What's App with Performance Reviews?

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In business, Anna was Head of Motorola's EMEA OD function based in the UK, Nokia's Global Head of Talent Management based in Helsinki, Chief Learning Officer with United Technologies Corp based in Hartford, CT and Global Head of Talent and Organizational Development with AIG Investments based in NYC.

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This paper traces the evolution of performance management trend in Western companies from the start around 2011 to the present. As the movement towards replacement of the legacy annual performance appraisal system matured, certain new guiding principles and consistent design patterns emerged. One thing is certain, in the new world of performance management, there is no one size fits all solution. Each company, each CEO and each HR executive have to decide for themselves what performance management design best fits with their strategy.

We have just witnessed the media firestorm that has broken out over the sweeping changes in how companies do their performance appraisals. From the start, a few leading brand companies dropped performance ratings and shifted their annual performance review to a more frequent, manager-centric, feedback-rich process. Questions started to surface whether rate-less management was a passing fad or an unavoidable pivot towards a new workplace with the focus on development rather than compliance. The Performance Management Revolution (HBR, Oct. 2016)

Colorful metaphors have been put to work to mark a radical breakaway from the familiar annual management routines. Catchy headlines such as "Kill Your Performance Ratings," "Get Rid of Performance Review!" "Abolish Performance Appraisals!" and "The Trouble with Grading Employees " (WSJ, April 2015) attracted the attention of business executives. The language of performance has started to shift and for some of us it marked the coming of the new age in Human Resource Management. History will judge but for now, it may have been one of the most radical leaps forward in organizational practice since the invention of management itself. (HBR, Oct. 2016)

The Historical Context

It is important to remind ourselves of the historical context for this practice. The legacy annual performance appraisal systems came in existence in the industrial era when both military and the government organizations set the standard. As hierarchies dominated the world order, the goal of managing performance was to exercise control from above and ensure compliance in the ranks. Management was equivalent to oversight over individual employees. The system was set up to specifically catch those who were failing to deliver. On paper, it was a perfect system to go after "the guilty" and spotlight "the top performers" and "high potentials." The A, B, C employee calibrations became the norm and spread across most high performing companies.

Today's business objectives have radically changed. Companies have long shifted away from the industrial style business models. And yet, organizational practices have often stayed as they had been a decade ago bringing with them the command and control era. The disconnect was jarring and was getting in the way of doing business. Disruption and reinvention was everywhere in the business for at least a couple of decades. It finally came down to the realization that high performance today could only be possible through innovation, collaboration and continuous learning for employees at all levels regardless of the rank.

A call for the radical overhaul of the internal appraisal systems first came from the hi-tech sector known for its low tolerance for the tradition. Professional Services have followed with their relentless emphasis on efficiency and ROI. Now the trend is spreading across other industries affecting every type of organizations including the government, education and the military. A global shift towards a more inclusive, development focused performance system has been unleashed and it seems unstoppable.

Just Another Upgrade, Perhaps?

If you took away the hype, and faced the facts: Performance Management overhaul is just another much overdue upgrade to the next generation organizational operating process. Compare this trend to your daily technology upgrades that have become a normal way of life in our crowded consumer society. Reminders pop up on our screens every day urging us to get on to the next version or to download a new and improved app.

Whether we like it or not, we are reminded that the old system is no longer supported. Why should traditional performance appraisal be an exception? The individual decision will be up to each company at a time: to upgrade, to postpone or to carry on business as usual. There will be consequences to each of the decisions you will make.

Take Adobe. Profiled in ***Fortune*** as the world's #124 largest capitalization company last year, Adobe ditched annual performance reviews already in 2011 replacing them with frequent "check ins." This radical HR move has paid unexpected dividends. How Adobe Keeps Employees from Quitting (Fortune, 16 June, 2015)

The company accelerated its product development cycle, improved its market performance and kept its employees engaged and motivated out competing its rivals in Silicon Valley's most intense talent market. Four years into its transformation, Adobe is leading in the market performance. The company's stock price has increased from $30 to over $80 since performance management transformation has been launched.

