

Executive Summary

Research Question

In companies who have eliminated annual performance reviews, what are the best practices to measure employee performance to support hiring, promotion, succession, and movement?

Background

In the last decade, many large Fortune 200 companies began eliminating their annual performance reviews, citing multiple reasons such as being unfair, subjective, demotivating, and that reviews did little to improve the performance of employees. Additionally, managers often did not give honest or constructive feedback, viewing annual reviews as too time consuming and untimely in reporting feedback. As a result, many companies feel data is missing to make important personnel decisions¹. In order to make successful personnel decisions a company must continue to provide some sort of feedback in the absence of an annual review.

Best Practices

1. Rating-less performance reviews

Rating-less performance reviews help managers to focus on performance and consequences, not ratings as they remove the irritant that is perceived as taking time without adding value². In one survey it was found that eight percent have eliminated performance ratings and that 29 percent are either considering or planning to make the change to rating-less performance reviews. Ten percent of nearly 350 leading U.S. companies had no overall performance rating³.

2. Ongoing performance feedback

The cadence for creating an ongoing performance feedback culture is dependent on the company and the relationship between the manager and direct report. Check-ins can happen bi-weekly or about once a month, as long as they are planned at regular intervals throughout the year with follow-up⁴. In 2007, 37 percent reported using ongoing coaching and feedback on employee performance⁵. In 2010, 72 percent agreed with this statement: "Performance management is a year-round process, with goal setting, feedback, and coaching occurring throughout the year" as it applied to their performance management practices⁶.

Case Study: Deloitte "Check-In" System

Deloitte designed a "check-in" system, a future-focused conversation about work, to fuel, see, and recognize performance. Team members and leaders meet one on one to discuss real-time feedback and future expectations. This allows them to align priorities and prepare for what is coming next using a strengths lens. Utilizing the individual's skills, leaders discuss with team members how they can deliver on priorities. Check-ins happen every other week but may occur more often during busy work periods⁷.

3. Crowd-sourced performance feedback

Crowd-sourced performance feedback takes ongoing feedback a step further in that it allows feedback and evaluation for an employee not just from a supervisor or manager but also from peers, coworkers, and direct reports. It provides a 360-degree view of feedback for an employee

from the people they work with every day in different positions and roles from their own². A survey found that 24 percent of those surveyed used 360-degree feedback systems which systematically gather input typically from the employee's supervisor and manager, subordinates, and other supervisors and managers and perhaps co-workers with knowledge of the employee's performance³.

Case Study: Zalando

A leading European e-retailer, Zalando, has created a tool to collect crowd-sourced performance feedback for employees from meetings, problem-solving sessions, projects, launches, and campaigns. Feedback can be requested from various people across the company from supervisors, managers, peers, and internal customers via the tool's app. Both positive and critical but constructive comments are collected. The tool weights responses based on the interaction level between the employee requesting the feedback and the rater. Based on the topics employees request feedback on, the rater can easily evaluate someone using a sliding rating scale for various questions. With real-time collection, the data captured can be more accurate than annual performance reviews since raters do not have to reflect on months of work¹.

Case Study: Tech Enabled Feedback at GE

In 2015 GE launched a new app for performance development where employees can set multiple priorities and have touchpoints with their managers. In turn, managers are expected to take notes of what was discussed, committed to, and resolved in the app. The app can synthesize and summarize the meeting. This new practice has allowed GE to take the focus off grading how well people are doing and put it on employee's constant improvement. Employees can give or request feedback at any point through the insights feature from anyone, even outside their division. This allows GE employees to receive direct feedback immediately and not just from their direct manager⁸.

Conclusion

Actual measurement using these tools is limited currently. However, it also is the first step to generating viable employee data that can be used for various analytics purposes and to measure the progress employees are making. From there, companies can expand and refine their performance management practices to better align their organization to company values and business objectives. To successfully support an organization's personnel policies and decisions such as hiring, promotion, succession, and movement in an organization where there are no performance reviews, companies still need to provide employees feedback about their performance and also coach them so they are able to improve and develop for the future. Simply implementing a new tool is not enough, there needs to be a cultural change around feedback as well to understand it is constructive not critical. Crowd-sourced performance feedback can aid that cultural change as it gets employees from across the company involved from its 360 nature.

References

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