# How to Adopt AI in Performance Management

## Maximizing Workforce Potential Through AI Integration

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Essential Insights for Leveraging AI in Employee Development

# Introduction to AI in Performance Management

Since the early 2020s, AI has been rapidly transforming HR, bringing automation and data-driven insights to areas like recruiting, learning, and communication workflows. Performance management, however, has been slower to adopt this technology due to the complexity and sensitivity of evaluating employee performance and the need for human oversight. But with the emergence of sophisticated AI tools now capable of navigating these complexities, the potential for more effective, personalized, and data-driven performance management is finally being realized.
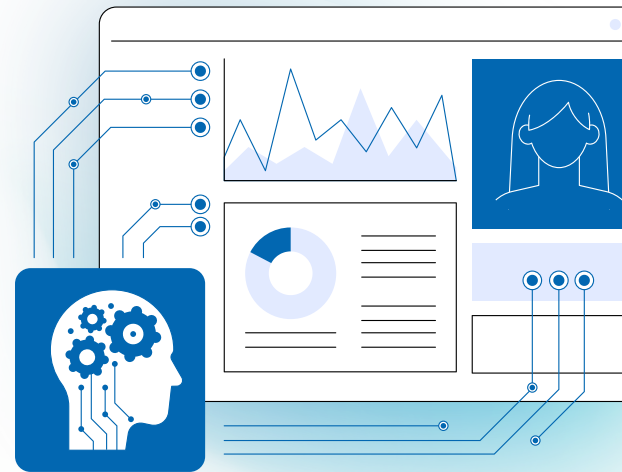
HR leaders now turn to underlined advanced generative AI solutions to enhance all aspects of performance management, including but not limited to performance reviews. AI tools provide real-time insights into employee performance, identify skill gaps, and generate personalized development plans, making the entire process more efficient and impactful. By adopting these tools, HR leaders can increase employee engagement, improve productivity, and lower turnover—without adding to their workload.

AI's ability to generate frequent, unbiased, and high-quality performance resources allows managers to create customized learning experiences for each individual. By personalizing performance management, these systems address the most common turnover factors in today's employees. This is why AI-powered performance management is crucial for engaging and developing the next generation of tech-savvy employees.
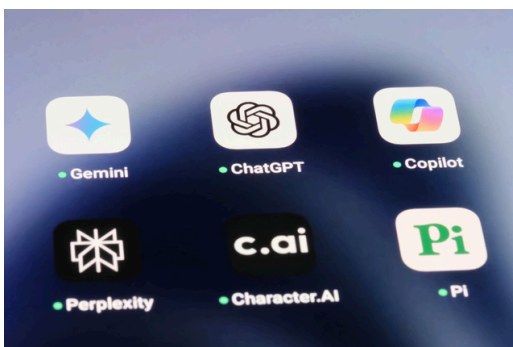
Advancements in AI, such as ChatGPT and Copilot, now automate tasks that once required significant administrative effort. By generating performance reviews, training resources, and development plans, AI allows HR managers to shift focus from paperwork to more engaging performance management. This enables HR teams to set goals, personalize assessments, and customize career paths more efficiently.

## Shifting Focus from Paperwork to Engagement

For example, instead of manually wording and rewording traditional performance reviews using notes from past evaluations, AI can produce a comprehensive draft almost instantly. HR managers can then add depth and personalization without laboring over the initial draft, allowing them to focus on one-on-one interactions rather than administrative tasks like data summaries and write-ups. The time saved from drafting alone means generative AI can significantly reduce labor costs associated with HR management.

Across all performance resources, including but not limited to assessments, AI addresses one of the most common employee complaints with conventional performance management systems: the potential for bias. Impersonal or inauthentic performance materials often lead to employee turnover by making employees feel unheard, unrecognized, and unappreciated. Meanwhile this lack of objectivity can contribute to inaccuracies in performance data, which is a significant concern, as 9 in 10 HR leaders believe that their current performance management system produces inaccurate information.



**9 in 10**
HR leaders say their performance system produces inaccurate data

## Authenticating the Performance Management Process

In an age where most managers and employees feel that their performance management structure is inadequate, AI-powered tools can authenticate the process through unbiased automation. By offloading data collection and assessment to the algorithm, AI-assisted performance management materials give HR managers more time and energy to personalize their employees' development with refined smart goals, additional coaching resources, and other career planning resources. These materials help the business focus on each employee's career performance and personal goals, armed with multichannel data that provides a more personable and authentic picture of each employee's career path.

