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Why Performance Management Is Essential Amid Uncertainty

by

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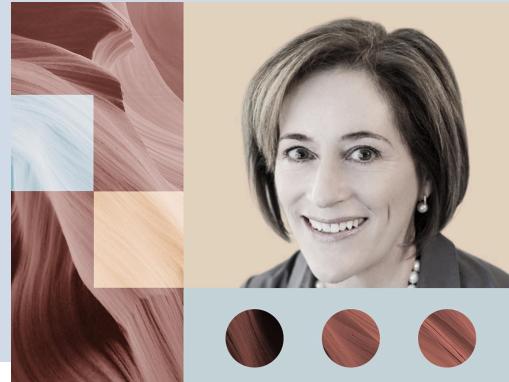


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9 Min Read

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Our editorial partner, Charter, interviewed former IBM CHRO Diane Gherson about what great people leaders do that others don't.

How to be a great people leader in a time of uncertainty like right now?

Charter's Kevin Delaney asked Diane Gherson for her perspective on this. The former IBM chief human resources officer is a board director at Kraft Heinz, a CHRO coach, and senior advisor at BCG. Here are excerpts from their recent conversation, edited for space and clarity:

What sets apart great people leadership in times of economic uncertainty like we're in right now?

The key is always-on performance management. We have the specter of layoffs always when we enter into a recession; it's inevitable in most companies. If they don't have always-on performance management, then they're in trouble because they're going to break whatever psychological contract they have around what job security looks like. And let's face it, most companies have some kind of implicit contract. Even though they may have had layoffs in the past, it just ebbs away. They want that because they want loyalty. So there's an exchange there that's implicit, and most people want something more out of work than a transactional relationship.

This is a vast generalization, but if you want an emotional bond with your employer and believe in them and believe in the purpose of what they're doing in return, you get something. Then it gets broken when they go, 'It doesn't matter that you were a top performer. It doesn't matter that we gave you recognition and a big increase last week. Now you're gone.'

It creates an erosion of trust that's very hard to rebuild. So how do you get around it? Always-on performance management, which is being really clear about what we're expecting, really clear about how we think about performance, but backed up with that psychological safety, which is 'we're here to talk about how you can be

AT A GLANCE:

- 'Always-on' performance management sets apart great people leaders in economic uncertainty, says Gherson.
- AI raises the performance of lower performers, not higher ones. That creates a tighter performance ranking than before.
- Entry-level jobs are getting hit by AI. It's up to HR professionals to rethink those career paths.

better, not about punishing you because you made a mistake.' So that's the only solution. You can't let a recession destroy the trust in your organization because you need that trust as you work your way through a recession.

“ You can't let a recession destroy the trust in your organization.

- former IBM CHRO Diane Gherson

You're saying that if you have to trim staff, it's better to do it through always-on performance management as opposed to just blanket layoffs. So being disciplined about keeping only your best performers is a way to ensure that when you hit choppy economic waters, you're not just laying off whole swaths of the company?

That's right. And if you're doing that and not backfilling, which is what is the ideal. You're headed into a recession—or at least, as you say, uncertain waters—you're not backfilling. You're letting go people who are not up to par, not going to take you to the next level, and you're just not backfilling. So that's hard. It's hard on the rest of the employees, but it's better than a layoff and work will diminish if there's a recession, in some way. You're going to have to find a way to do less, whether it's produce less, deliver less, whatever those things are, that should ripple through the whole organization. What I've seen often happens is you may be selling less, you may be producing less, you may be delivering less, but for some reason the rest of the organization is still the same size.

And that's not right, because it actually should shrink with the rest of the organization. It shouldn't be borne just in sales, just in delivery, just in the operational side of it. You've got to think about how you scale back. It means that you don't have as many iterations of things. You don't have as many bells and whistles on your programs because you're a smaller company. Some companies have a hard time dealing with that. It takes leadership to say, 'You know what? That would be an A-plus version of what we want, but we're actually in the B-minus version of how we do HR, how we do supply chain, and so forth for the moment. That means we're not going to spend the money on those projects or whatever.' So there is also that need for leadership, not just to shrink the operational side.

