EVERYTHING IS PERFORMANCE:

How Performance Intelligence Redefines the Future of HR

Authored by: Kyle Lagunas & Laurie Ruettimann

CONTENTS

aptitude research

FOREWORD: A NOTE FROM LAURIE

The "Good Enough" Mentality Has to Stop

There's a quote from Voltaire that goes, "Don't let perfect be the enemy of good." It's often cited by professionals across fields, underscoring the danger of pursuing perfection at the expense of achieving satisfactory results.

However, when applied to performance management, this mindset warrants reconsideration. Through interviews with subject matter experts and HR leaders, a critical insight has emerged: simply implementing feedback mechanisms or periodic reviews, often seen as an improvement over previous managerial and leadership inaction, is better than nothing. **But is that true?**

Over the past thirty years, research has highlighted significant flaws in traditional performance management practices. These practices often fail to achieve their intended objectives, resulting in challenges such as inaccurate job descriptions during recruitment, biased hiring decisions, and ineffective onboarding processes. The assumption that "good enough" efforts in these areas can effectively guide critical organizational decisions is a structural bias that ignores the complex dynamics of performance. This approach risks compromising the integrity of HR processes and eroding trust among stakeholders.

Taking a "good enough" approach to performance management is similar to fixing a flat tire but ignoring a flashing check engine light. Both issues need attention, but focusing on one without addressing the other won't solve the problem. Just as a car requires comprehensive maintenance to run smoothly, an organization must address all aspects of its performance management system to achieve success. Neglecting underlying problems while only fixing visible issues is a temporary solution that fails to recognize the complexity of systemic flaws.

In a recent conversation with Minda Harts, a best-selling author, keynote speaker, and adjunct assistant professor of Public Service at NYU's Robert F. Wagner Graduate School of Public Service, the issue of settling for "good enough" was highlighted. Harts criticized the acceptance of mediocre performance management systems, highlighting their potential to exacerbate inequalities and hinder organizational development in the public service sector. Harts advocates a transformative approach, saying, "Assuming your performance management process is better than nothing poses its own risks. Poorly executed, it can deepen inequality and inhibit organizational growth."and business biases. We must challenge ourselves to rebuild our processes to ensure they are equitable, precise, and aligned with the varied experiences within our workforce."

This perspective challenges the prevailing mentality, advocating for a comprehensive reevaluation of performance management practices to foster a more equitable, effective, and inclusive workplace.

Minda Harts,
Best-Selling Author, Keynote speaker, and Adjunct
Assistant Professor of Public Service at NYU

in Connect

aptitude research

INTRODUCTION

In a rushed pursuit of the latest trends—from employee engagement to artificial intelligence (AI)—companies have been investing heavily in initiatives to transform talent. The pressures to acquire, manage, and develop the workforce are high. As a result, HR teams are evaluating new operating models and adopting more modern practices.

Unfortunately, many are now preoccupied with concepts such as skills taxonomies and internal talent marketplaces, and the foundational function of HR—performance management—is crumbling. No longer trendy, performance management is being starved of attention and investment, bolted onto talent management systems, and labeled as both "historically terrible" and "good enough."

Against the backdrop of rampant disruption in the world of work that has become the norm, this is increasingly problematic.

Performance management is everything. If you think of HR as a beautiful cliffside home, it is the foundation for various HR programs, including recruitment, employee retention, diversity, equity, and inclusion (DEI) initiatives, compensation, skills development, and workforce planning. You cannot evaluate potential candidates, hire them, promote them, train them, retain them, or change the company's people strategy to grow and thrive unless you have a comprehensive understanding of your current employees' performance.

However, research based on surveys and interviews with 225 HR leaders reveals that only a handful of companies prioritize performance management. The rest focus on implementing superficial HR technology and process enhancements without strengthening the foundation. As a result, the organization's people strategy becomes disjointed, and it affects overall performance.

In Figure 1 below, 80% of survey respondents rated their performance management programs as either EFFECTIVE or VERY EFFECTIVE. We were shocked, too.
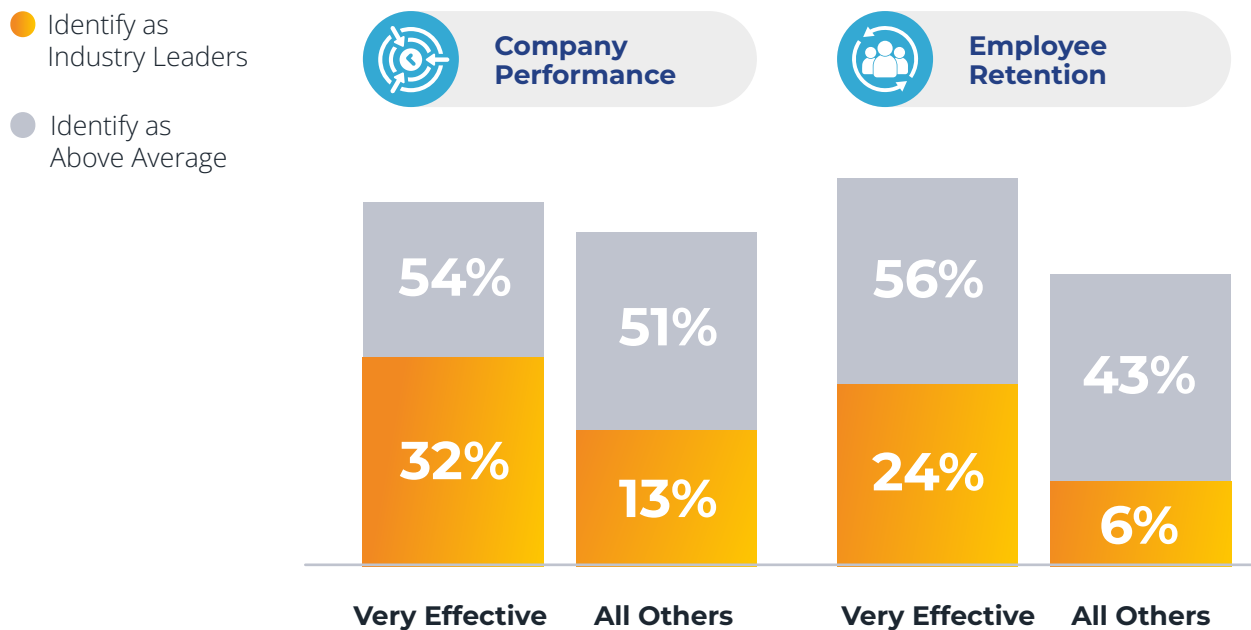
FIGURE 1:

The vast majority of HR leaders believe their performance management programs are effective or better.

