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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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Effectiveness of Performance Management at Achieving Its Primary Objective

Percentage of HR Leaders Selecting

- 18% Effective
- 82% Not Effective

Q: “Performance Management Keeps Pace With Business Needs”

Percentage of HR Leaders Selecting

- 38% Agree
- 62% Do Not Agree

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

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

HR Leaders Making Changes to Performance Management

Percentage Selecting

- **81%** Making Changes
- **19%** No Changes

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: 2019 Gartner Performance Management Benchmarking Survey

n = 132

Source: Gartner (2019)
Increasing Demands on PM

Functions of Performance Management

- Aligning Employees’ Work With Business Objectives
- Motivating Employees
- Assessing Performance
- Developing Employees
- Employee Retention
- Holding Employees Accountable
- Termination Decisions
- Improving Employee Performance
- Promotion Decisions
- Succession Planning
- Engaging Employees
- Compensation Decisions
- Keeping Records for Legal Protection

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.
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.

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.

Source: Gartner (2019)
**Two Categories of Performance Management Complaints**

Employees' Performance Management Concerns

<table>
<thead>
<tr>
<th>Effort Is Too High</th>
<th>Usefulness Is Too Low</th>
</tr>
</thead>
<tbody>
<tr>
<td>Too much time required</td>
<td>Disengaging and unmotivating</td>
</tr>
<tr>
<td>Asking too much of managers and employees</td>
<td>Built for individuals, not collaboration</td>
</tr>
<tr>
<td>Overly complex</td>
<td>Little line of sight to business priorities</td>
</tr>
<tr>
<td>Cumbersome technology</td>
<td>Inaccurate and unfair</td>
</tr>
<tr>
<td>Requires extensive energy</td>
<td>Not aligned with business needs</td>
</tr>
<tr>
<td>Not user-friendly</td>
<td>Not relevant to work</td>
</tr>
</tbody>
</table>

**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

- 38% Making Processes Easier
- 29% Making Processes Less Time-Consuming
- 33% All Other Purposes

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

- Fewer Documentation Reqs.: 0.0%
- Eliminating Ratings: -7.3%
- Fewer Formal PM Steps: -9.3%
- Total Impact: -16.6%

n = 132
Source: 2019 Gartner Performance Management Benchmarking Survey

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

- Fewer Documentation Reqs.: -4.6%
- Eliminating Ratings: -2.1%
- Fewer Formal PM Steps: -3.7%
- Total Impact: -10.4%

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

Effort Is Too High

Organizations' Response: Decrease Effort
Reducing the effort employees and managers must put into PM

Usefulness Is Too Low

Organizations' Response: Increase Utility
Focusing on meeting employee and business needs.

Operationalized Measure of Usefulness: PM Utility
The extent to which PM:
• Demonstrably delivers what employees need to perform
• Helps the organization achieve business goals

HR is trying to address the most common complaints about PM: that the process is too onerous and time-consuming.
Utility Increases Performance, Engagement and Fairness

Impact of Increasing Utility

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

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

n = 9,438; 132

High Utility Makes PM Worthwhile

Q: “Performance Management Is Worth the Time and Effort It Takes”
Percentage of Employees Who Agree

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.

Regardless of how much time and effort is actually spent on PM, employees perceive PM to be worth the time and effort when it has high utility.

n = 9,438
Source: 2019 Gartner Performance Management Employee Survey
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.

Business-Driven: 10.0%
Employee-Owned: 19.0%
Work-Centered: 8.5%
Total Impact: 37.5%

n = 132
Source: 2019 Gartner Performance Management Benchmarking Survey
Interconnected Strategies for Effective PM

Three Key Strategies

- **Business-Driven**
  HR enables the business to determine what aspects of PM should be tailored to business needs.

- **Employee-Owned**
  HR empowers employees to adapt PM to their needs.

- **Work-Centered**
  HR modifies PM to enable collaborative work.

Customize different PM components to business units, functions or groups. Further align PM to reflect employees’ needs and collaboration-dependent workflows.

Source: Gartner (2019)

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

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