## Building Trust and Engagement

By using AI to communicate with employees through accurate and frequent performance reviews, HR managers can evolve beyond the need for traditional pen-and-paper performance management approaches and their many shortcomings. In the past, many employees have failed to present honest feedback due to managerial bias or impersonal review tactics. Unfortunately, studies show that while 93% of business executives agree that an ability to maintain trust with employees improves their bottom line, only 60% of employees feel highly trusted, even today. With AI-assisted review generation, managers can focus on turning paperwork into an engaging dialogue with each employee to foster two-way trust between workers and team leaders.

HR leaders at the forefront of the AI movement emphasize the ability of modern GenAI technology to align everyone within an organization, ensuring no one is left behind. In performance management, this means AI can help ensure that employee evaluations, development resources, and other materials meet expectations and drive engagement through better strategies and more productive conversations.

# Benefits of AI-driven Performance Management

In a time where only <u>26% of employees</u> think that manager feedback helps them improve their work, industry leaders recognize the importance of providing performance management materials that cater to each employee. However, many businesses lack the manpower and technological infrastructure to implement them with conventional performance management methods. <u>AI-driven performance management</u> software supplies businesses with the means to deploy strategies backed by advanced data analysis workflows without increasing administrative labor.

Modern performance management entails combining multiple sources of data, analyzing trends, and deploying strategies that positively impact engagement. While teams are communicating on the company's Slack channel, at the same moment, email conversations could be taking place between administrators, a conference call may be happening on multiple channels on Microsoft Teams, and on-site workers may be receiving feedback from management. This is all data that provides vital information that could be used to create effective performance reviews, training materials, manager resources, PIPs, and more. However, combining and analyzing increasing numbers of data points has been a major HR pain point for decades due to time and labor constraints.



AI software provides the means to collate multichannel performance data into one coherent strategy. It transforms employee performance management from a series of loosely connected strands into a complete picture that includes their cultural collaborations on company technology, in-person performance reviews, job performance, email feedback, and more. While HR managers are prone to errors when analyzing multi-channel feedback, AI software can organize this data seamlessly, mining it for effective engagement strategies in seconds.

**Only 26% of employees think that manager feedback helps them improve their work.**

### Enhancing Engagement with Meaningful Improvements

In addition, modern AI-enabled performance management tools go beyond data analysis to deploy more meaningful improvements to a business's engagement strategy. After gathering managers' notes and other data from learning management resources, AI software can create a complete view of the employee's performance. It can then draft performance reviews, PIPs, OKRs, and more with a focus on transparency and goal-setting, directly referencing recent performance within the data to support its strategies.

## Customizing Resources for Authenticity

One of the most persistent pain points in employee performance workflows is a lack of authenticity, often compounded by potential bias. Employees often feel that feedback is based on assumptions rather than facts, and that training resources address their duties without considering their personal goals. AI tools like Macorva's Radiant AI® solution tackles these issues by customizing materials for each employee, drawing on past performance and individualized career planning.
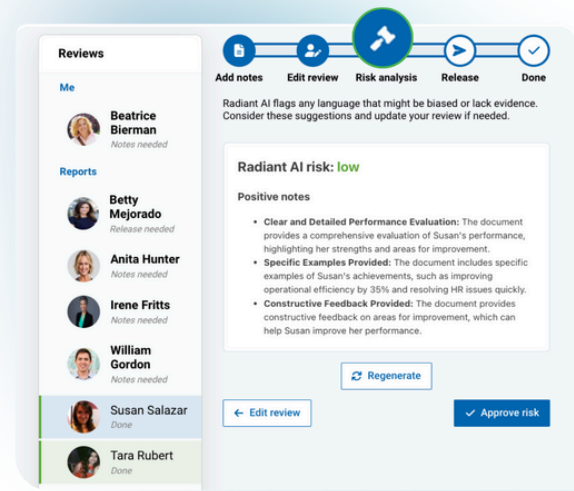
To ensure authenticity and objectivity, Macorva has explicitly integrated a separate risk analysis step into our workflow. This step is designed to double-check for both human and AI-generated bias in every single review. By automatically detecting potential biases, the system flags any language or assessments that may be unfair or discriminatory, allowing HR managers to correct them before finalizing the materials. This proactive approach ensures that performance resources not only align with company language but also genuinely reflect and support employee goals.

With this greater emphasis on objective feedback, employees will be more receptive to the software's personalized development plans. Equipped with direct references to their recent work, the AI can create a plan to upskill and advance employees that suits their objectives. This personalized approach to upskilling is precisely what L&D professionals are prioritizing, with LinkedIn's latest Workplace Learning Report ranking such opportunities as their second-highest priority.