41%
Effective

39%
Very Effective

80%
Total Belief in Effectiveness

aptitude research
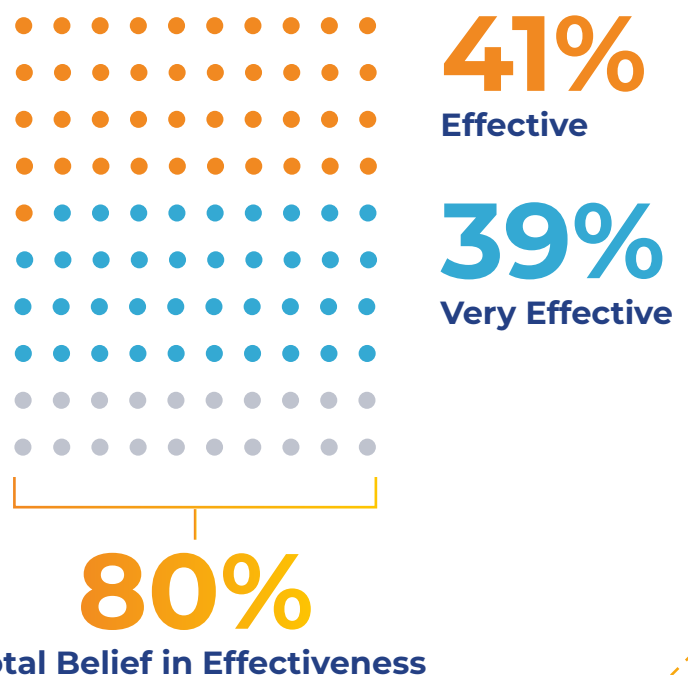
Delving deeper, however, it is apparent that there is a significant and meaningful difference in the practices and outcomes of the companies that truly qualify as VERY EFFECTIVE and all the rest. Figure 2 illustrates this difference in a big way: companies with VERY EFFECTIVE performance management programs are almost three times as likely to be industry leaders in overall company performance compared to everyone else.

FIGURE 2:

There's a big difference in company KPIs between VERY EFFECTIVE and NOT VERY EFFECTIVE companies.

● Identify as Industry Leaders

● Identify as Above Average

Company Performance

Employee Retention

	Company Performance		Employee Retention	
Above Average	54%	51%	56%	43%
Industry Leaders	32%	13%	24%	6%
	Very Effective	**All Others**	**Very Effective**	**All Others**

While HR processes come in many forms and formats, our biggest finding in this study is that an organization's performance management programs are either very effective or they are not. There is no in-between.

Following this hypothesis, this report segments survey respondents into two cohorts:

✓ **VERY EFFECTIVE (VE)**

✓ **NOT VERY EFFECTIVE (NVE)**

aptitude research

Performance Intelligence

When analyzing data and compiling insights for this report, we examined the difference between HR organizations that have integrated employee performance into the core of their operating model and those that have relegated it to one of many distinct HR processes. While performance management programs come in many forms and flavors, the gaps between VE and NVE organizations are not as simple as gaps in technology or process. The greatest gap is one we call Performance Intelligence.

A lack of comprehensive and actionable data on employee performance has left NVE organizations in the dark. They lack insight into workforce viability, treat performance management as a rote exercise, and undermine organizational agility.

Performance Intelligence programs use analytics to enhance, employ AI to accelerate, and deliver more relevant processes.

This approach prioritizes empowering managers to develop relationships and make critical on-the-ground decisions. Also, these programs focus on employee enablement to drive career growth and development, create equitable outcomes, and ultimately drive company performance.

The paradigm shift from performance "management" to "intelligence" is more than just aspirational thought leadership. Among the companies studied in our research, these advanced practices clearly delineated VE organizations from their NVE counterparts in significant ways and with important outcomes. How did VE companies make the jump forward? These organizations know that performance management transcends process adherence and fosters a workforce aligned with the organization's strategic objectives. Conversely, NVE companies often overlook these fundamental elements while over-indexing procedural minutiae.

Very Effective (VE) programs use analytics to enhance core performance metrics, employ AI to accelerate innovation and enable deeper integration, and incorporate a more nuanced understanding of human behavior and workforce dynamics to design and deliver more relevant processes.

aptitude research

The Path Forward

Getting performance management right is like ensuring a house's foundation and roof are sound before focusing on aesthetics. An organization that neglects the core principles of performance management cannot hope to sustain its growth and innovation.

Embracing the concept of "Performance Intelligence" is key to evolving from ineffective to impactful practices. It's not just about acquiring new technology but re-envisioning performance management to align with today's dynamic workforce and organizational objectives.

This report delves deeper into Performance Intelligence in the following sections. It offers insights and recommendations for integrating HR technology and stakeholder experience with performance management fundamentals to create a robust, meaningful, and more effective business framework.

Key Findings & Important Statistics

1

Trust & Productivity

VE companies outshine their NVE counterparts in cultivating employee trust and fostering productive environments.

2

Empowerment & Well-being

VE organizations are adept at empowering their workforce and emphasize the enablement and well-being of both employees and managers.

3

Data Quality

VE companies report superior data quality—essential for strategic decision-making—marked by higher rates of comprehensiveness, reportability, trustworthiness, structure, and actionability.

KYLE'S TAKE

Performance management is the cornerstone of shaping the future of work, and it's the crucial issue that should keep CHROs and HR leaders up at night. By embracing "Performance Intelligence," we ground our strategies in pragmatism and optimism, ensuring they evolve with today's dynamic workforce to drive real transformation.

aptitude research

SECTION 1:

RETHINKING THE ADEQUACY OF PERFORMANCE MANAGEMENT

Over the last decade, HR departments have encountered many challenges. Initially, they focused on improving employee engagement, but during the pandemic, their focus shifted to maximizing productivity, as well as hiring and retaining top talent. More advanced companies started prioritizing the well-being of their employees.

However, things have abruptly changed in the post-pandemic era. HR departments are now under pressure to make difficult decisions due to budget constraints and ongoing instability. This constant reshuffling of priorities has created a cycle of constant firefighting within HR, leading to a culture where core programs and processes like performance management are often deprioritized or considered "good enough."

INSIGHTS FROM THE FIELD:

Carlos Rios

HR Director,
Nordstrom

"It can be challenging and maybe even overwhelming for HR professionals to deal with performance management data and processes. Yet, as an optimist, I choose to focus on finding bright spots wherever I can. I believe that every time we have a conversation, we have an opportunity to get at least 1% better. Instead of dwelling on how bad the situation is with most performance management processes, I try to identify ways to improve it. It's a journey, but if HR takes the lead, secures buy-in from leadership, and continues to work on it, we can make it a more inclusive, personalized, and effective process that drives individual performance, company results, and customer outcomes.

KYLE'S TAKE

Having leaders like Carlos share their practical insights on performance ensures that this report is grounded in data while also offering real-world wisdom and guidance. As we explore the concept of work performance, we strive to merge the realms of technology and HR, creating a practical pathway forward.

As previously noted, our research includes the perspectives and experiences of 225 HR leaders. All were director-level or above and sat in roles spanning learning and development, HR business partners, and talent management. When asked to rate the overall effectiveness of their organizational performance management programs, only 21% of these leaders s hared perspectives that their programs were less than effective.

A total of 80% of HR leaders surveyed rated their company's performance management programs as EFFECTIVE or VERY EFFECTIVE, which seems high compared to how people reflexively think and feel about performance management.

Undoubtedly, CEOs would be pleased if 80% of performance management programs were effective or better. Considering executive-level pressure on HR organizations to improve performance and productivity, however, HR's sentiment regarding current state performance management needs further context.

After analyzing the practices of different levels of program effectiveness, our research discovered that those at the very top had unique practices and achieved better outcomes compared to those who rated their programs as EFFECTIVE or SOMEWHAT EFFECTIVE or INEFFECTIVE. Furthermore, the qualities, practices, and results of these three subgroups were almost identical.

Based on these findings, we reach a bold hypothesis: When it comes to performance management, you're either effective or you're not. Thus, our research has been segmented into two cohorts: VERY EFFECTIVE (VE) and NOT VERY EFFECTIVE (NVE).

FIGURE 3:

How would you rate the overall effectiveness of your performance management programs?

