The Talent Strategy Group
SCIENCE + SIMPLICITY

Performance Management

March 2026

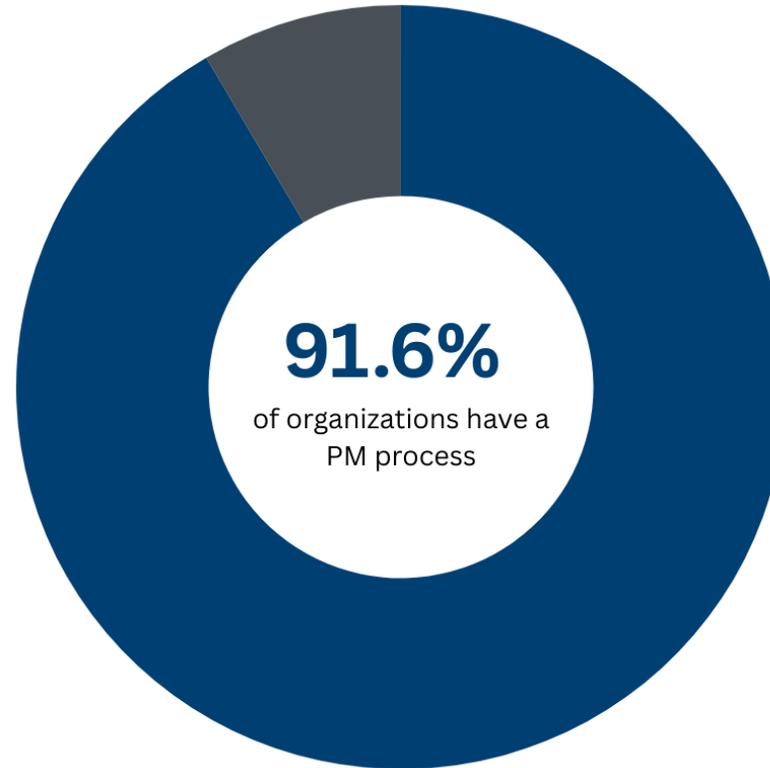# Hi, I'm Zac

CONSULT

DEVELOP
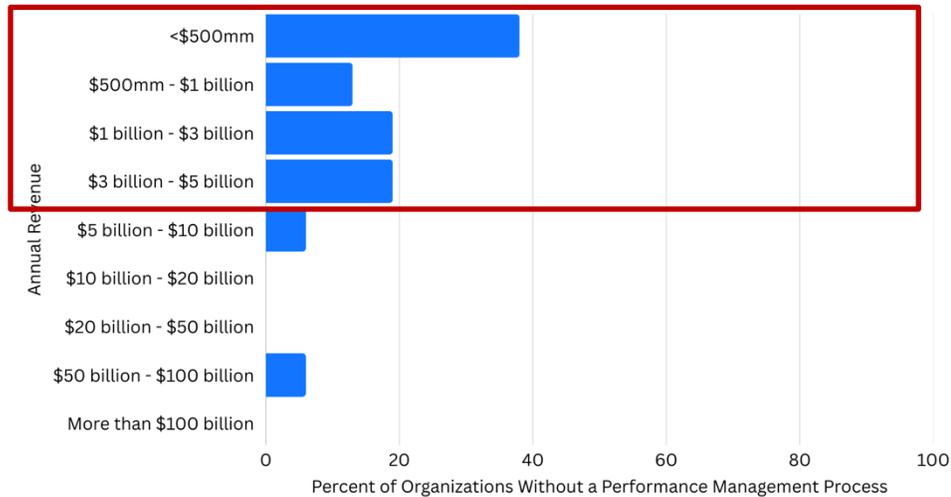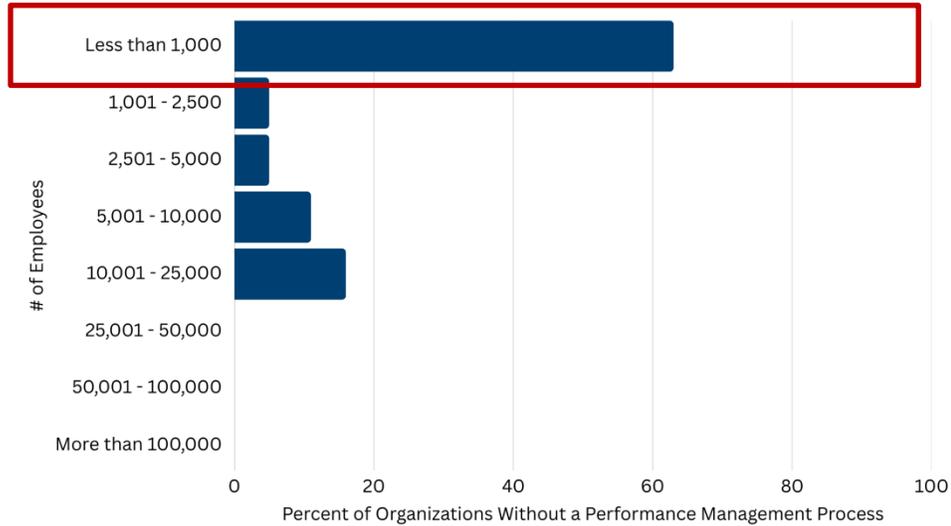
RESEARCH

OUR AGENDA

- Overview & Welcome
- The State of Performance Management
- Q&A

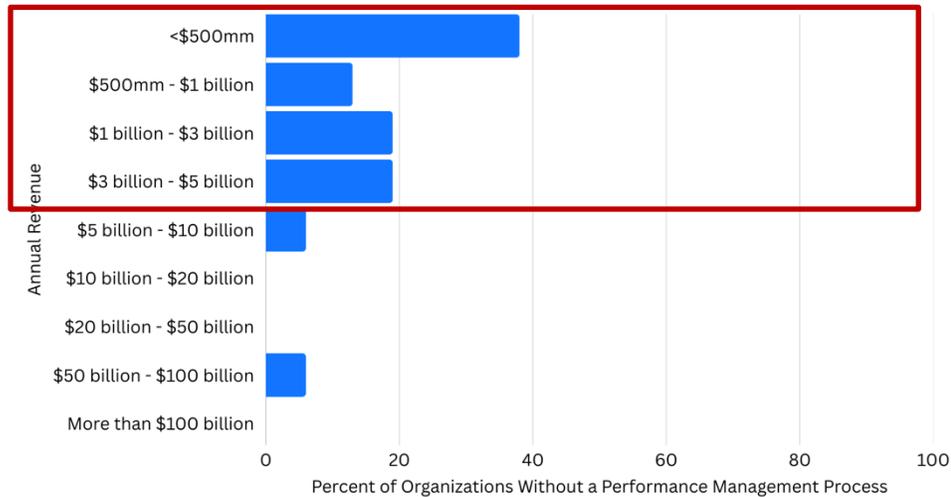# The Hype to Eliminate Performance Management Has Subsided

91.6%

of organizations have a PM process
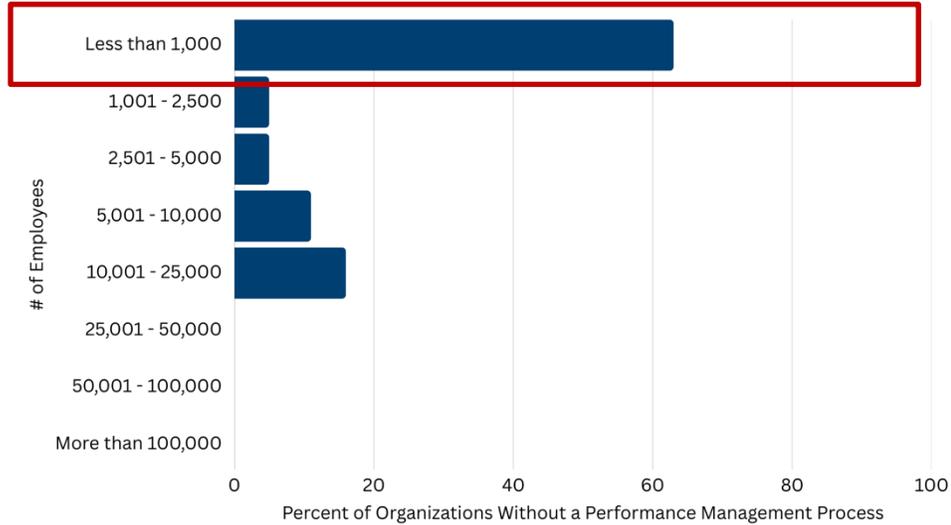
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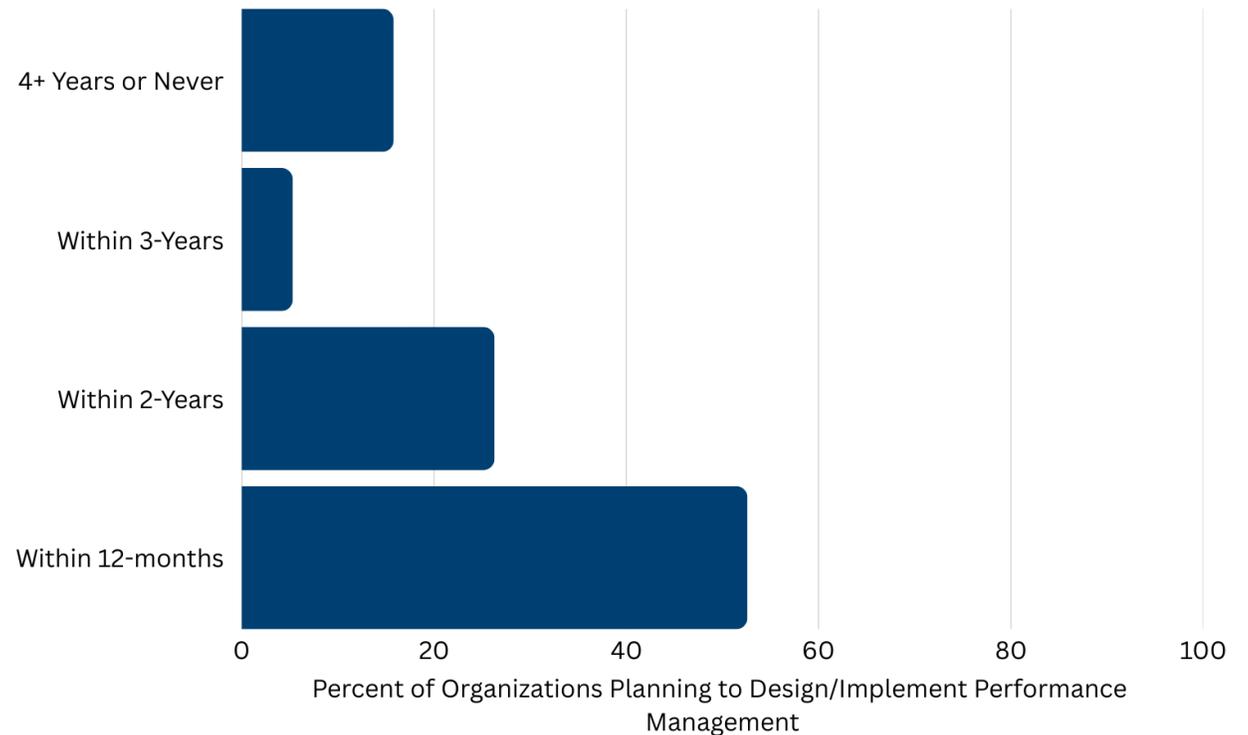
Lack of the Process Skews Small…

