

6 Predictions for the Future of Performance Management

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Employees' expectations and their ways of working are changing, but performance management has not yet shifted to align with this new reality. HR leaders should use these predictions to plan changes to performance management at their organizations.

The rise of hybrid and contingent workforces has redefined employee productivity and performance. To reduce bias and provide employees the flexibility to determine how best to get their work done, organizations focus on measuring employee outcomes. However, with this added flexibility, the output focus has become transactional.

At the same time, performance management has changed at most organizations to continually support rapid employee growth and development rather than to simply check the annual appraisal box. This transition from a monolithic, annual milestone-based approach to a continuous approach is laudable, but incomplete. Employees want and expect their organizations to see them as people, not just workers.

To balance these two shifts, we predict that HR leaders will collaborate with business leaders over the next three to five years to embrace a humane-output-focused approach to performance management. A humane output focus in performance management implies that leaders and managers will move beyond just measuring employees' outcomes and consider the context in which employees' outcomes are achieved: their personal goals, the circumstances they work in, the teams they belong to and the type of work they complete. This focus will be embedded throughout performance management processes and employee touchpoints, from goal setting to pay decisions (see Figure 1).

Prediction 1: Employees Will Be Accountable for Achieving Their Personal Goals, Not Just Professional Goals

Goal-setting and feedback conversations are meaningful when they help employees directly link their contributions to the organization's goals. However, employees no longer want to restrict themselves to the organization's idea of success. Our 2021 EVP Employee Survey showed that 82% of employees want their organization to see them as people, not just employees.¹ Employees want their employers to know them for who they truly are and what personal success looks like for them. For example, your high-performing operations manager might want to pursue a course in astrophysics while taking care of her newborn. Or your newly hired analyst could be aspiring to start a podcast on food culture and train to become a certified yoga practitioner.

In the next evolution of performance management, HR leaders will leverage goal-setting practices to make employees accountable for achieving those personal goals (e.g., well-being goals, skills unrelated to their work). In addition to fostering an environment in which employees can openly and honestly discuss these personal goals with their managers, employees will be equipped with self-assessment tools to list and evaluate their progress against each personal goal. With a greater understanding

Figure 1. Elements of Humane Output Focus in Performance Management



Source: Gartner

of their personal and professional goals, along with the measures of success, employees will seek support with intention and truly integrate, not just balance, work and life.

Prediction 2: Short-Cycle, Project-Based Performance and Pay Decisions Will Become the Norm

At the macro level, we are witnessing the emergence of a workforce whose work is agile and project-based. With a slow and steady shift to contingent workers during the pandemic, these new work models are influencing many organizations' postpandemic planning. At the same time, agile, project-based ways of working have expanded beyond IT to other parts of organizations. This project-based work appeals to young employees who want to gain a diverse set of work experiences.

In a world of project-based work, employees want to know how their performance measures up after each project they complete; they expect to see the explicit link between evaluations and rewards payouts regularly. Organizations will assess employee performance regularly to make staffing and resourcing decisions as projects conclude. To support the needs of this new workforce, the cadence of performance evaluation will align with the duration of project cycles.

These assessments will:

- Provide employees with feedback, evaluation and rewards based on their project-to-project performance
- Evaluate employees based on (a) outcomes achieved (by leveraging digital performance assessment tools), and (b) critical feedback from peers and clients using an essential question (e.g., Would you want to work with your colleague again?)
- Clearly define and explain how employees' performance on each project has affected their pay

Prediction 3: Performance Ratings Will Incorporate Empathy to Accurately Measure Performance

Assessing project-based work can be tricky and can boil down to a yes-or-no question of whether to staff the employee on a new project or not. This simplistic view of employee performance takes away the context in which employee outcomes are achieved. If organizations want to attract and retain high performers to grow their careers at the organization, they need to factor in that context so employee assessments are a fair depiction of their varied experiences. Did a top-performing employee take on a new-in-kind role on a project to learn new skills? Did an employee find it hard to focus at work because of a personal tragedy? Are teams struggling to achieve their goals due to recurring hiccups in collaboration technology?