41%
Effective

39%
Very Effective

18%
Somewhat Effective

2%
Ineffective

Traits of VERY EFFECTIVE Performance Management Programs: Integrated & Impactful

Performance management programs, processes, and practices vary from one organization to the next. Rather than getting in the weeds with process-level best practices, this study mainly focused on trends in program strategy, impact, and outcomes.

A few key questions include:

- How important was performance management as a driver of other programs and initiatives, such as employee career growth and retention, DEIB, or workforce planning?

- How impactful was performance management as a driver of these programs and initiatives?

- How actionable, trustworthy, and comprehensive is the data gathered, analyzed, and reported on?

- How does HR report on performance management–to which stakeholders and at what cadence?

FIGURE 4:

How important is performance management as a driver of other HR programs? Conversely, how impactful are your current practices in driving these programs?
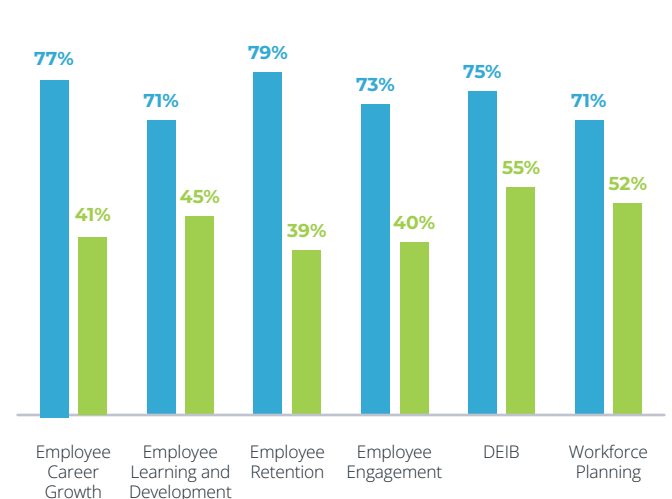
Importance of Performance Management

● Very Important (VE)   ● Very Important (NVE)
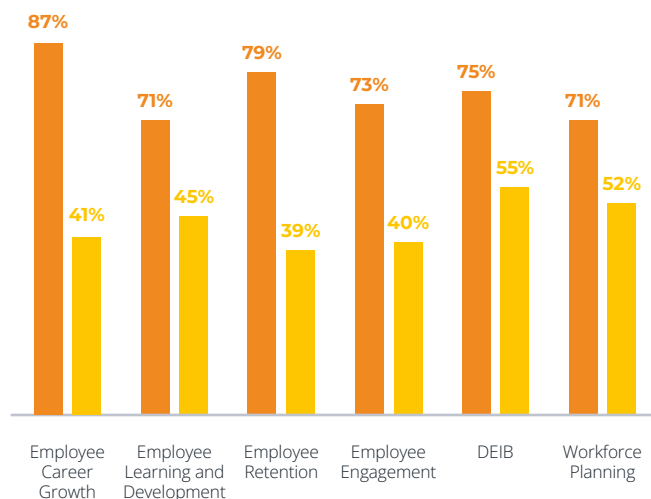
Impact of Performance Management

● Very Impactful (VE)   ● Very Impactful (NVE)

Importance of Performance Management (VE / NVE):

Category	Very Important (VE)	Very Important (NVE)
Employee Career Growth	87%	41%
Employee Learning and Development	71%	45%
Employee Retention	79%	39%
Employee Engagement	73%	40%
DEIB	75%	55%
Workforce Planning	71%	52%

Impact of Performance Management (VE / NVE):

Category	Very Impactful (VE)	Very Impactful (NVE)
Employee Career Growth	77%	41%
Employee Learning and Development	71%	45%
Employee Retention	79%	39%
Employee Engagement	73%	40%
DEIB	75%	55%
Workforce Planning	71%	52%

aptitude research

Integration with Other Programs

VERY EFFECTIVE programs are typically well-integrated with other HR functions, leading to a cohesive strategy that touches all facets of the employee experience, from recruitment to development and succession planning. VE companies were a step ahead of their peers when comparing VE and NVE organizations regarding the relative importance and subsequent impact of key outcomes.

The Impact of Integrating Performance Management with Other Programs

VERY EFFECTIVE programs are typically well-integrated with other HR functions, leading to a cohesive strategy that touches all facets of the employee experience, from recruitment to development and succession planning. When comparing VE and NVE organizations regarding the relative importance and subsequent impact of key outcomes, VE companies were a step ahead of their peers in several critical areas:

+30%

Impact in Employee Career Growth

VE companies placed greater importance on performance management as a driver of employee career growth than NVE companies–and the results speak for themselves: VE companies reported 30% more impact on employee career growth from their performance management programs than NVE companies.

+32%

Impact in Employee Retention

Interestingly, both VE and NVE companies rated performance management as an important driver of employee retention–but VE companies reported 32% more impact on employee retention from their performance management programs than NVE companies.

+31%

Impact in Employee Engagement

Similarly, both VE and NVE companies rated performance management as an important driver of employee engagement, but VE companies reported 31% more impact on employee engagement from their performance management programs than NVE.

These findings demonstrate the importance of integrating performance management with other HR programs and initiatives while also demonstrating the gap in impact between our two research cohorts. So, what is making the difference for VE companies compared to NVE companies?

aptitude research

The Strategic Impact of VERY EFFECTIVE Performance Management Programs

The importance of performance management cannot be overstated in down markets, up markets, and during global pandemics. Industry-leading companies understand this and prioritize performance management as an HR checkpoint and a critical driver of organizational success. However, HR leaders' overconfidence regarding the effectiveness of their performance management programs was also exhibited in their perspective of their companies' competitiveness.

When asked to rate their companies' overall performance compared to others in their industries, there was a pervasive sense of "above average" among VE and NVE organizations. However, when looking specifically at those considered "Industry Leaders," VE organizations were nearly three times as likely to rate themselves in.

This is no coincidence.

Our research has shown that there is a strong and clear correlation between the effectiveness of performance management and the success of key organizational outcomes, such as revenue, innovation, and talent retention. Industry leaders are statistically more likely to rate their company's performance and talent retention highly when they have robust performance management programs.
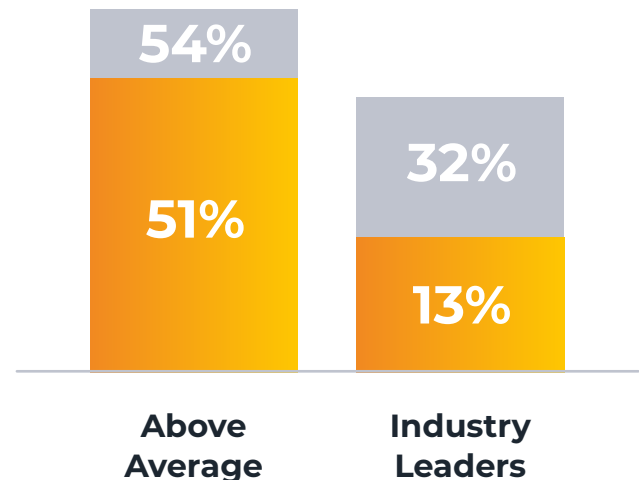
FIGURE 5:

The business impact of VERY EFFECTIVE performance management programs

Very Effective   All Others

Company Performance

54%
51%
Above Average

32%
13%
Industry Leaders

3x

VE organizations were nearly 3X as likely to rate as industry leaders in company performance.

aptitude research

RECOMMENDATIONS

Take An Intentional, Integrated Approach

Performance management is not a standalone program. Our research found that across twelve different programs and initiatives, VERY EFFECTIVE performance management programs were designed to drive outcomes and impact across the board. Conversely, the majority of NOT VERY EFFECTIVE programs were managed in isolation. The result? NVE organizations were almost twice as likely to see an impact in key areas, including employee career growth, retention, and engagement.