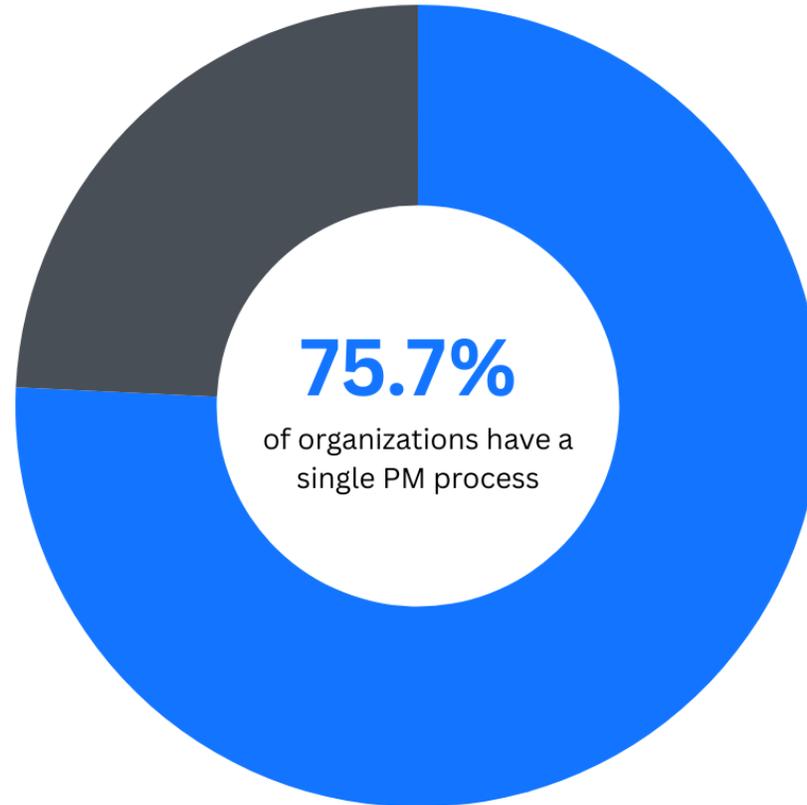**No Process Skews Small**

Lack of the Process Skews Small and Temporary

No Process Skews Small

… With Aspirations to Implement the Process

Most Organizations Have a Single Process

75.7% of organizations have a single PM process

Though Big, Complex Organizations Grapple With Complexities
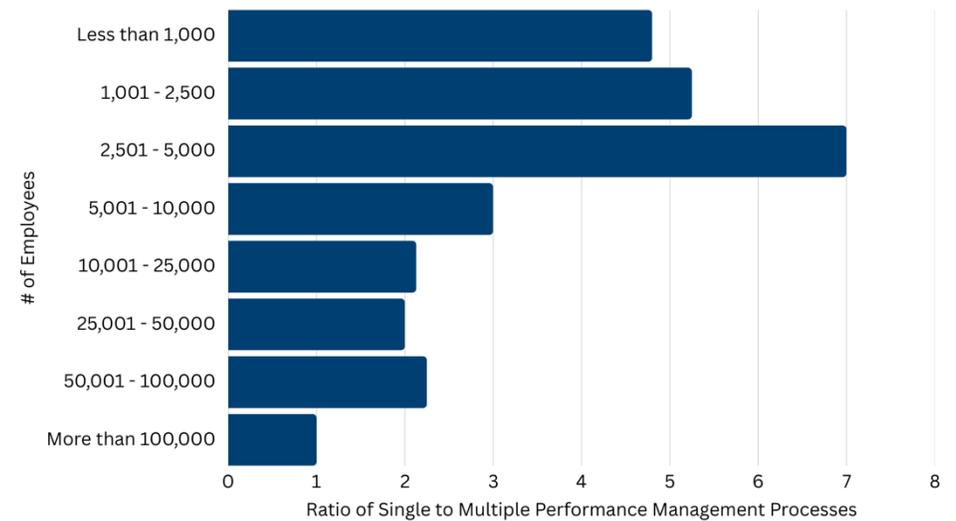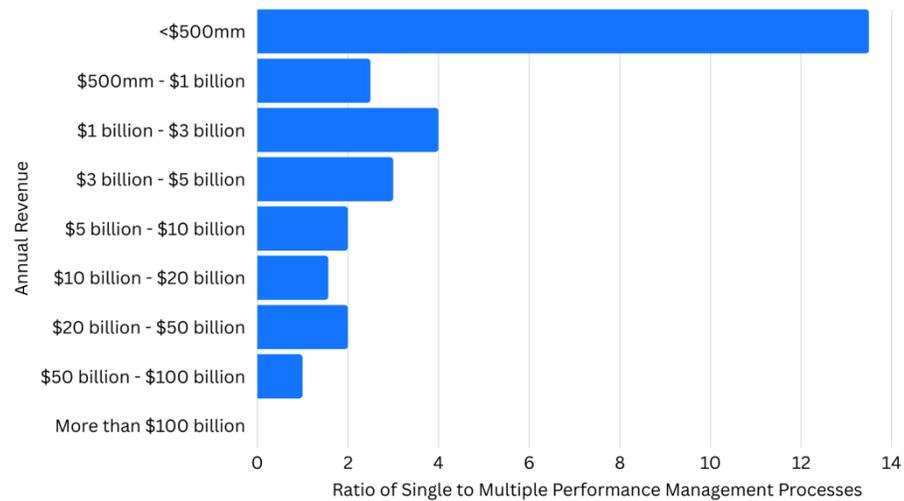
Process Redesigns Are Frequent

Last Performance Management Redesign

● Within the Last Year   ● 1-2 Years Ago   ● 3-4 Years Ago   ● 5+ Years Ago

| 28.0% | 27.4% | 19.6% | 25.0% |

0%   20%   40%   60%   80%   100%
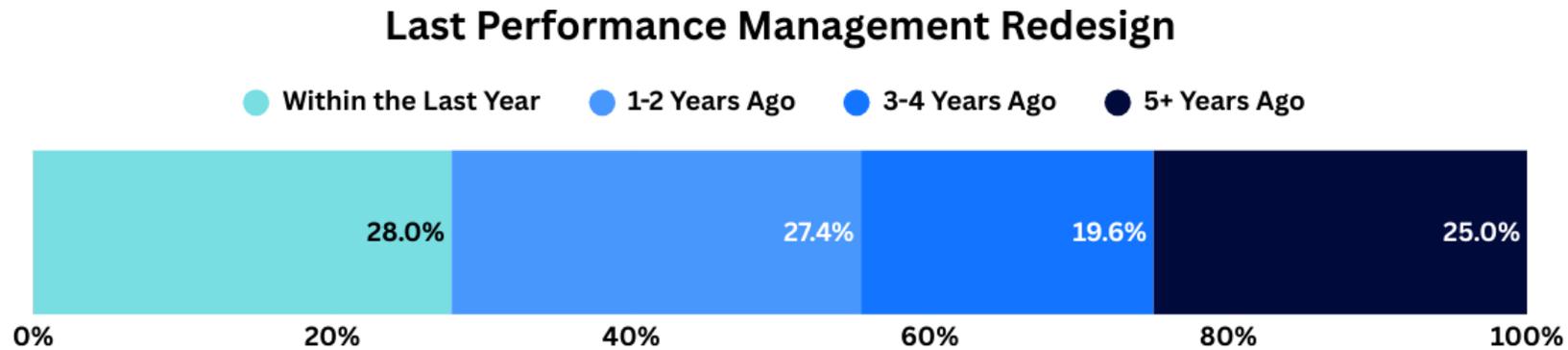
... But Redesigns Aren't Yielding Increased Effectiveness

Where is Your Company?

	GOAL SETTING	FEEDBACK CONVERSATIONS	REVIEWING & PAY FOR PERFORMANCE
5			
4			
3			
2			
1			

Goal Setting

The Research of Performance – Goals

SET
GOALS

- Goals create *focus* and *motivate* employees
- The harder the goal, the more the goal motivates (so long as the goal is possible to achieve!)
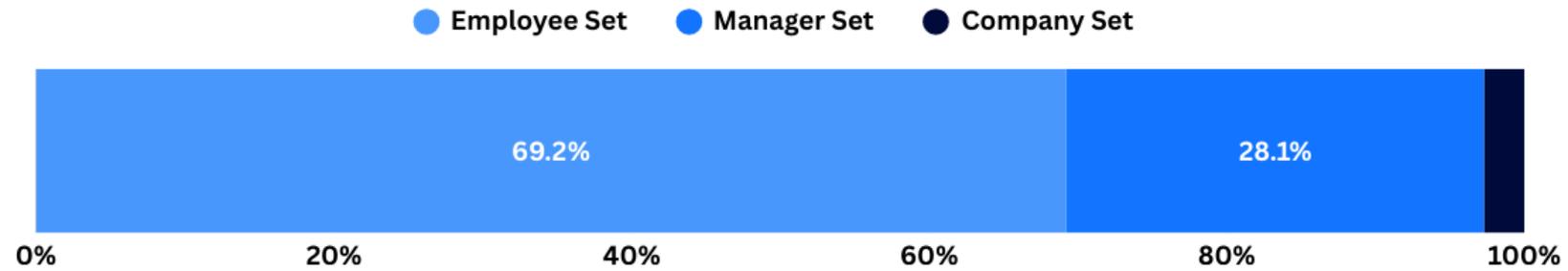- Specific goals create higher contribution than urging "do your best"
- Too many goals reduce the effort on each one