For managers, this bird's-eye view of the data provides real-time performance tracking that makes it easier to create effective performance resources more frequently and efficiently. While much of the administrative labor will be automated by AI tools, the program's inputs and outputs can still be tailored to meet specific industry requirements.

# Key Applications of AI in Performance Management

**Real-time performance tracking drives better management strategies**

HR leaders recognize the need for real-time performance tracking in a system that relies on multichannel data to deliver accurate performance materials to each employee. AI-assisted tools automate the data collection and analysis process to help businesses get a comprehensive picture of their employees' performance and create management strategies that match their needs.

## Enhancing Employee Engagement and Retention

This allows HR teams to avoid common problems like recency bias, in which managers overvalue recent performance in their assessments. While managers are prone to focusing on each point in time individually, AI-assisted performance review tools can make their assessment based on the full picture. In this way, managers can set performance review goals and track employees more accurately. With real-time insights into employee sentiments, managers using AI tools are better equipped to make informed decisions about their employees' futures without the guesswork inherent in conventional performance tracking methods.

Having a new way to deliver career development recommendations using actionable, data-driven insights gives HR managers the means to better engage and retain their most valuable employees. AI-powered analytics provide real-time insight into employee performance to generate the continuous feedback, skills training, and career-planning resources they crave, free from managerial bias. This personalization of employee feedback has led to a higher demand for individualized career pathing, which AI can match with easily customizable systems.

| 1. | AI-assisted performance review tools can make their employee assessments based on the full picture. |
|---|---|
| 2. | By detecting potential bias automatically, HR never has to worry about performance materials aligning with company goals. |

Managers assisted by AI-enabled tools can offer competency-based resources using the AI's performance analytics as a foundation. These custom development plans can have a wide range of applications, including recommending the best learning courses for the employee, offering opportunities for departmental mentorship, and directing them to relevant skill training to address their unique areas of improvement. Managers can then automatically generate personalized reviews that are updated in real time with the results of these suggestions, including the employee's recent performance metrics and goals.

# 50%

**Managers spend 50% less time on admin tasks with Macorva.**

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Culture of Improvement

Performance Metrics

Goal Setting & Reviews

MX

# Implementing AI in Your Performance Management System

Despite being open to technology resources, only 1 in 4 US companies reported having effective performance management systems. Therefore, successful technology adoption remains a major area in need of improvement for HR departments in diverse industries. Despite the benefits of AI-assisted performance management systems, incomplete implementation can lead to unnecessary administrative labor and feedback delays.

To select the right AI-powered performance management tools, businesses must prioritize software that integrates with their existing HR systems, including collaboration tools like Slack, SharePoint and Microsoft Teams. By condensing these systems into one workflow, versatile AI-assisted tools allow businesses to oversee employees, communicate with them, deliver feedback, offer training resources, and more from a single system.

## Training for Proper Use and Ethics

Managers and employees must also be trained on the proper use of AI-enhanced performance management processes to maintain efficiency and avoid ethical challenges. To do this, managers must clearly define the objectives that the AI will use to generate training resources. They must ensure that it has access to updated manager notes and company performance data to create authentic, updated assessments. Additionally, managers should not treat AI-assisted generations as finished products. Instead, human managers should review and edit AI-generated content, noting potential biases, and recording their AI risk analysis before releasing the resource or assessment to the employee. Macorva's AI review workflow automates this crucial step, ensuring responsible and ethical implementation of AI.
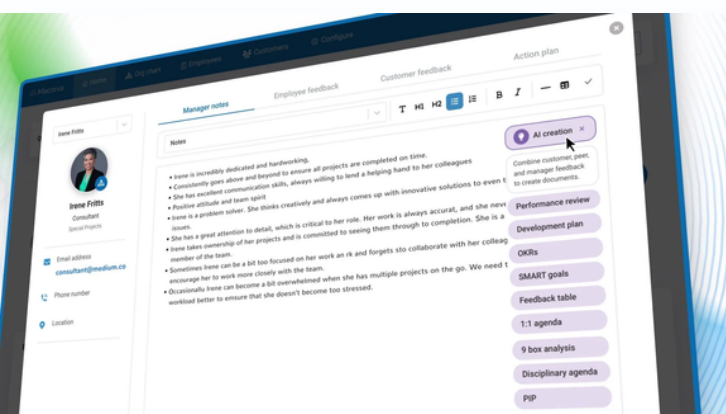
*Ultimately, HR leaders should view generative AI as a powerful collaborator in performance management. While AI excels at data collection and resource drafting, human expertise remains essential for review and refinement.*

# Overcoming Challenges and Ethical Considerations

As with any trending technology, generative AI applications come with ethical considerations that must be planned for and addressed by HR leaders and their teams. Despite achieving the goal of creating performance resources that are free from managerial bias and updated with real-time performance data, if not properly managed, AI can introduce new challenges

## Addressing Bias and Hallucinations

One immediate concern is the potential for unplanned bias and "hallucinations" in AI-generated content.