The impact of an integrated program is significant, and HR organizations that strive for a strategic, integrated approach to performance management are driving far better outcomes than all others. By approaching performance management as a core aspect of the business strategy, HR organizations in the VERY EFFECTIVE cohort can better inform, influence, and support strategic decision-making and workforce planning.

## Prioritization Produces Results

While it's important to integrate performance management into other HR and business initiatives, it's also clear that, among VERY EFFECTIVE organizations, what gets prioritized gets done. Across every program and initiative surveyed, there was a clear connection between what VERY EFFECTIVE companies prioritized and the resulting impact. Conversely, those organizations in the NOT VERY EFFECTIVE group lacked clear priorities and had inconsistent impacts.

CRITICAL INSIGHT

VE Organizations Bolster Trust, Productivity, and Decision-Making

Enhancing Productivity

A VERY EFFECTIVE performance management process is pivotal in creating productive workspaces to align seamlessly with company profitability and growth objectives, with 59% effectiveness in VERY EFFECTIVE companies against 20% in NOT VERY EFFECTIVE firms.

aptitude research
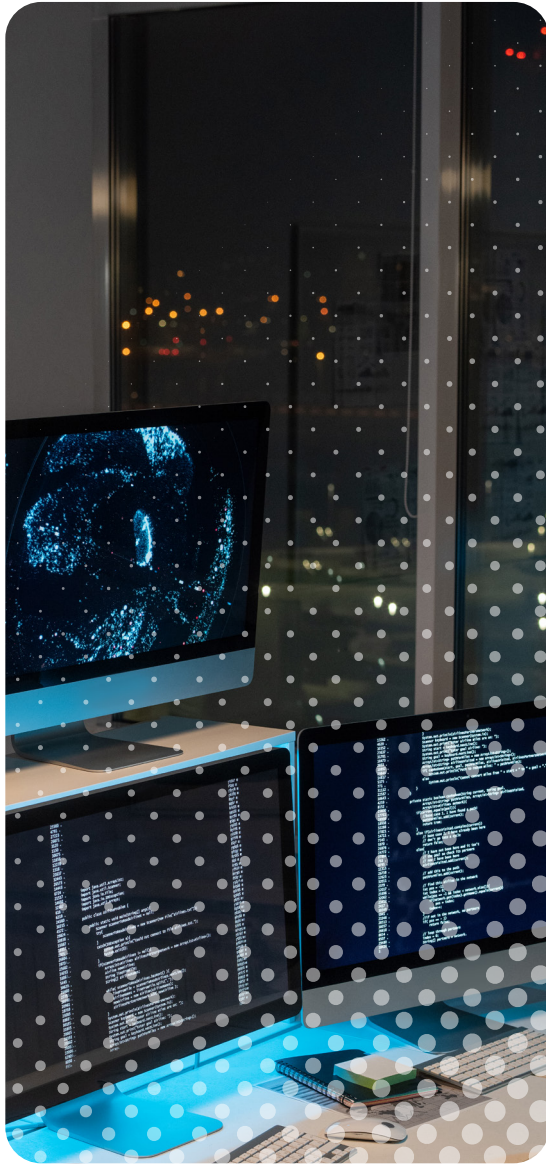
Performance Redefined: The Impact of Intelligence

When analyzing the results of VE and NVE performance management programs, it becomes clear that HR leaders and organizations must reach beyond the comfort of self-affirming narratives around 'good enough' performance management.

Pursuing excellence requires organizations to adopt a sophisticated, integrated "Performance Intelligence" framework. In these more mature and evolved functions, the goal is to craft a system that captures the true essence of performance, continuously mitigates bias, anticipates workforce trends, and marches in lockstep with strategic business goals.

Rather than resting on norms, there is an opportunity to adapt to new norms and shape the future, starting with a deeper understanding of how integrated performance management programs offer an advantage that extends well beyond traditional HR confines.

Performance Intelligence elevates the approach and execution of traditional performance management by embracing more evolved strategies that prioritize enablement, insight, and impact.

The question is whether NVE organizations are prepared to bridge the divide, raising the bar for what performance management can achieve.

aptitude research

SECTION 2:

LET DATA BE YOUR COMPASS

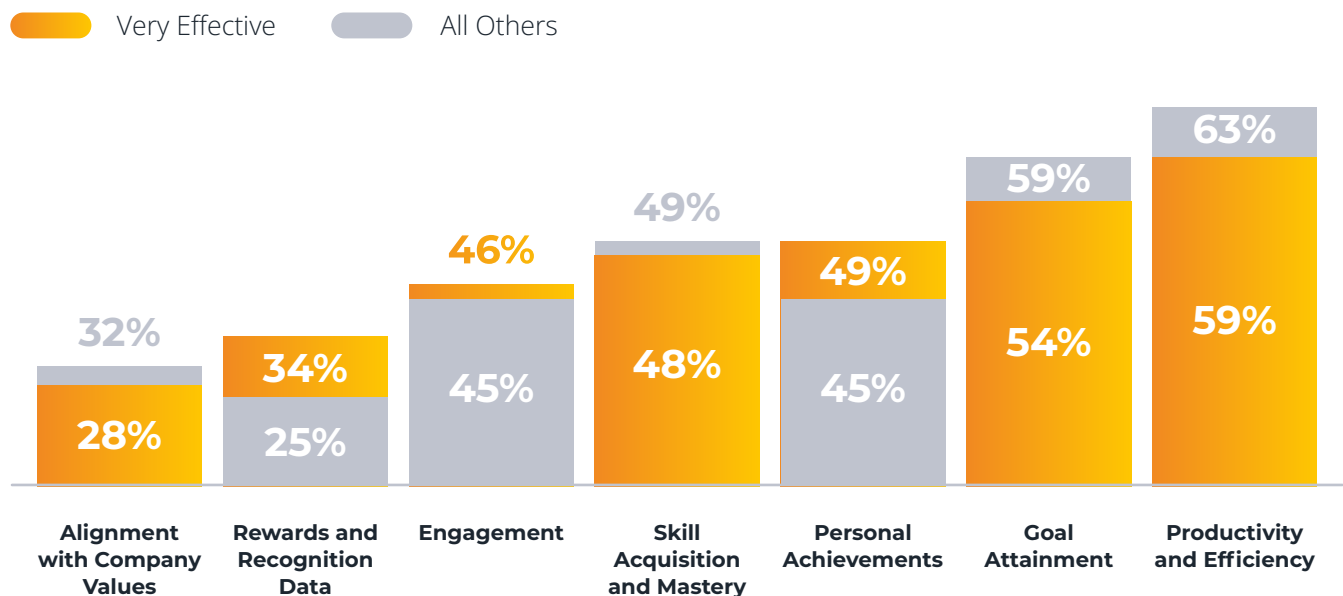## Not Just Performance Data: Performance Intelligence

As we dissect the capabilities that distinguish VE companies from their counterparts at NVE organizations, our research highlights three key areas where performance management processes make a definitive impact. These findings illustrate the importance of integrated, comprehensive, and relevant performance management, especially as foundational drivers of trust, productivity, and decision-making.