Goal Setting Is Widely Adopted

91.1%

of organizations have a goal setting element to Performance Management

Employees Set Their Own Goals

Employee Set **Manager Set** **Company Set**

| 69.2% | 28.1% | |

0%   20%   40%   60%   80%   100%
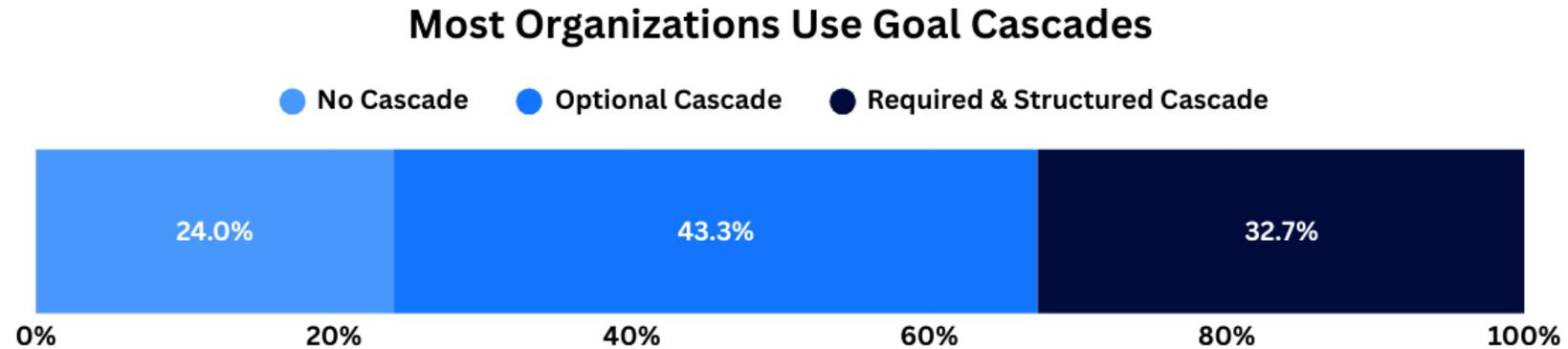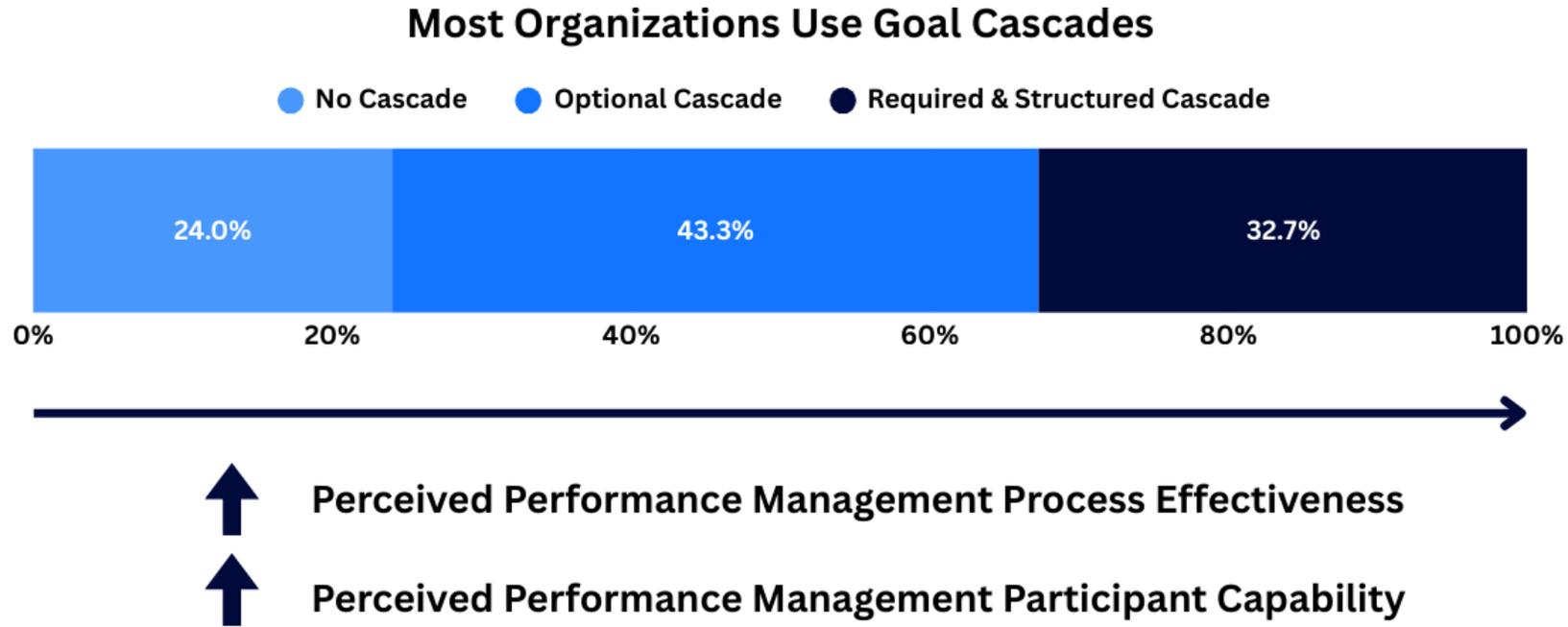
Employees Set Their Own Goals
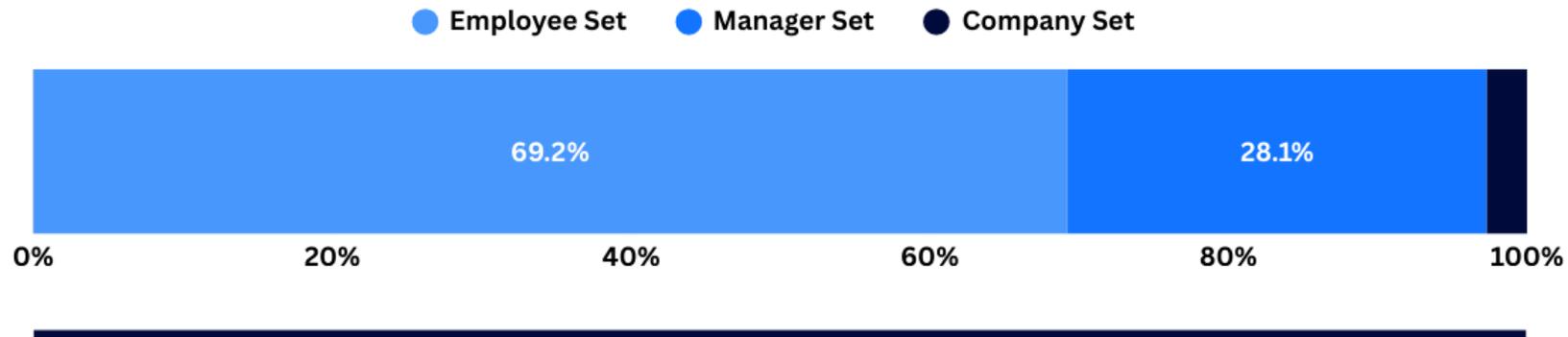
No material difference in perceived PM effectiveness or participant capability based on who sets the goal(s)

