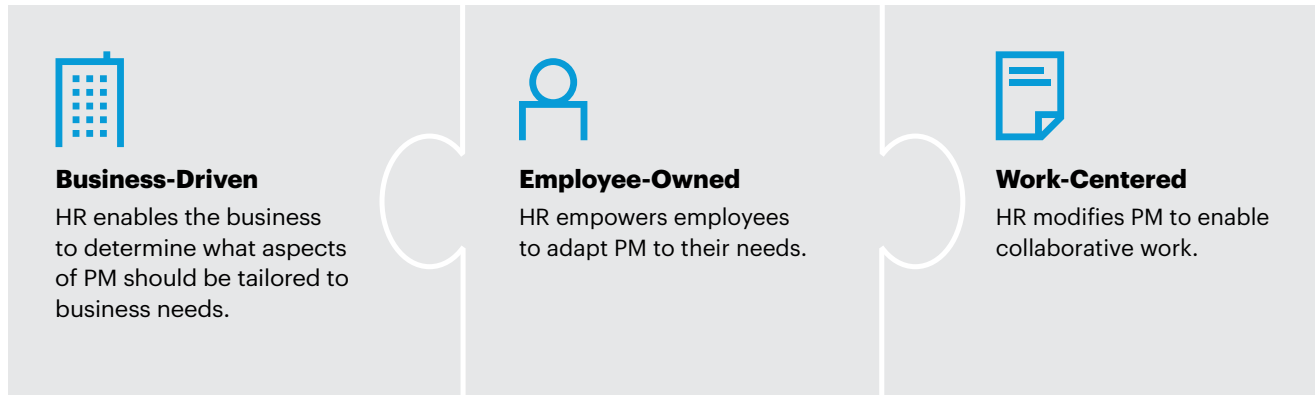
**Organizations can increase PM's utility by implementing three key strategies.**

n = 132

Source: 2019 Gartner Performance Management Benchmarking Survey

# Interconnected Strategies for Effective PM

## Three Key Strategies



Customize different PM components to business units, functions or groups.



Further align PM to reflect employees' needs and collaboration-dependent workflows.

**HR can redesign PM to meet the needs of the business and employees through three interconnected strategies: business-driven, employee-owned and work-centered.**

Source: Gartner (2019)

# Performance Management That Delivers

## Three Key Strategies



### Business-Driven

Make business-driven performance management customization the rule, not the exception.

- Establish core standards to achieve enterprise-wide outputs.
- Redefine HR's role from process owner to consultant, enabling business-driven customization via data insights and subject matter expertise.



### Employee-Owned

Engage employees as owners, not consumers, of performance management.

- Shift ownership of PM to employees, enabling them to drive the evaluation, design and implementation of PM changes.
- Go beyond symptomatic problems and understand underlying issues prior to proposing solutions.



### Work-Centered

Translate group interests into individual interests to drive collaborative work.

- Help employees identify how their individual accountabilities to business objectives require collaboration.
- Proactively mitigate risks of poor collaboration and identify new opportunities.



Focusing on increasing the utility of performance management increases **workforce performance by 24%**, increases employee perceptions of **fairness and accuracy by 50%** and increases **engagement by 14%**.

# Unleash the performance potential of your employees for future success.

For more information about how Gartner supports performance management initiatives, contact [hrleaders@gartner.com](mailto:hrleaders@gartner.com).

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