Of course, many factors have been responsible for Adobe's success. The company's innovation in how they manage people and the organization was among the key factors. Performance management was leading the way.

In the couple of years that followed from 2011, a few technology pioneers cautiously followed Adobe's bold move. But in the first half of 2015 the flood gates have opened towards a wave of innovative moves starting with a handful most visible brands such as Accenture, Microsoft, Cisco, Deloitte and new ones joining in the performance transformation movement almost every day.

The discussion of the transition away from performance ratings heated so much that it spread further across the business press (New York Times, The Wall Street Journal and Fortune) ending up with a feature inthe life style magazine such as Vanity Fair

Who Owns The Performance Conversation?

Kevin Cox, CHRO of American Express, challenged his audience at the Academy of Management while receiving the Academy award for his innovative HR leadership. He asked the academic crowd to pay attention to where the conversation about performance management should really belong. CHRO's challenge to the researchers and to fellow HR professionals was to take the lead on this important org. transformation and not to surrender to the media hype. The matter is much too complex and too central to organizational success to give media the decision and influence power on what to do with critical organizational processes.

The bigger and more strategic question looming over the current media coverage of internal HR issues is the extent to which we are witnessing across the board CONSUMERIZATION of HR. Performance management is not the only process under review. Recruitment, on boarding, learning – all are undergoing change. The exposure to the external world of social media, analytics and marketing is leaving its unmistakable footprint on the internal HR process.

Granted, the future of work may ultimately be shaped by a handful of still fledgling technology start ups whose nimble free agents are disrupting the status quo. They start with the new attitude, new tools and with big data defining the new space for HR with virtually little resistance

When it comes to larger and more mature firms the rate-less environment represents a largely untested territory with land mines along the way and questions raised about differentiating talent; deciding on variable pay and paying for performance and not the least managing for risk and compliance.

But when Accenture's 300,000 employees were "freed" from ratings, joining the likes of Adobe, Microsoft, Dell and Deloitte, it was clear that abandoning performance ratings was more than a fad or a domain of the tech start ups. "Accenture is freeing its employees from Performance Reviews. (Quartz, 2015)

GE Enters The Scene

When the announcement about GE dropping performance ratings and launching a brand new comprehensive performance development process hit the news wires, it became official that the trend grew into a movement.

Why GE had to kill its Performance Reviews after more than Three Decades.(Quartz, 2015)

If there has been an enduring icon of performance excellence out in the market, it definitely has been GE. Now that it officially announced embarking on its new performance development agenda and internalized the "rate-less" model, there was no doubt among corporate practitioners that the tide has turned and the next generation performance management is finally and legitimately under way. With GE on board, the conversation was propelled to the level of every company's organizational strategy level.

Even as GE has come on board with its "no ratings" PD@GE solution, performance management overhaul still remains to be a vastly uncharted territory for the vast majority of organizations. The new design is "just out of the box" and has not come with any guarantees and possibly with some unintended consequences.

The full scope of change remains to be unknown particularly for mega size global multinationals such as Accenture and GE. In the next couple of years, as the first cycle of these corporate transformations comes a full circle we are going to learn a lot about corporate performance and the accelerated change management process. All eyes are on Adobe, Accenture, GE and other pioneers to further test out their process and come back to their peers with lessons learned and recommendations tested.

Research is Slowly Catching up with Practice

As the new practice of performance reviews evolved, the new corporate conversation has **matured** from boldly "crossing the line of courage" to the well thought through methodical change management process. What is exciting to witness is how most strategic HR practitioners among us are taking risks unheard of before, stepping up to the challenge of leading the charge and shaping the future of work. As a practitioner community we are just beginning to figuring out what is really at stake in the successful implementation of the new performance management model.

One thing is clear, strategic practice and "on the job" experimentation preceded any research and consultation. More trend watching and further analyses of this transformation away from the established convention is under way.

