Fixing Performance Appraisal Is About More than Ditching Annual Reviews

Graham Kenny

The trend is on: performance appraisals are off — and, for many, on their way out.

Adobe, for instance, has abandoned the traditional performance reviews used to assess its 11,000 employees. It calculated that the annual process required 80,000 hours of time from its 2,000 managers, the equivalent of 40 full-time staff. The monumental effort invariably produced deleterious results, with internal surveys showing that staff felt less inspired and motivated after the appraisal episodes.

The company has instead embraced frequent "check-ins," during which managers provide coaching and advice. Check-ins are designed to communicate simply what is expected of staff and to allow managers to give and receive feedback, assist employees with performance improvement, and guide them in their growth and development. This process provides feedback that is more immediate and relevant than the once-a-year, and usually much-dreaded, review. No forms are completed during the check-ins, nor are any technologies employed to guide managers in their task. They are trained, however, in the subtleties of providing and receiving feedback via classes and by role playing realistic, and sometimes difficult, situations.

Adobe is not alone in its endeavours to ditch the traditional performance appraisal. Others are joining its ranks in either pilot or rollout stages, with Accenture, Cargill, ConAgra, Gap, Intel, Juniper Networks, Medtronic, Microsoft, and Sears among them. While I have long advocated for this abandonment, I do have some reservations: could CEOs be leaving their staff in the lurch by taking an easy way out?

Let me ask a basic question. Why do employees dislike the traditional performance appraisal? After all, we all like to know how well we're doing in most spheres of our lives: as a husband, wife, daughter, partner, and so on. In fact, most us crave more feedback, provided it's tendered in a constructive way and is soundly based. So why do we shy away when it comes to formal assessment at work?

The answer is that performance appraisals focus on *activity*, not *outcome*. And that's what is demeaning.

Here's roughly how it works. To design a performance appraisal for an individual, common practice is for HR to go to that person's job description, which is a useful tool for laying out what a job occupant is supposed to *do*. Do it well and you are assessed favorably; do it badly and you get the thumbs down. All this sounds reasonable until you start implementing it. For a receptionist, if you're not careful, the system will delve into how many telephone calls she or he handles per day — in other words, activity. In contrast, the receptionist's view of their performance is much more nuanced, focusing instead on how happy clients are with their contact — outcome. Little wonder then that when annual performance review time comes around, the receptionist feels gutted by the lack of appreciation.

So how do we get to outcomes? The answer comes by examining another inconsistency.

A CEO is assessed on the basis of how well the organization that they manage performs. If British Airways, for instance, does well, the CEO receives a tick and gets to keep the job. In other words, the CEO's performance equates to that of the entity managed — the organization. We're all comfortable with that. Why then do we change the frame at the next level down and beyond? For a production manager, for instance, the performance appraisal reviews how the activities of the position are discharged. The double whammy now is 1) the individual, not the entity managed, is assessed and 2) activity, not outcome, is assessed. It's no surprise that the production manager might be a little discombobulated by the review process.

So while I applaud Adobe and others for ejecting their performance appraisals, and long may "check-ins" continue, I do suggest that revisiting performance assessment in an organization is about more than just ditching annual reviews.

First, organizations should another look at measuring through the lens of "outcomes." Do so by equating individual performance with the performance of the entity managed. For example, a marketing manager's performance should be related to the marketing department's performance.

Secondly, develop performance measures based on the relationship that each team or unit has with its key stakeholders. That way outcomes emerge clearly. In the case of a production department the stakeholders are likely to be the CEO, suppliers, customers, other internal departments, and the employees of production. Only at the very bottom of an organization do the entity managed and the individual coincide, e.g., a sales representative. Here again key stakeholders form the basis for any assessment. In the case of the sales rep these include their boss, fellow members of sales team, and customers.

By following this approach, performance evaluations really will measure "performance." Staff will feel enlivened by the process, being assessed on the big picture of entity outcomes rather than the minutiae of job activity. Organizations will have a clearer picture of where they're heading, and links will emerge between organization levels.

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