We're Still Evaluating Much of the Same Data

Modern HR systems and work technologies are producing more data than ever before, but companies are still focusing on traditional employee data in performance reviews. Figure 6 shows the types of data that organizations are using.

FIGURE 6:

The data organizations are using to measure employee performance.

Very Effective   All Others

	Alignment with Company Values	Rewards and Recognition Data	Engagement	Skill Acquisition and Mastery	Personal Achievements	Goal Attainment	Productivity and Efficiency
All Others	32%	34%	46%	49%	49%	59%	63%
Very Effective	28%	25%	45%	48%	45%	54%	59%

aptitude research

Productivity and Goals were the top two areas of performance data being accounted for among both VE and NVE organizations. Interestingly, organizations in both cohorts are rarely utilizing data from Rewards and Recognition programs, and even fewer are taking employees' alignment with company values and mission into account.
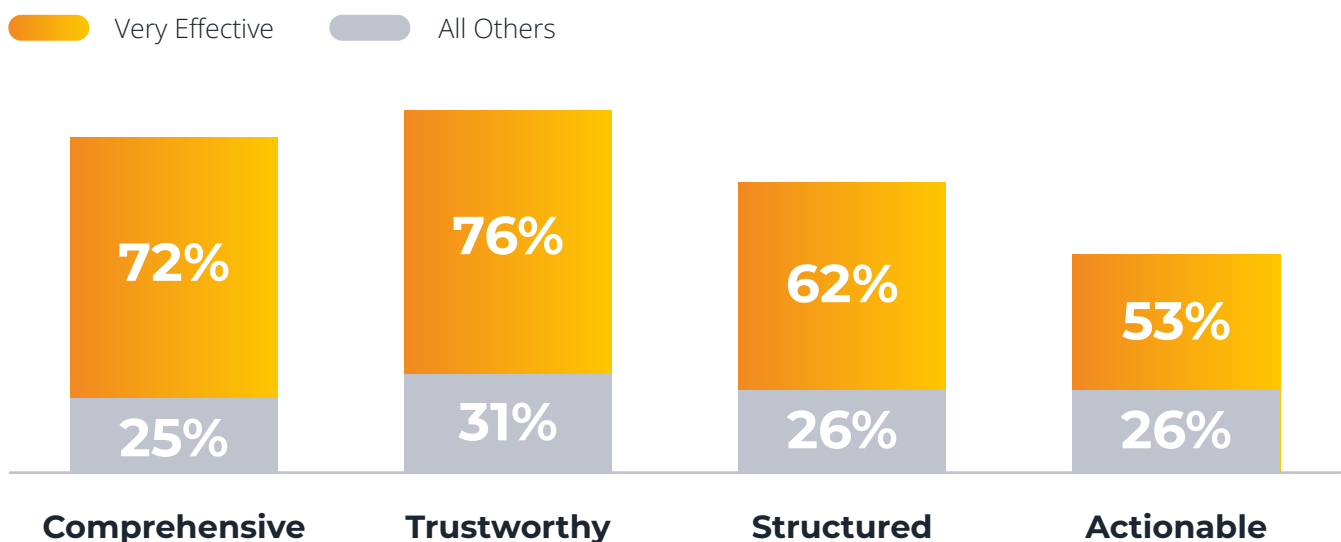
Better Data Begets Better Outcomes

So, if the types of data being used to evaluate employee performance are much the same between VE and NVE organizations, what's the difference?

Our research found that one of the most critical outputs and drivers of modern performance management is also one of the most overlooked: data quality. When evaluating the quality of data gathered, analyzed, and reported on in performance management, there was an alarming gap between the two cohorts. Figure 7 illustrates the stark contrast in data quality between VE and NVE organizations.

The quality of data in VE performance management programs is generally high, providing reliable insights for decision-making. On the other hand, NVE programs struggle with poor data quality, which can lead to misguided strategies and decisions.

FIGURE 7:

The big difference in data quality between VE and NVE organizations.

Very Effective   All Others

Comprehensive	Trustworthy	Structured	Actionable
72%	76%	62%	53%
25%	31%	26%	26%

aptitude
research

Relevant, Regular Reporting Capabilities

As one would expect, high-quality data supports high-quality reporting. Figure 8 illustrates that VE programs deliver more robust reporting capabilities that provide actionable insights to pre-determined stakeholders to inform and understand workforce viability and support data-driven decision-making. NVE programs offer minimal and less actionable reporting to a shape-shifting group of poorly defined stakeholders.

INSIGHTS FROM THE FIELD:

"When we implemented a new performance management program, we went through a thorough process to ensure the data was accurate. We cleaned and processed the data multiple times and loaded it into the system. We also have specific processes to ensure the data remains clean. And we are constantly working to improve the data and maintain its cleanliness."

Rob Arbogast
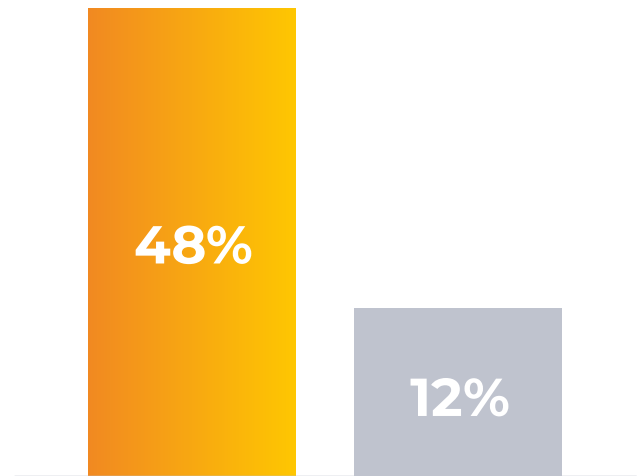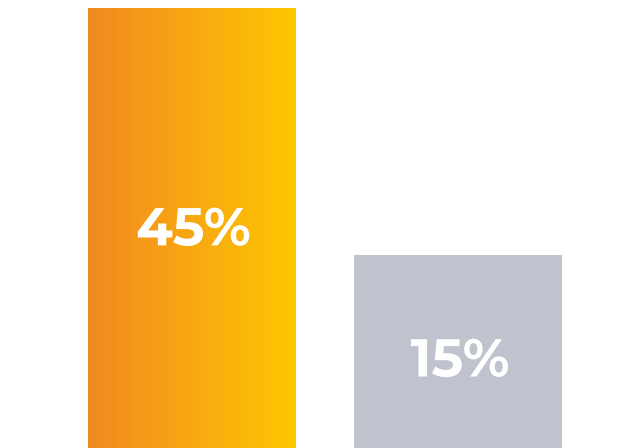Director, People Systems and Strategy, The Timken Company

in Connect

FIGURE 8:

Better data, more insight, and better decision making.

Very Effective   All Others

48%   **12%**

Actionable Insight On Workforce Viability

45%   **15%**

Supporting Data-Driven Decision-Making in Compensation and Succession Planning

aptitude research

The Data-Driven Edge in VERY EFFECTIVE (VE) Companies

When it comes to data quality, VE organizations are outpacing their colleagues in every way. On average, 65% of VE organizations rated the data and insight gathered in their performance management processes in the top quartile across all qualities. In comparison, only 27% of NVE organizations rated their data this highly.

These findings highlight that VE companies prioritize the connection between process and data quality to ensure their overall performance management efforts are well-rounded across various dimensions, enhancing the process's effectiveness and credibility with key stakeholders.