HR leaders realize more than ever that employees work in various contexts that directly or indirectly affect outcomes, and performance ratings will account for these contexts. HR leaders will

involve employees in the design of empathetic performance ratings to accurately measure their performance. Imagine an organization that deploys a new set of ratings to use, such as “learning new skills” (for the top performer learning new skills in a challenging project); “focusing outside of work” (so an employee facing tough circumstances at home is not penalized) or “prioritizing wellness goals” (so employees do not sideline their wellness goals due to increased workload).

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Prediction 4: Technology Will Accelerate Employee Ownership of Feedback and Development

Employees are no longer passive feedback recipients, and organizations are continuously moving toward employees taking ownership of their feedback and development. Employees understand, even better than their managers, the kind of development support they need to improve their performance. Currently, performance assessments and performance management technologies lag in enabling full employee ownership of feedback and development. This will soon change.

Organizations have increased investment in employee-productivity-monitoring technologies, especially in the hybrid world. Productivity-monitoring technology using automated data collection and analytics to report employees' activities — such as work patterns — can be a powerful tool to help individual employees understand how they are performing and where they need to improve. In the future, this technology will automate feedback processes and provide timely, data-based feedback to employees. Coupled with peers and clients providing instant feedback via improved feedback and collaboration technology, employees will be well-equipped to adjust their goals and priorities and take charge of their development and day-to-day performance.

Prediction 5: Performance Assessment Will No Longer Be a Manager's Responsibility

If these projections are true and performance evaluations are based on data gathered by productivity-monitoring technology, peers and clients, and employees proactively serve as their own day-to-day performance managers, how will the role of the manager evolve? Managers will not need to assess employee performance anymore. At most, managers or HR professionals will double-check the performance evaluations and ratings generated, based on this data, to factor in the context.

Managers will focus on supporting employee career pathing and development. HR leaders will equip managers with the resources to nurture talent, step in to support challenging work situations and help employees make decisions about their next projects and skills. Organizations will become more intentional about who becomes a career manager and have only a small, centralized cohort of dedicated career managers who demonstrate the ability to listen empathetically and are open to upward accountability by employees.

Prediction 6: Team Performance Management Emerges as a Separate Focus Area

The legacy approach of performance management to measuring individual performance conflicts with the need to support collaborative work, which is essential to innovation among hybrid and agile teams. As distributed teams adjust where, when and how they collaborate, team performance management will emerge as a separate entity.

Performance management will focus on evaluating employees' project-based performance as well as encourage teams to define their desired team

dynamics and hold each employee accountable for team success. Teams will be equipped with the tools and resources to assess important factors of team health (e.g., inclusivity, cohesion, accountability, customer centricity), and diagnose challenges visible to everyone. These resources will be dynamic to support the evolving nature of teams as employees move around the organization and work with a variety of team members.

Next Steps to Prepare for the Future

Reinventing performance management has been a priority for HR leaders since long before the pandemic. Emerging new ways of working have made it urgent for performance management practices to transform to become more human. Not all of these predictions will occur in the same time frame or apply to all organizations. However, HR leaders can use them to frame how their organizations think about performance management moving forward.

Here are a few questions to jump-start a conversation about the future of performance management at your organization:

- How have employees' expectations of your organization changed? Does your performance management strategy align with those expectations?
- How do you expect work will look different in your organization in the future (e.g., expanding contingent workforce, increased automation)? What impact will those changes have on performance management?
- How do your performance management processes and practices support team performance? How can they do better?
- Are your leaders and managers prepared to adopt a humane output focus in their leadership style? How will you help them do so?

¹ Gartner 2021 EVP Employee Survey; n = 5,000 employees worldwide