Evidence is building to support the case for the broadest scale performance management overhaul. HRPS, SHRM's Executive Network, held an expanded panel discussion on this topic at its annual conference in April 2015, New York based Neuro leadership Institute has unveiled their own trend analysis of companies dropping performance ratings (Neuro leadership Summit 2015). Josh Bersin of Deloitte partnered with Markus Buckingham to overhaul Deloitte's performance system and collectively they wrote about the reasons for the change in HBR. SIOP's Leading Edge Consortium in October offered a two day long comprehensive overview of trends and research from the Industrial psychology perspective (Leading Edge Consortium). SHRM has run a series of webinars in October to throw more professional light on this evolving trend. World of Work partnered with the Center for Effective Organizations (CEO) to contribute their share of research by studying companies — " the before" and "after" analyses of companies that have gone rate less. A special issue of World at Work Journal on this topic was published in Q2 2016.

What's up with The App?

Media firestorm aside, the role technology plays in Performance Management Revolution is instructive. Technology has both led to the old process ultimate failure as well as to its ultimate resolution. It is instructive to note that the new "rate-less" practice developed in defiance of the old clunky system and ahead of the helpful new one.

Having abandoned "the platform," companies took matters into their own hands and internally designed new Apps to be installed on the employees mobile device. In the space of a couple of years, an eco system of new companies has developed with solutions to enable the fast paced, simplified process and create an efficient, just in time connection between the employees and their managers.

If you wanted to know the state of your health and wellness or the weather and the market, just turn on your smart phone or your smart watch. With most current information on your fingertips you yourself will know when to dial up or to dial down on your diet, your exercise or when to take an umbrella or call your broker.

Why should knowing your performance be any different? Additional to your manager's feedback, the coaching advice will always be available and waiting on the same app and at the same time. This future is already here and it is upon us to accelerate its adoption and acceptance with the minimum fall out and maximum return on performance investment.

The Revolution has Just Begun

No question, the future of the new Performance Management is just beginning to take shape. By going "rate-less" companies are abandoning the ineffective, outdated tradition but the new practices are just beginning to take shape.

Managers have now re-entered front and center on the performance stage. Major investments into management development and supervisor training have raised the bar on the expectation for the day to day supervisory role. But managers will not have to do their jobs unassisted and alone. Analytics and Social technology are destined to be the 21 century most valued management tools. The signs are clear. Technology and Data will upgrade the managerial process to the next levels of effectiveness.

We are still in the early stages of the massive disruptions that are coming with the 21st century business organization. As the "rate-less" approach to managing performance is moving to the apps, it is taking on a key strategic role in driving innovation, collaboration, and organizational effectiveness. The companies regardless of size and legacy are learning to change fast, take on new counter intuitive practices and prioritizing agility and learning over stability and control. Long live performance management on the app.

Here are some concrete steps that have proven to have worked for those companies that have succeeded.

a. **Always start with your Company's Strategy.**

   It all depends on the outcomes you are looking for. If innovation is your goal, the legacy annual review will not work for you. If on the other hand, no changes are expected, you might as well keep what worked for you before.

b. **Accelerating Performance Cycle.**

   Once or twice per year appraisal is just too little too late at the current rate of change companies are experiencing now. In most cases, quarterly reviews are most common. New, fast moving organizations are making manager conversations even more frequent.

c. **Simplify documentation**

   Requiring managers to do a lot of documenting and recording takes them away from talking to their employees-the most valuable part of a manager's time.

d. **Focus on manager's conversations.**

   Managers are the backbone of the new performance system. If there is one cause you need to commit to regardless of your change status, it is your management development.

e. **Separate performance management and rewards.**

   We learned from behavioral economics that managing performance and assigning rewards is not a combination that leads to employee increased motivation. At minimum, use performance review time to discuss performance only. Save rewards conversation for later.

f. **Invest in developing HR capability.**

   Performance management transformation requires stewardship from HR. Most HR organizations are not prepared to lead in such drastic steps. Make sure you are ready.

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