... Informed by a Goal Cascade

Most Organizations Use Goal Cascades

● No Cascade   ● Optional Cascade   ● Required & Structured Cascade

| 24.0% | 43.3% | 32.7% |

0%   20%   40%   60%   80%   100%

... Informed by a Goal Cascade

Most Organizations Use Goal Cascades

● No Cascade ● Optional Cascade ● Required & Structured Cascade

| 24.0% | 43.3% | 32.7% |

0%   20%   40%   60%   80%   100%

Perceived Performance Management Process Effectiveness

Perceived Performance Management Participant Capability

With the Flexibility to Adjust Goals

Which Goal Type is Best?
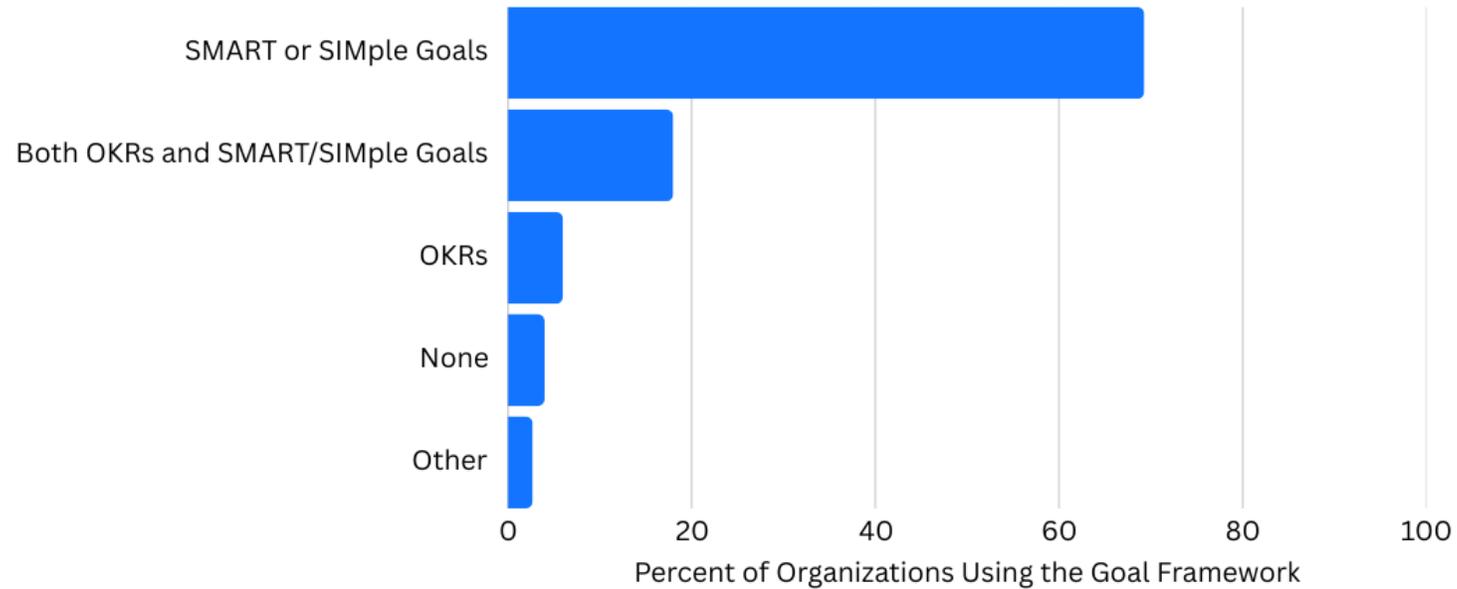

S PECIFIC: HERE'S WHAT I'LL DO AND BY WHEN

I MPORTANT: HERE'S WHY IT MATTERS

M EASUREABLE: HERE'S HOW TO TELL

Goals Are Generally SMART/SIMple
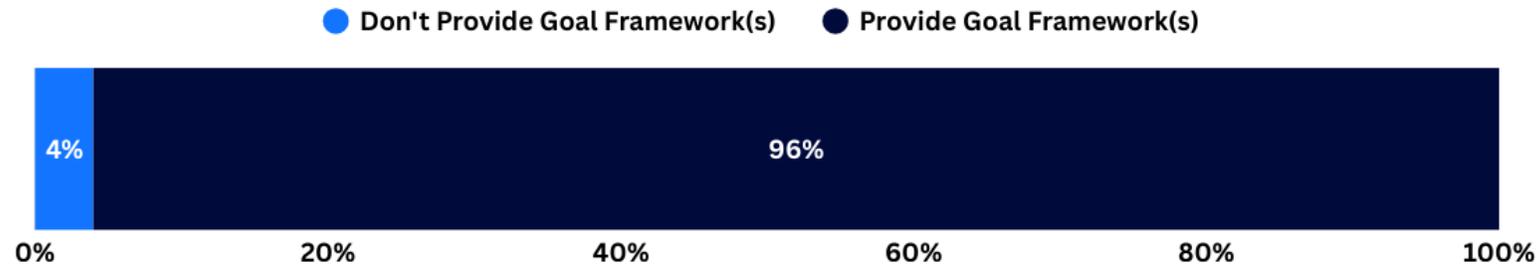
Guided to Set 3-4 Goals...

... But We Actually Set More

Goals Are Often Recorded in Technology
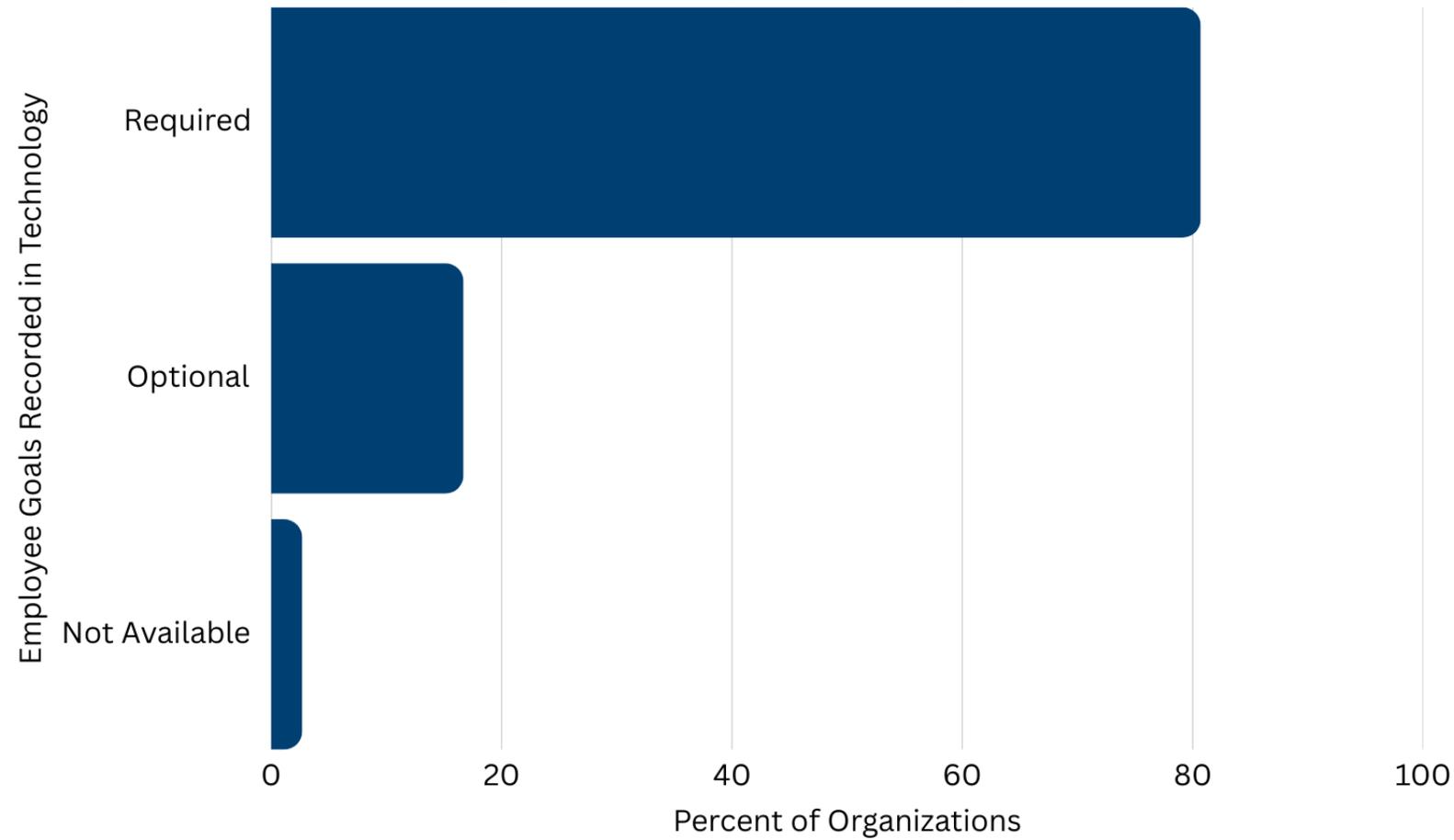
And Often Left Unweighted
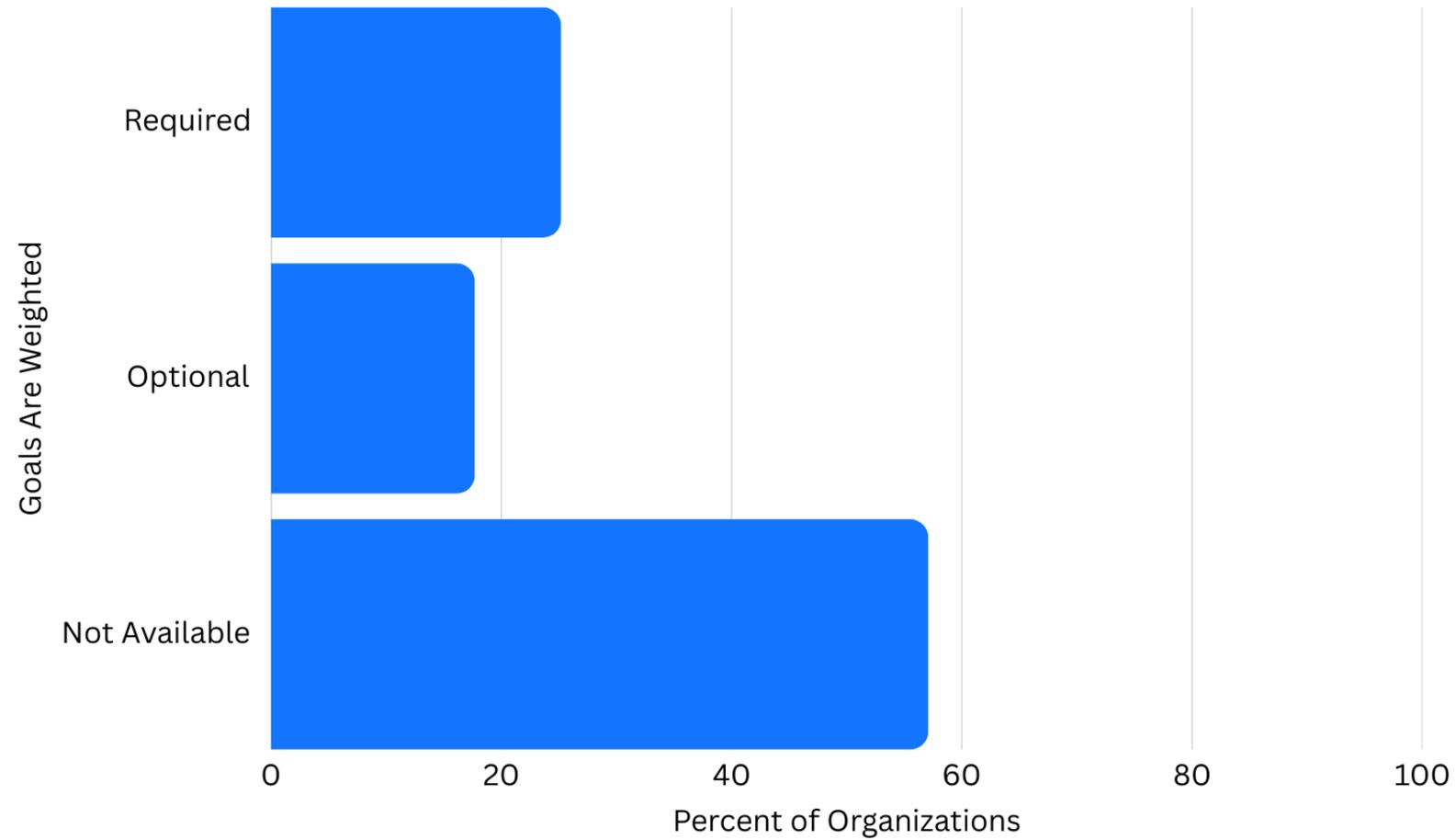
With Goals Guided To Be Set in 1-2 Months

Legend: ● <1 month ● 2 months ● 3 months ● 4 months ● 5+ months ● No Guidance/Actual

Guidance: 33.6% | 32.9% | 19.2% | 11.6%
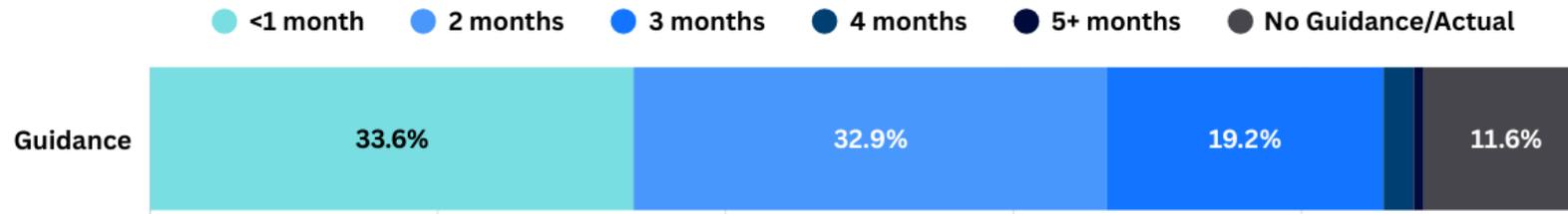
… But Actually Taking 3+ Months!