**Bias**: As demonstrated by Textio's experiment with ChatGPT, AI models can inadvertently perpetuate existing biases present in their training data. This can lead to unfair or discriminatory performance evaluations.

For example, when selecting pronouns for the performance review, it used "he" 90% of the time when the employee was a mechanic and "she" 90% of the time when the employee was a receptionist. In other words, the system collated industry data and made an assumption, leading to a stark example of why HR teams need to check and refine documents created using AI-assisted tools.

**Hallucinations**: Another potential challenge involves AI "hallucinations," which are plausible conclusions generated by a language processing model that match the needs of the situation but are not factual. In performance management, this could lead to inaccurate assessments or inappropriate recommendations. For instance, AI might flag an employee's behavior as problematic based on a misinterpretation of data, requiring human intervention to ensure fairness and accuracy.

## Maintaining the Human Touch

According to recent Gallup data, employees who receive meaningful feedback are more likely to feel engaged at work. The key word is "meaningful." Managers should strive to maintain a human touch in their performance management tactics to retain employee trust and engagement and avoid inauthentic review processes. This means that while AI can assist in generating performance resources and data analysis, managers should still prioritize personal interactions, open communication, and empathetic feedback delivery.

## Data Security and Privacy

Finally, HR leaders must prioritize data security and privacy when implementing AI in performance management. These systems often handle sensitive employee data, including performance reviews, personal development plans, and even salary information. To ensure compliance with regulations like GDPR and CCPA, it's crucial to select a platform that can:

| **1.** | Protect data from unauthorized access and breaches. |
|---|---|
| **2.** | Maintain the accuracy and consistency of employee data. |
| **3.** | Provide transparency about data is being used by AI systems. |
| **4.** | Obtain consent for data collection and processing when necessary. |

By addressing these ethical considerations and implementing appropriate safeguards, HR leaders can harness the power of AI for performance management while ensuring fairness, accuracy, and employee trust.

# Overcoming Challenges and Ethical Considerations

As AI becomes more integrated into performance management, HR leaders should enhance workflows by incorporating technologies like predictive analytics. By analyzing data such as turnover rates, absenteeism, employee satisfaction, and L&D performance records, predictive analytics enables managers to anticipate employee behavior, identify high-risk employees, develop individualized engagement and retention strategies, and create succession plans for high-potential employees.

Also, with the rise of hybrid and remote work models, leveraging virtual and augmented reality—combined with the Internet of Things (IoT)—can make performance discussions more immersive and promote personalized communication.

While AI systems naturally learn and adapt, HR teams must maintain accountability for the data used and strategies developed as the system evolves. Companies that actively guide and provide feedback to their AI systems will be best positioned to facilitate authentic employee conversations based on real-time data from trusted software solutions.

# Conclusion

The key to AI's numerous contributions to modern performance management systems, including real-time feedback, automated data collection and analysis, personalized development plans, and review generation, is *consolidation*. By unifying diverse technology workflows into a single system, AI-assisted tools reduce administrative strain on HR departments while maintaining credibility, allowing businesses to efficiently mine performance analytics from various data sources without overwhelming their HR administration.

When effectively adopted, AI can engage employees in their learning processes, personalize their career development, and foster trust through authentic, transparent, and individualized management. However, a balanced approach between human judgment and AI adoption is essential to ensure ethical challenges like emergent biases and algorithm hallucinations do not do not impede the trust and authenticity that businesses strive to create.

By promoting a culture of continuous improvement backed by advanced algorithms, companies can innovate their performance management processes without losing the human touch, enabling HR leaders to retain, engage, and advance their employees more efficiently and authentically than ever before.

## Adopt AI into your performance management using a platform built for it.

Embracing AI in performance management is crucial to stay ahead in today's competitive landscape. Macorva's AI-powered platform helps companies personalize employee development and boost engagement.

## START NOW

**Click here to request your personalized demo of the Macorva platform now.**