RECOMMENDATIONS

Cultivating Culture

A well-crafted performance management process is not just about ticking boxes. It's about making data a regular part of daily choices and helping employees connect their work and development to the company's big picture.

For example, only 40% of the most effective companies see the full benefits of their DEIB initiatives and their impact on performance. Even fewer of the ineffective ones do.

Data Relevance and Stakeholder Value

Data proves its value when it leads to clear decisions and actions. Very Effective companies show that when data is relevant, trustworthy, and well-organized, it becomes a crucial tool for making informed choices at every level of the organization.

RECOMMENDATIONS

Closing the Loop with Stakeholder-Centric Data

Identifying the most critical stakeholders in the performance management process is the first step in closing any gaps. VE companies understand that too many variables and over-complication can dilute effectiveness.

By emphasizing a stakeholder-centric approach to data in PM, VE companies set themselves apart, demonstrating that high-quality, actionable data is not a luxury but a necessity for a performance management process that not only meets but exceeds expectations, driving the organization forward with clarity and precision.

Prioritizing Outcomes Over Processes

A common pitfall in performance management is over-indexing on the process at the expense of outcomes. VE companies illustrate that the core purpose of performance management is to drive critical organizational outcomes, such as performance, productivity, workforce planning, and agility.

To achieve these, a company needs measurable KPIs and insightful diagnostics. This data-driven insight informs and transforms processes to optimize performance and address the needs of the most critical stakeholders first.

Data is pivotal in performance management, but its true power lies with data-savvy HR professionals. These experts go beyond analyzing numbers—they interpret data within the broader context of workforce implications and strategic alignment. Comprehensive training is available through SHRM, HRCI, and online courses from esteemed institutions like Stanford, Michigan, Cornell, and even local community colleges for those looking to enhance these skills. These programs provide a blend of analytics expertise and practical applications tailored to HR professionals.
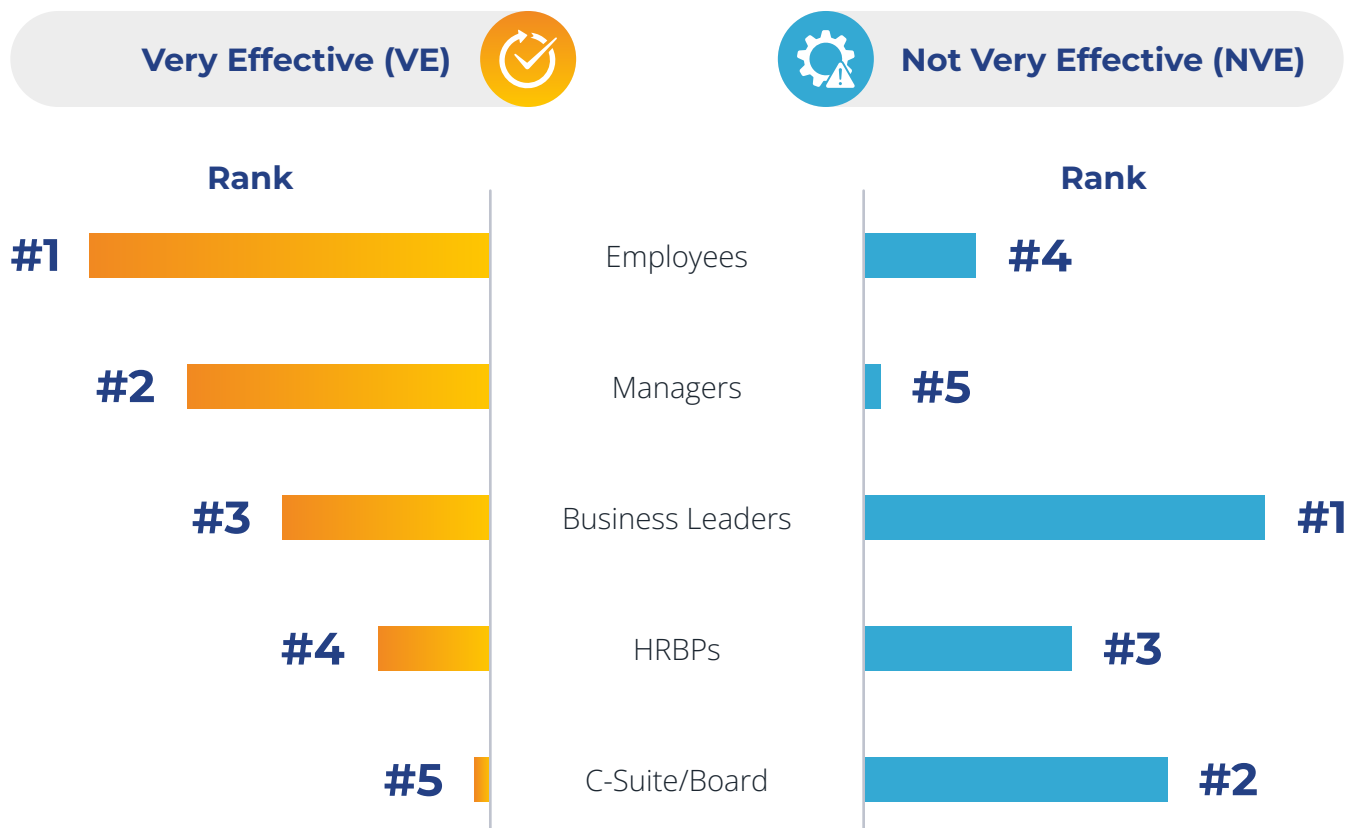
aptitude
research

SECTION 3:

PERFORMANCE MANAGEMENT'S BIGGEST STAKEHOLDER IS NOT THE BUSINESS

Performance management is a complex program that HR has to manage, with multiple stakeholders to account for such as employees, managers, business leaders, and executives. However, there is a significant difference between traditional performance management and performance intelligence in terms of the stakeholders that these functions are designed to help.

FIGURE 9:

The differences in priorities between VE and NVE organizations.

Very Effective (VE)		Not Very Effective (NVE)
Rank		**Rank**
#1	Employees	#4
#2	Managers	#5
#3	Business Leaders	#1
#4	HRBPs	#3
#5	C-Suite/Board	#2

aptitude research

The two most important stakeholders among organizations in the VE cohort are managers and employees. Among NVE organizations, the primary stakeholders are executives. The significant impact that VE performance management programs have on employee retention and engagement compared to NVE organizations adds a new layer of consideration: Are the majority of organizations prioritizing the wrong things when it comes to performance management?

Whether companies prioritize them or not, managers sit at the core of performance management. While VE companies are taking the initiative to enable these crucial contributors to align individual performance benchmarks with overarching organizational goals. Our research highlights the irreplaceable role of managers in seamlessly connecting organizational objectives with individual contributions. This is demonstrated in how VE companies have designed their processes to empower their employees and bolster managerial capabilities, cultivating a workplace that values well-being and strategic insight.

Key Findings

Enhancing Productivity

A VE performance management process is pivotal in creating productive workspaces. It aligns seamlessly with company profitability and growth objectives, with 59% effectiveness in VE companies compared to 20% in NVE firms.

Linda Breed

HR Director

in Connect

INSIGHTS FROM THE FIELD:

"The success of performance management hinges on our managers. They are the ones who bring the performance management process to life, making it meaningful and effective fortheir teams. While HR lays down the performance management framework and suggests engagement tactics, the true transformation is realized in the dynamic between managers and their teams."

aptitude research

SECTION 4:

AI ACCELERATES EXCELLENCE

Many organizations, including those in the VE cohort, face persistent challenges when it comes to refining performance management.