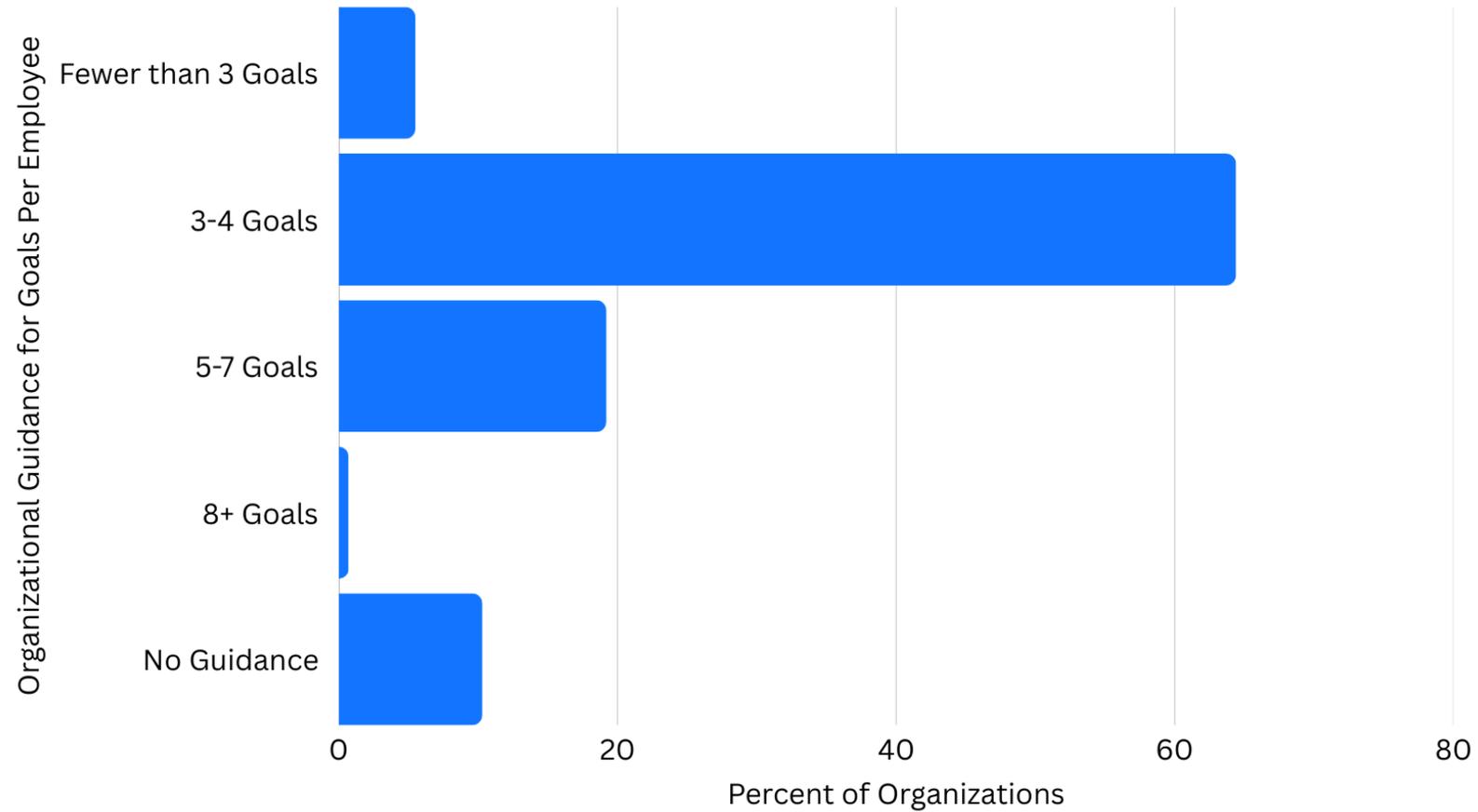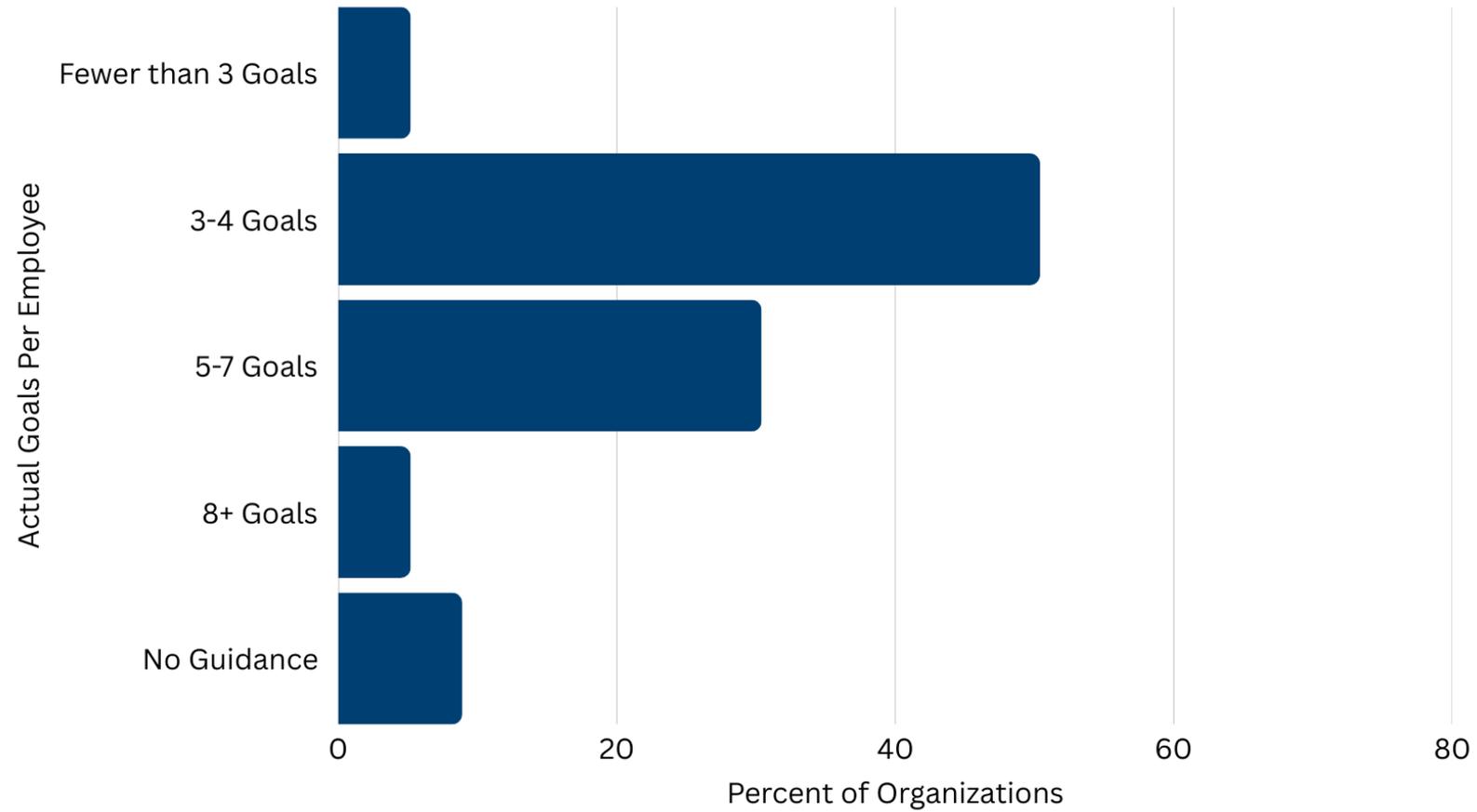Legend: ● <1 month ● 2 months ● 3 months ● 4 months ● 5+ months ● No Guidance/Actual

Guidance
- 33.6% (<1 month)
- 32.9% (2 months)
- 19.2% (3 months)
- 11.6% (No Guidance/Actual)

Actual
- 18.8% (<1 month)
- 29.9% (2 months)
- 23.6% (3 months)
- 10.4% (4 months)
- 8.3% (5+ months)
- 9.0% (No Guidance/Actual)

Percent of Organizations
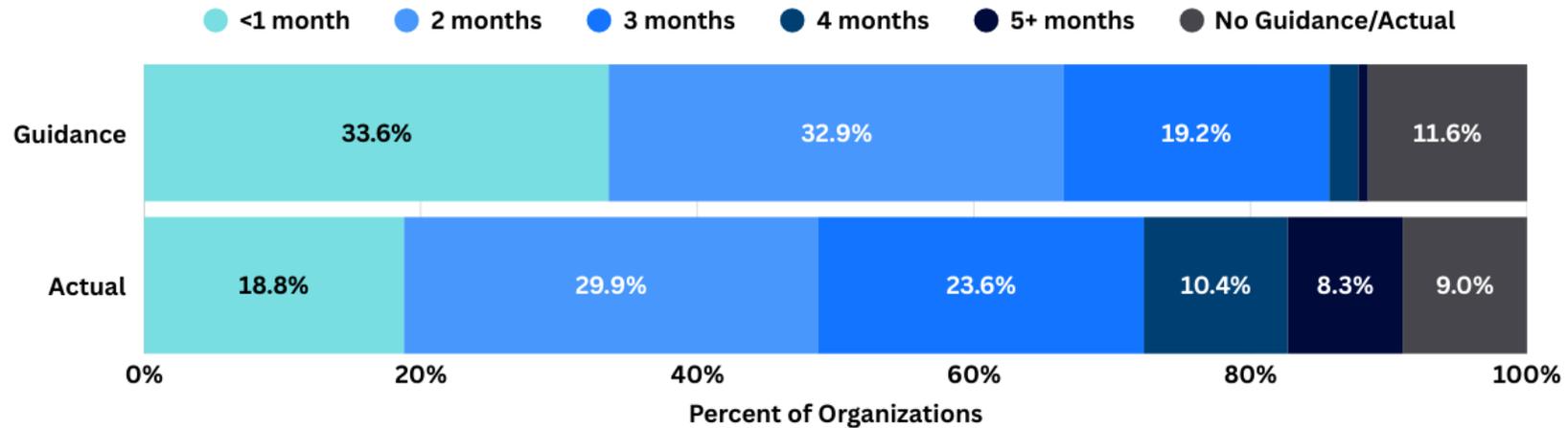
Feedback & Coaching