Do you have thoughts on what excellent performance management looks like in 2025? With matrixed responsibilities, for example, your success depends on your team. And, now with AI tools, how are the measures of performance that we've used traditionally as relevant as they once were?

It's a really great question. We have found with large language models, that it raises the performance of lower performers, not higher performers. So what you're doing is you're bringing together a tighter performance ranking than you might have had before. So that's a very fair question. Having said that, it is in the end about outcomes. If people are doing better using AI, then good for them. The others who may not be using AI and are lower performers, well then they're the ones that have to go. At the end of the day, you can't just say, 'Kevin didn't use AI and he was great and Diane did use AI, so let's get rid of Diane.' You have to look at outcomes. That's

the only fair way in today's world. What it's essentially saying is it's up to everybody to learn how to use AI.

We have AI that some executives are increasingly saying allows them to—at the very least—hire fewer workers. Now we have economic uncertainty. What does this mix of automation plus recession mean for the measures that organizations are going to take?

There is clearly an entry-level rung that is disappearing in companies as they adopt AI. I was talking with a company yesterday where they have a virtual agent that is doing highly technical work for law firms, that is working alongside other associates. But you have to imagine that over time, the need for the number of associates that those law firms have today is going to diminish. It can do all the research. It understands everything inside the whole caseload of the firm, and it is able to do what entry-level associates are doing in law firms. An interesting case that I just put this firm onto with a number of firms is tariffs. Every company has a supply chain, but who is able to stay up all night analyzing the impact of the latest negotiation.

To be able to have an agent that does that 24-7, understanding all of your costs in all of your countries, all of your supply chains in all of your countries, and to be able to spit it out for you first thing in the morning is pretty phenomenal. So it is definitely giving companies an edge to have that.

But we really have to think again about career paths now. Not that we haven't had to in the past with industrialization and everything else, but it's on us as HR professionals to really rethink that.

When you have always-on performance management as one of the keys in uncertain economic times, you're exiting employees for performance reasons. What does excellent people leadership for the folks you want to retain look like in uncertain economic times?

It's really, really important to be candid about what's going on inside the company because what we always find is that when there's uncertainty, people start feeling insecure. When they're feeling insecure, they don't perform as well. We know that from neuroscience, their amygdala takes over and hijacks their cognitive capabilities. So you want to make sure that people understand where things are and give them a sense that they're going to be informed as things move along. Now, sometimes that's really hard in a public company because that could cause the stock price to go down or whatever. I think companies are getting over that. But it's harder for public companies to be completely transparent all the time with their people.

But, to the extent that you can, it's really important to build up that sense of psychological safety. You asked about the higher performers. Clearly those are people who need a ton of feedback. Everyone needs feedback. But often what happens when you have always-on performance management is you're spending all your time with your lower performers because you want to make sure they understand where the standards are, how they're not meeting the standard, what they need to do to overcome that, what it will mean if they're on a performance improvement plan (PIP). PIPs are a really important part of always-on performance management. What will that mean? How are we doing? And so forth. And that is a danger. You've got to spend, if not equal time, more time with your higher performers to make sure that they understand how they're valued, how they're performing, and what they need to do to progress their careers.

It's hard when you've got a very high ratio of employees to managers and you're seeing that happen as companies try to flatten their structures. At the end of the day, I'm not sure how it's working out. I think AI is going to help. It's going to help those managers, reminding them, you haven't spoken with Kevin in four days and he's looking for a meeting with you. Whatever those things are, there's going to have to be more help for managers to manage their time around appreciation, recognition, and career discussions so that they don't lose it when they're doing the lower performer work.

Kevin J. Delaney is the editor in chief of [Charter](#), a media and insights company that publishes articles, shares original research and hosts events for workplace decision-makers. This content is brought to you through M1's partnership with Charter. More information about gift subscriptions for our members can be found [here](#).

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