Administrative processes, dependence on spreadsheets, and outdated technology are among the top three obstacles that these organizations encounter. While spreadsheets may not become obsolete, HR technology is undergoing rapid innovation cycles.

New use cases for AI are rapidly emerging, many of them focused on reducing the administrative burden in HR processes. In performance management, these range from automating feedback requests to summarizing a year's worth of notes from manager one-on-ones.

AI can greatly enhance performance management tasks and processes, and our research found that the majority of companies are utilizing AI in performance management, albeit to varying degrees, as illustrated in Figure 10.

FIGURE 10:

The growing use of AI in Performance Management

46%
Using AI Extensively

26%
Using AI

21%
Not Using AI
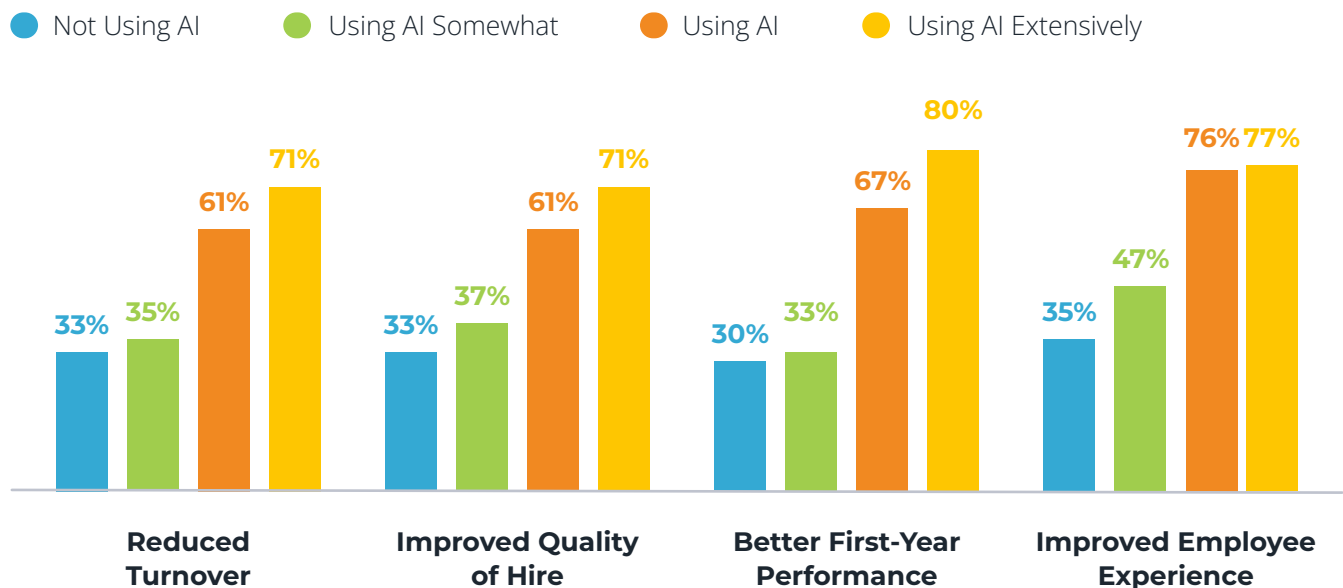
18%
Using AI Somewhat

LAURIE'S TAKE

While AI is revolutionizing performance management by automating tasks and processing vast amounts of data, there's a critical caveat—AI can get it wrong. When AI systems integrate implicit biases, they don't just reflect those biases; they can amplify them. It underscores the urgent need for HR professionals who can recognize and correct these biases. Ensuring AI's accuracy and fairness isn't just about better technology—it's about better oversight.

aptitude research

Among those companies utilizing AI in performance management, the impact is clear. Figure 11 below illustrates that those using AI outperform their peers across several key performance indicators.

FIGURE 11:

The impact of AI in Performance Management

● Not Using AI   ● Using AI Somewhat   ● Using AI   ● Using AI Extensively

	Reduced Turnover	Improved Quality of Hire	Better First-Year Performance	Improved Employee Experience
Not Using AI	33%	33%	30%	35%
Using AI Somewhat	35%	37%	33%	47%
Using AI	61%	61%	67%	76%
Using AI Extensively	71%	71%	80%	77%

Turnover, quality of hire, and employee experience are three of the most important performance areas for HR operations, and those using AI are far ahead of those not using AI. Unsurprisingly, companies using AI in employee performance management also see improvements in first-year employee performance, with 80% of those using AI extensively reporting improvements.

KYLE'S TAKE

As HR navigates the evolving landscape of AI and Performance Intelligence, the choice isn't just between leading the charge or lagging—it's about moving forward together. Being pragmatic means sometimes letting others test the waters of new technology, learning from their experiences to inform our strategies. It's crucial for HR professionals to actively engage with their associations and seek direct insights from leading HR technology vendors. By fostering collaborative relationships and prioritizing shared learning, we ensure our approach to AI in performance management is innovative and well-grounded.

aptitude research

The impact of AI in performance management is substantial, and it's also accelerating innovation among the companies using it. Figure 12 below shows more.

Nearly 90% of those using AI extensively have implemented skills-based talent strategies within their organizations—more than three times as many as those not using AI at all. These organizations continue to invest in AI at an increased clip: 82% use AI extensively in performance management, compared to just over half not currently using AI in performance management.

FIGURE 12:

Accelerated Innovation Among Companies using AI in Performance Management

● Not Using AI   ● Using AI Somewhat   ● Using AI   ● Using AI Extensively

Implemented Skills-Based Talent Strategy	Increasing Investments in AI
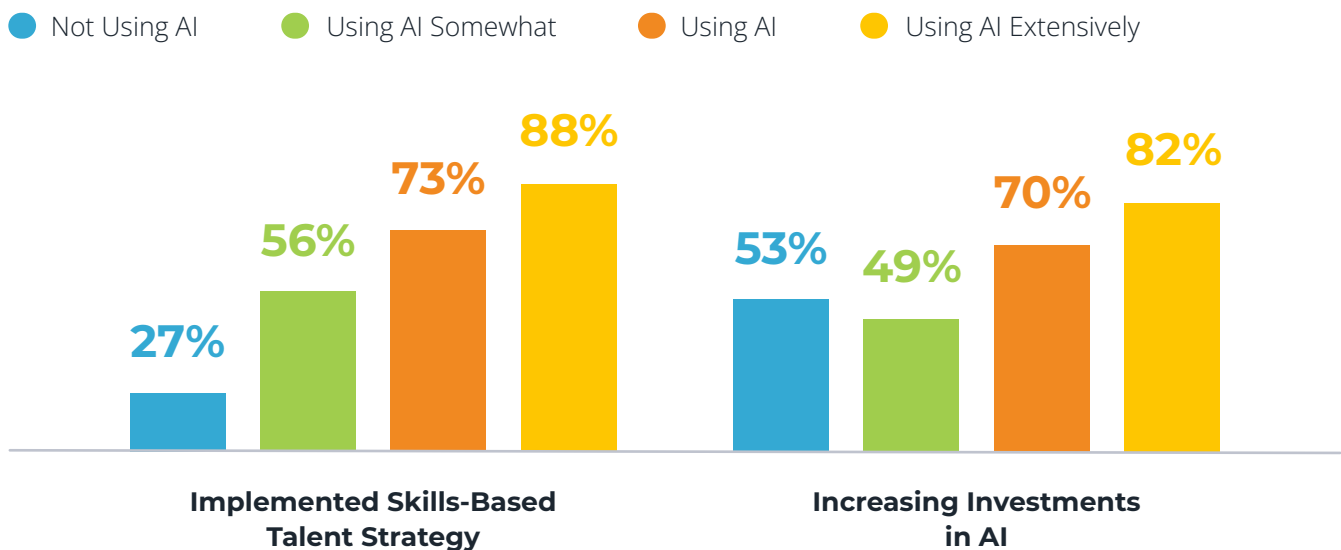
RECOMMENDATIONS