The Research of Performance – Feedback & Coaching

ONGOING
F&C

- Feedback & performance conversations drive increased performance

- Employees redirect (or redouble) efforts based on feedback & performance conversations

- More frequent feedback provides more loops from which to improve performance

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3-4 Feedback Conversations is Guided

Legend: None · 1-2 Conversations · 3-4 Conversations · 5+ Conversations

Guidance: None 6.0%, 1-2 Conversations 39.1%, 3-4 Conversations 47.0%, 5+ Conversations 7.9%
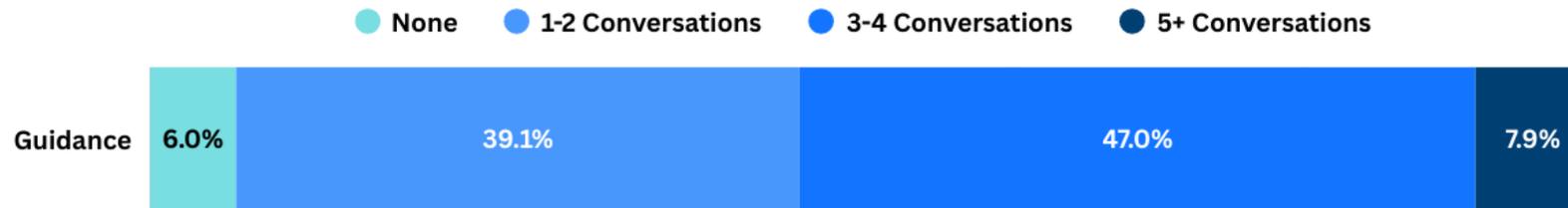
… But 1-2 Feedback Conversations Actually Occur
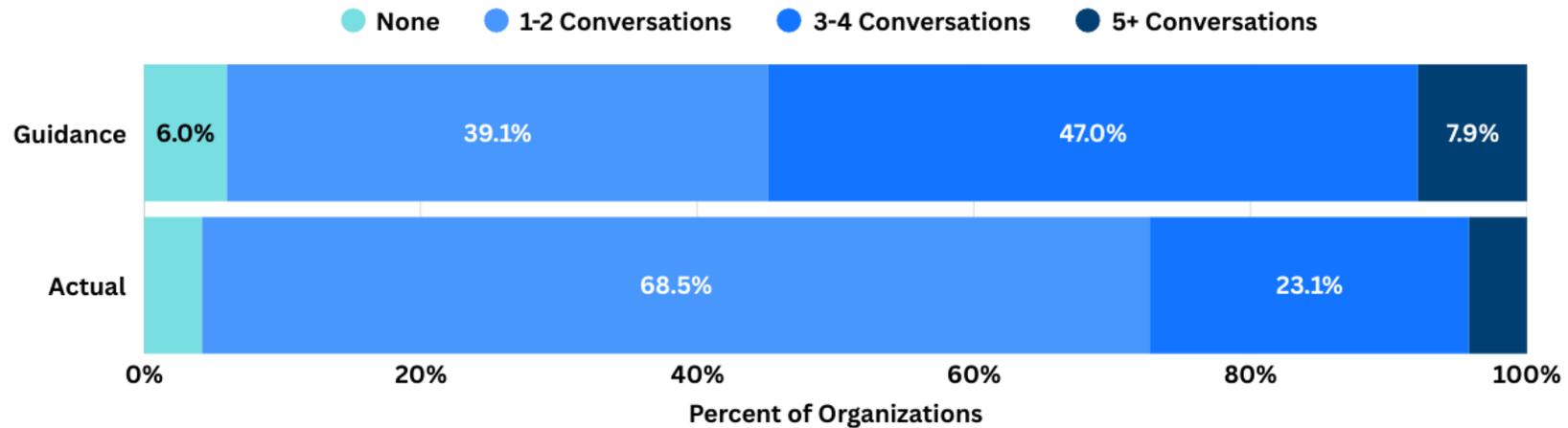
And More Discussions Are Generally Better... Up to a Point

Perceived Feedback Effectiveness
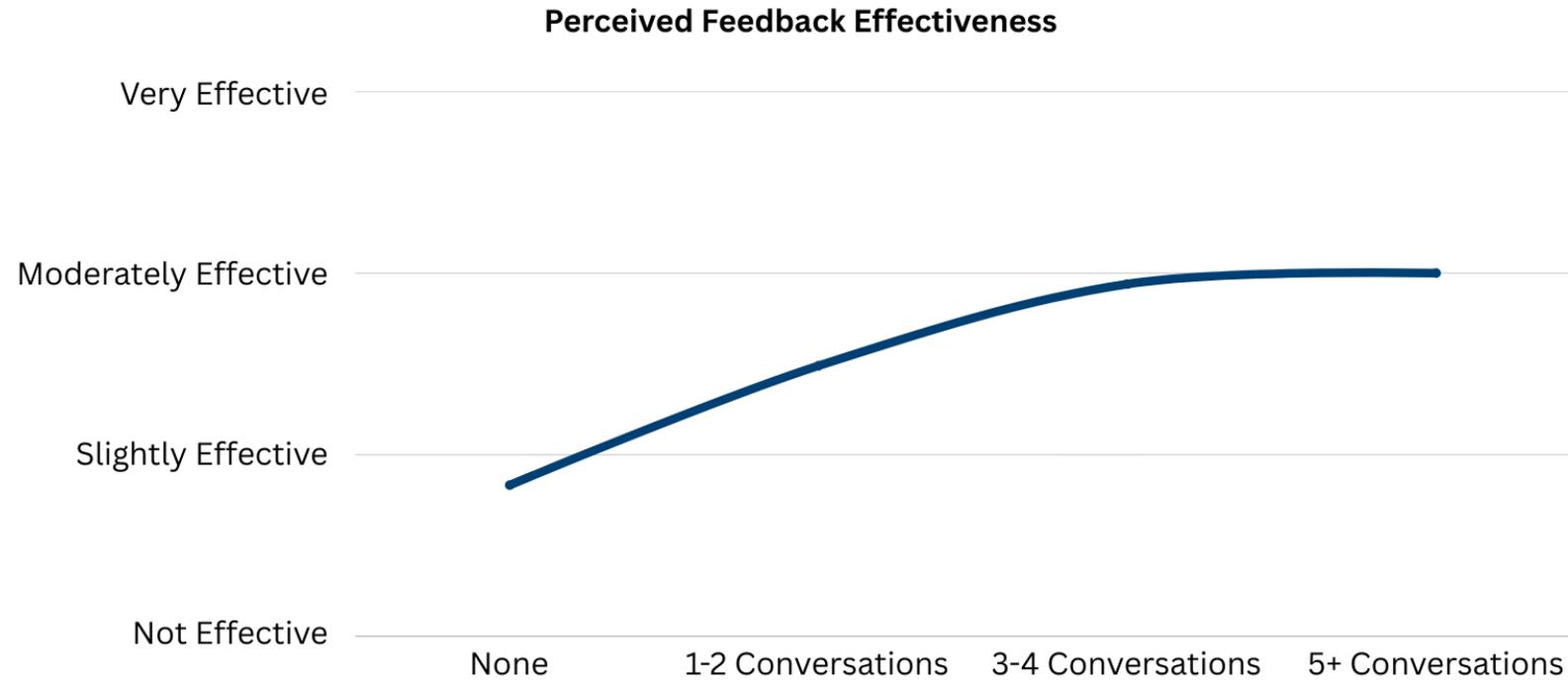
With Downward Feedback Most Prevalent

89%

of organizations require
manager-to-employee feedback
as an input to feedback
conversations

38%

of organizations require
peer feedback
as an input to feedback
conversations

34%

of organizations require
employee-to-manager feedback
as an input to feedback
conversations

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And Technology Widely Adopted

The Research of Performance – Reviewing

REVIEW
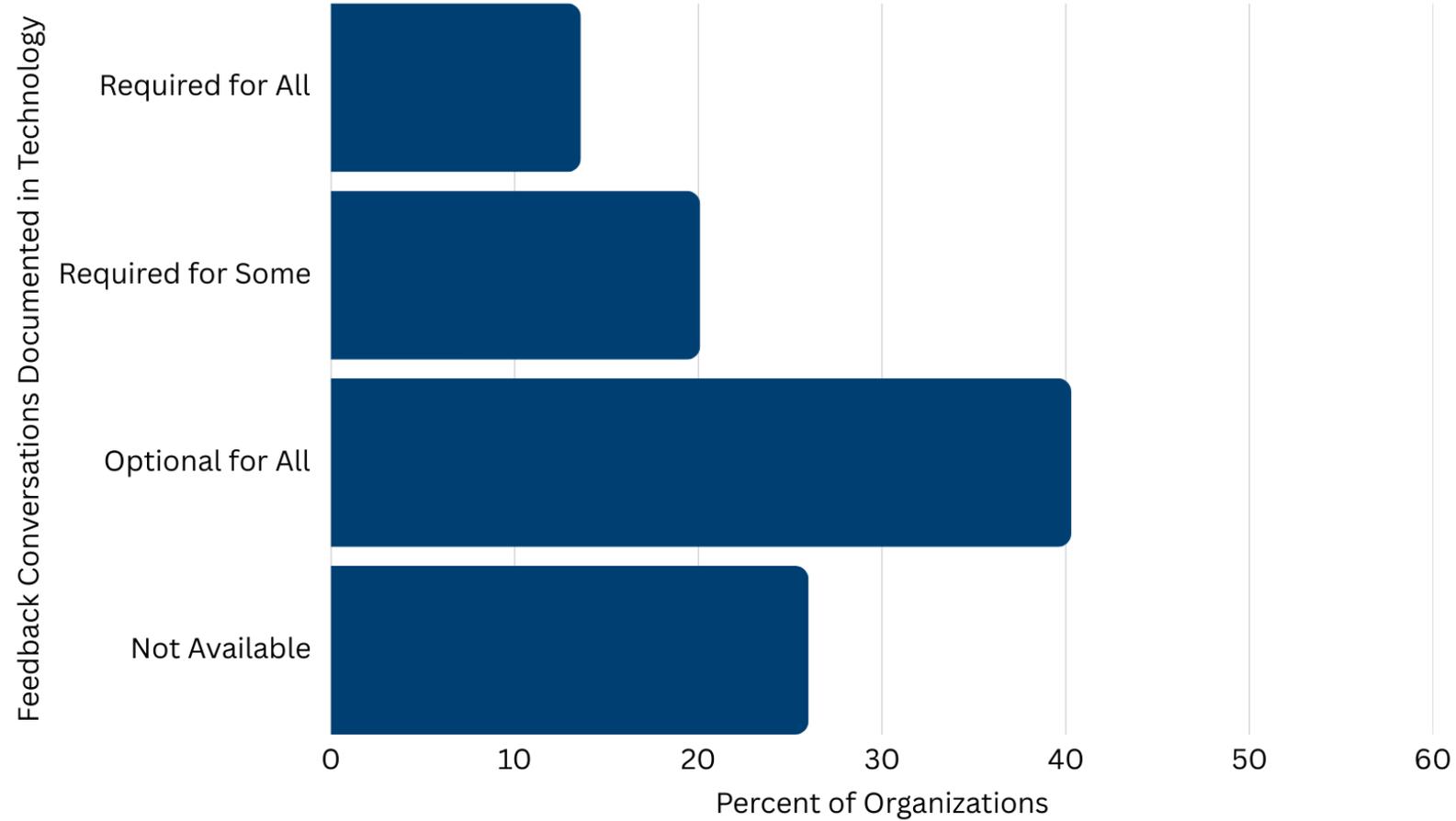
- Review performance based on goal attainment and behaviors, NOT on activity or busy-ness