Phased AI Adoption

Embark on a phased approach to integrating AI within PM, initially focusing on tools that enhance managerial efficiency. This strategic emphasis enables managers to leverage AI for more informed decision-making, alleviating the burden of administrative tasks and fostering a culture of efficiency and precision.

aptitude research

RECOMMENDATIONS

Managerial Empowerment

In line with earlier recommendations, a priority area for AI should be reinforcing manager empowerment and human-centered leadership. AI can facilitate effective team leadership by equipping managers with in-depth insights to enhance individual and collective performance.

Prioritize Data Integrity

Before integrating AI, ensuring the comprehensiveness, reportability, trustworthiness, structure, and actionability of performance management data is vital. This preparatory step is critical for successfully applying AI, ensuring technology implementations are grounded in quality data and aligned with organizational objectives.

The integration of AI in performance management represents more than the mere adoption of new technology. It signals a shift to a future where data-driven insights empower managers to lead with increased empathy and effectiveness. The convergence of technology and human insight paves the way for organizations to achieve new levels of performance excellence, harnessing AI to overcome longstanding challenges and unlock untapped potential.

INSIGHTS FROM THE FIELD:

Stephanie DeMars, M.S., PHR

HR Director

in Connect

"I think managing performance expectations and providing meaningful feedback for growth is still an area many HR teams are working to get right. I'm still exploring this in my career and look forward to the day we can leverage AI to consolidate the necessary data while keeping the worker front and center. My overarching philosophy is that the employee owns their career and is responsible for steering it. As HR leaders, we facilitate this process, remove obstacles, and provide guidance to help them on their journey. Technology should enable these responsibilities, not add more administrative burdens."

aptitude
research

IT'S TIME TO SHIFT TO PERFORMANCE INTELLIGENCE

Throughout our research, we've seen a dynamic shift in the priorities and challenges HR departments face. A few years ago, the focus was on boosting employee engagement. Then, the pandemic prompted a deliberate pivot towards hiring and retaining talent, strongly emphasizing well-being. In the post-pandemic landscape, budget constraints and ongoing instability have forced tough decisions, spotlighting a cycle of reactive measures rather than strategic planning within HR.

> **Historically, core HR programs like performance management haven't been as flashy as the latest HR tech trends. Yet, our research reveals a clear divide: Organizations either have highly effective performance..management programs or don't.**

Though many variables contribute to the effectiveness of performance management programs, the common threads among those organizations in the Very Effective cohort include several key traits:

- ✓ The integration of performance management programs as the cornerstone of HR and talent strategies

- ✓ The dedication to comprehensive, trustworthy, and actionable data on employee performance and workforce viability

- ✓ The prioritization of managers and their employees as critical stakeholders of performance management

- ✓ The utilization of artificial intelligence to improve KPIs of performance management and accelerate innovation

These are the qualities that distinguish performance management and performance intelligence. The journey from the former to the latter is ambitious, aiming to elevate organizations from ineffectiveness to impact. But considering the pressures HR organizations face as the world resettles into post-COVID norms, the urgency to transform is too great to ignore. The concept of "good enough" simply doesn't cut it anymore.

aptitude research

Closing Thoughts

The path to excellence in performance management is continuous and layered, demanding a deliberate and cohesive strategy. By adopting these recommendations, organizations can leap from mediocrity to excellence, enhancing HR's strategic impact and fostering an engaged, efficient, and fulfilled workforce.

Integrating advanced technologies like AI, along with a deep commitment to data integrity and empowering leadership, will be critical for navigating the complexities of today's workplace.

Organizations that embrace this challenge will set new benchmarks in performance management, positioning themselves for long-term success in a rapidly changing business environment. Those who fail to adapt will risk falling behind and being unable to attract and retain top talent—the same as it ever was.

Key Findings & Important Statistics

1

Challenge the "Good Enough" Mindset

Strive for a comprehensive and proactive performance management strategy that exceeds the status quo.

2

Managerial Skill Development Matter

Invest in tools and skills development programs that bolster decision-making and leadership agility among managers.

3

Leverage Data-Driven Insights

Cultivate a manager-driven culture of strategic alignment and growth through insightful data from relevant technology platforms.

4

Ensure Data Integrity

Maintain high data quality and integrity standards as the foundation for effective AI integration and strategic technology use in performance management.

aptitude research

ABOUT THE AUTHORS

Kyle Lagunas

Head of Strategy &
Principal Analyst at
Aptitude Research

in **Connect**

He's spent over a decade studying innovation cycles in HR and talent technology—with leadership roles in both the solution provider and practitioner space—and brings that breadth of experience and insight to his work advising vendors and practitioners on the ever-evolving world of talent. He's a transformational talent leader, top industry analyst, and non-nonsense strategist with a reputation for bringing a fresh perspective to the table. Before joining Aptitude, he served as the Head of Talent Attraction, Sourcing & Insight at General Motors where he led the go-to-market functions of the company's global talent acquisition and played a pivotal role in transforming their recruiting strategies and processes.

Laurie Ruettimann

Adjunct Analyst,
Aptitude Research

in **Connect**

Laurie Ruettimann is a former human resources leader turned writer, entrepreneur, and speaker. CNN recognized her as one of the top five career advisors in the United States, and her work has been featured on NPR, the New Yorker, USA Today, the Wall Street Journal, and Vox. She frequently delivers keynote speeches at business and management events around the world and hosts the popular podcast Punk Rock HR. When she's not up in the air, she lives with her husband and cats in Raleigh, North Carolina.

aptitude
research

About Us

Aptitude Research is a leading human capital management (HCM) research and advisory firm. Our in-depth research and vendor assessments help HR leaders develop a deep understanding of the HCM technology landscape, including talent acquisition and engagement, to ultimately make better purchase decisions.

Our flagship research, delivers a comprehensive look at talent acquisition trends and technology. This knowledge, combined with ourconsulting and advisory services, enables companies to save time, money and improve the recruiting, hiring and workforce management experience.

Founded by leading analyst Madeline Laurano and based in the Boston area, Aptitude Research provides a wealth of HCM expertise to companies, vendors and investors. View our recent and upcoming research at **www.AptitudeResearch.com** or connect with us on **Twitter** or **LinkedIn**.

Cornerstone powers the potential of organizations and their people to thrive in a changing world. Cornerstone Galaxy, the complete AI-powered workforce agility platform, meets organizations where they are. With Galaxy, organizations can identify skills gaps and development opportunities, retain and engage top talent, and provide multimodal learning experiences to meet the diverse needs of the modern workforce. More than 7,000 organizations and 125 million users in 186 countries use Cornerstone Galaxy to build high-performing, future-ready organizations and people today.

To learn more, visit **cornerstoneondemand.com**.