- There is no perfect rating scale; the rating scale should be guided by the desired differentiation

- Calibrating performance assessment to the individual level increases objectivity & fairness

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Reviewing is Widely Adopted

93.6%
of organizations have a reviewing element to Performance Management

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Mostly Reviewed Once/Year
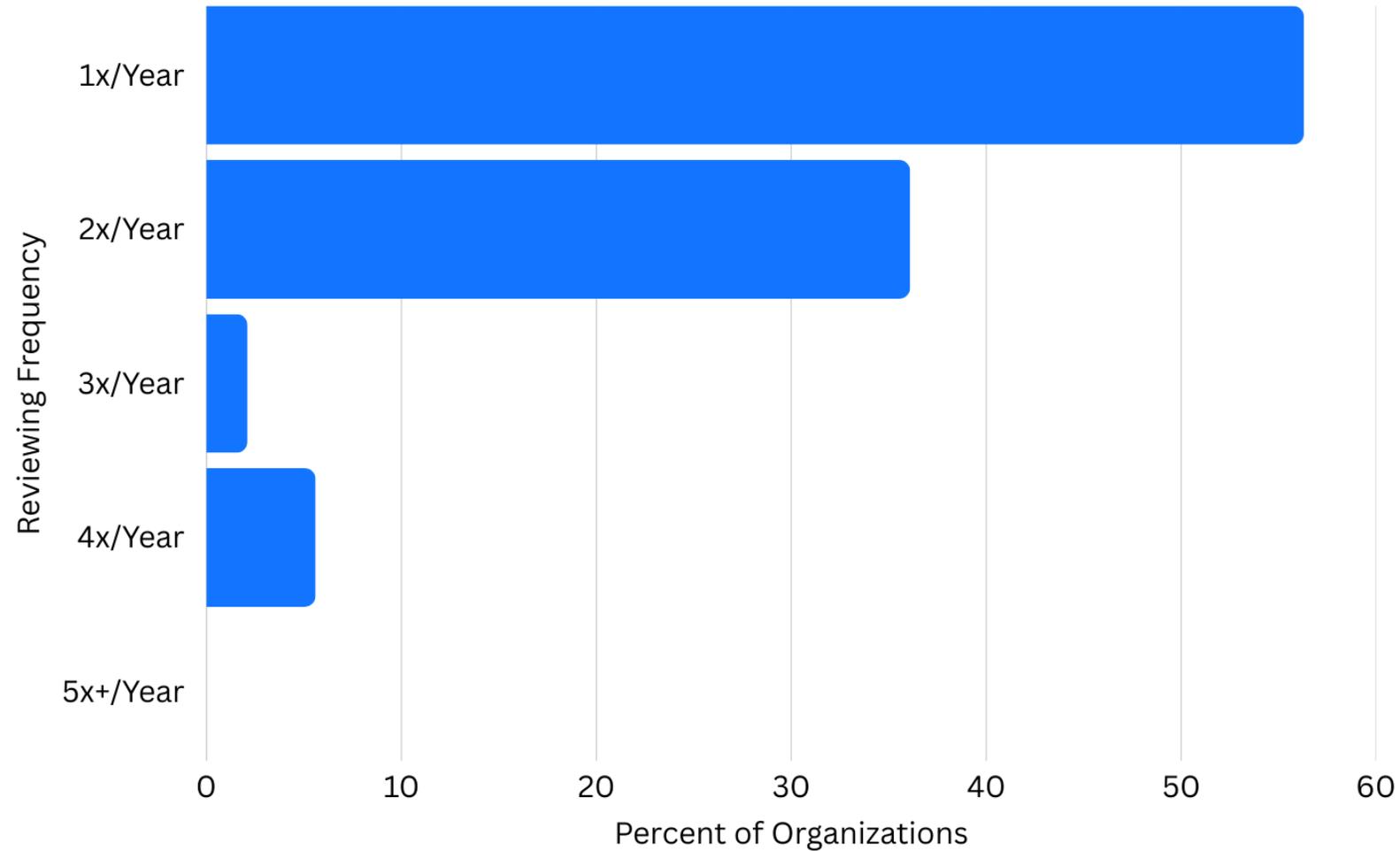
The Great Debate: Ratings

The Ratings U-Turn

Ratings Overwhelming Utilized

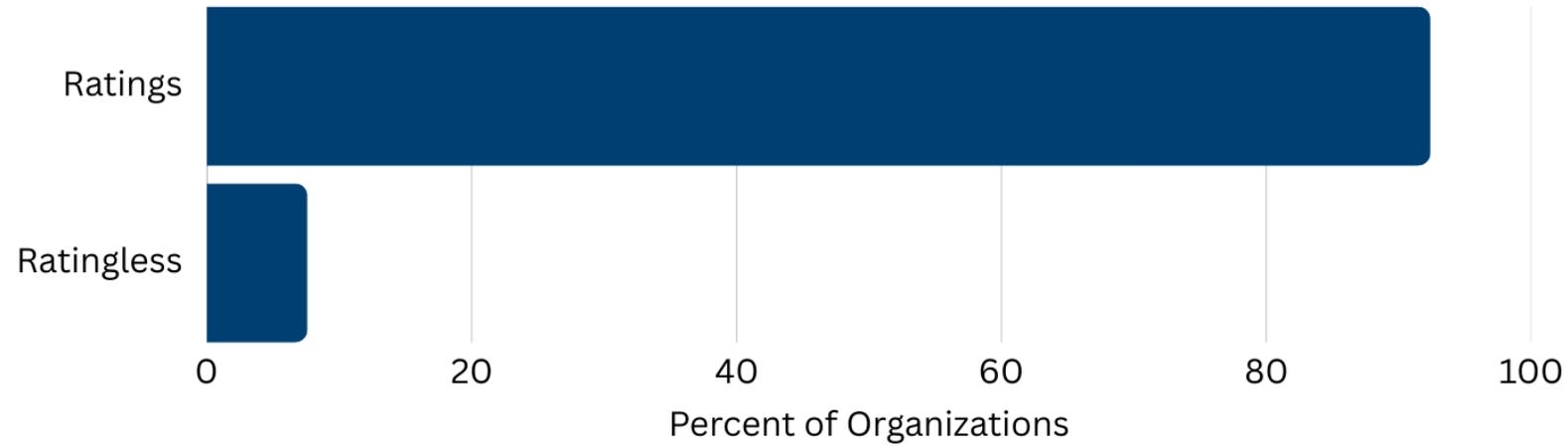# Single Ratings Scales Most Popular

Single Overall Rating • Separate Results & Behavior Rating • Individual Goal and Behavior Ratings

| 49.6% | 29.5% | 20.9% |

0%   20%   40%   60%   80%   100%

Simple → Complex
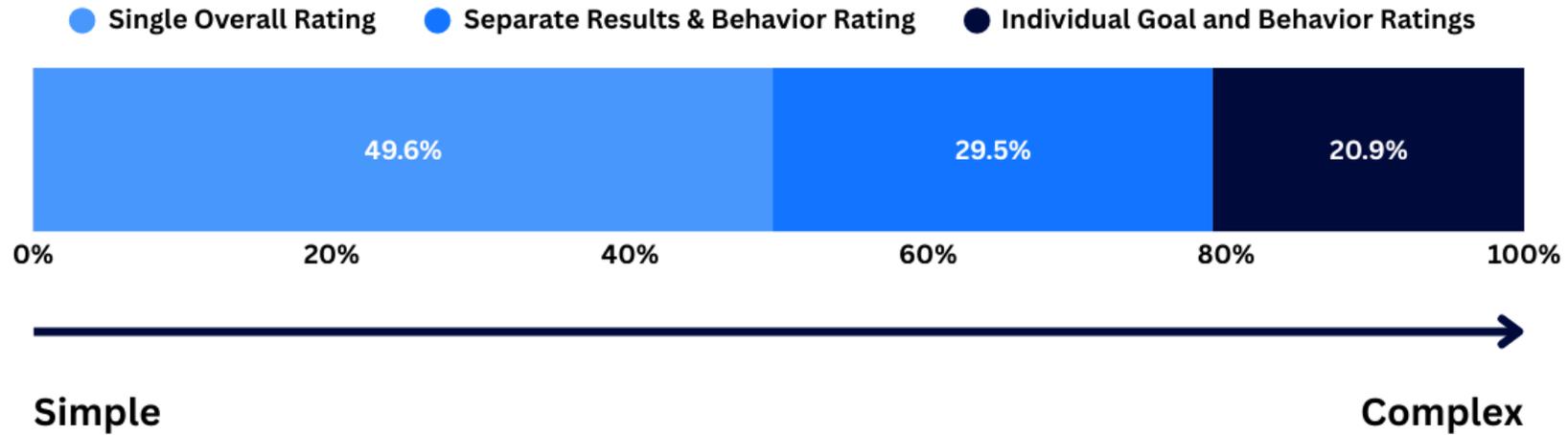
Typically Resulting in a 5-point Scale
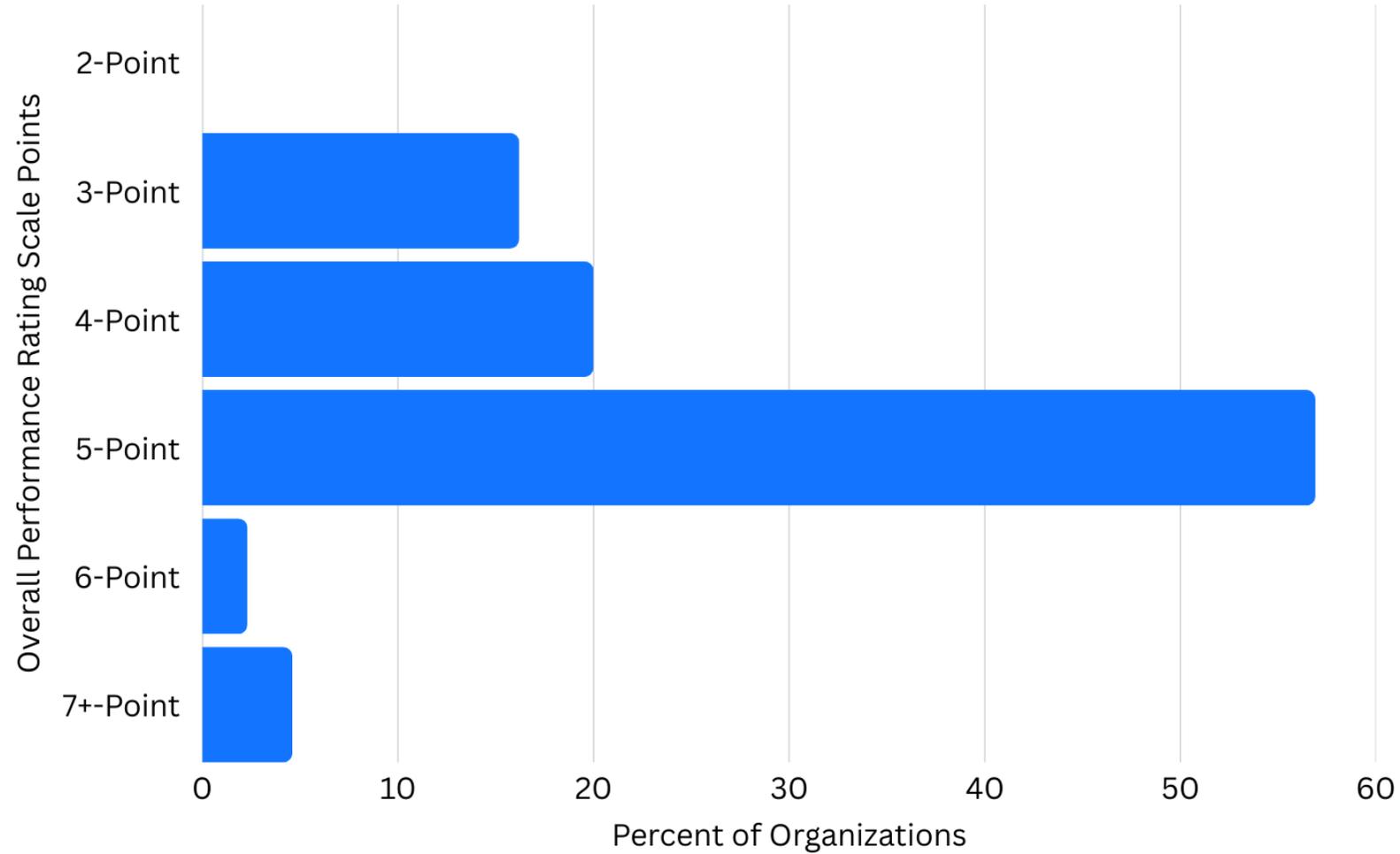
Emphasizing Results Over Behaviors

Guided by a Distribution

63.6%
of organizations provide an expected performance distribution

Guided Distribution
Forced Distribution

Percent of Organizations

34.1%

65.9%
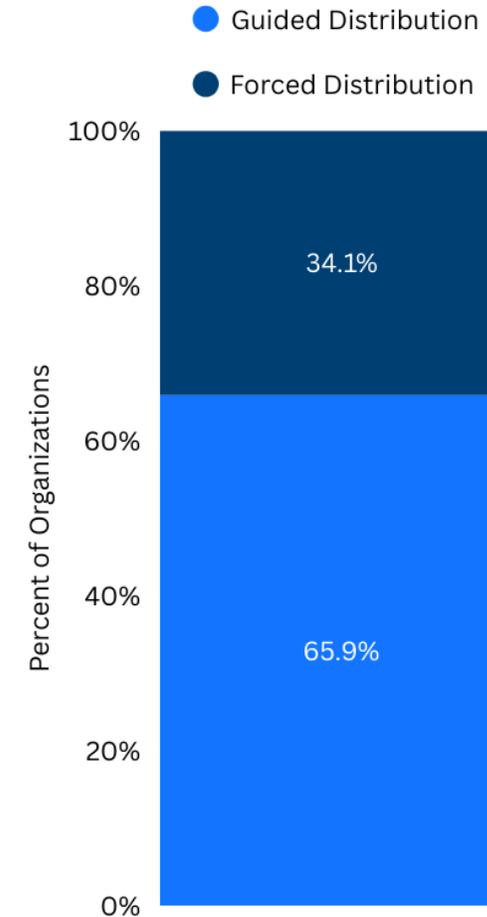
With Pay for Performance Connections

Pay for Performance Linkage

- None: 7.1%
- Flexible: 19.1%
- Guided: 55.3%
- Fixed: 18.4%

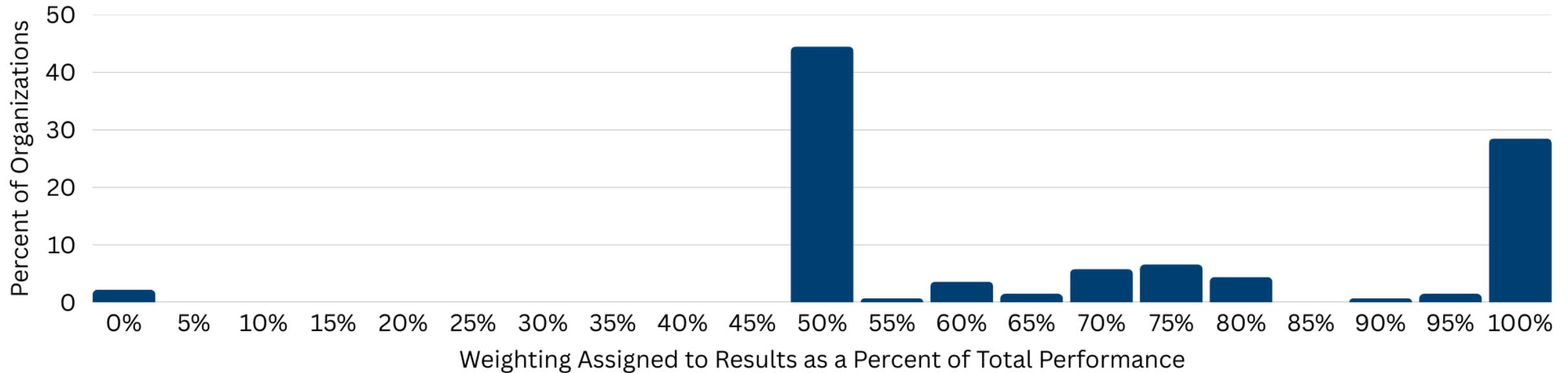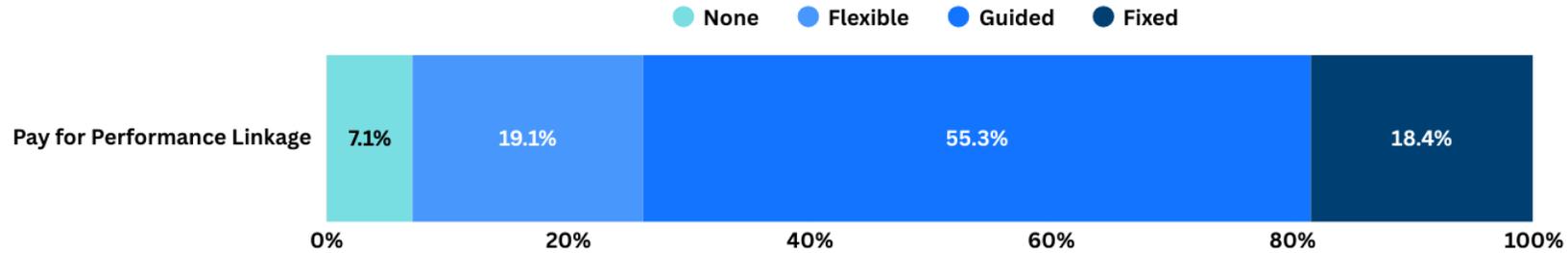**83%** of organizations tie performance reviews to **merit/base**

85% of organizations tie performance reviews to **short-term-incentive (bonus)**

38% of organizations tie performance reviews to **long-term-incentive (equity)**

Training is Underutilized

Legend: ● Not Provided ● Voluntary ● Mandatory

Training	Not Provided	Voluntary	Mandatory
Goal Setting Training	15%	64%	21%
Feedback Training	12%	70%	18%
Reviewing Training	17%	64%	19%

Percent of Organizations

AI Is Early Days

Legend: ● Not Using AI ● Exploring/Piloting AI ● Low Adoption of AI ● High Adoption of AI

Category	Not Using AI	Exploring/Piloting AI	Low Adoption of AI
AI Use in Goal Setting	48%	36%	13%
AI Use in Feedback	49%	37%	11%
AI Use in Reviewing	69%	24%	6%
AI Use in Compensation	89%	11%	

Percent of Organizations

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CONCLUSION

1. Performance Management is nearly universally adopted – but effectiveness is variable.

2. Simplicity in process generally outperforms complexity.

3. Process structure and clarity (goal cascades, distributions, calibration, pay-for-performance) correlate with stronger outcomes – even when the process element is unpopular.

4. Execution gaps drive effectiveness gaps.

5. AI is coming, but today it remains largely experimental.

REFLECTIONS? QUESTIONS?

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