

Good Riddance to the Annual Review. Hello to the Future of Performance Management

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Accenture – one of the largest companies in the world – announced a couple years ago that it is abandoning annual performance reviews for its 330,000 employees because the process is “too heavy and too costly” and produces “not great” outcomes. Since then a growing number of major corporations, estimated at 6 percent of the Fortune 500, have joined Accenture in rejecting the traditional approach to performance management.

Accenture’s decision was applauded, I am sure, by many organizations around the world. As a performance management consultant, I routinely talk with company leaders frustrated by their current performance management processes and HR managers forced to defend flawed systems they don’t believe in. The source of their discontent? They find annual reviews and forced rankings to be:

- **Bureaucratic and time-consuming.** The traditional approach tries to fit complex issues – individual career aspirations, challenges, and motivations – into one-size-fits-all boxes that make sense on a spreadsheet but have no bearing on improving employee engagement or performance.
- **Confrontational rather than constructive.** Instead of a fruitful dialogue, the annual review often turns into an argument between manager and employee on ranking and grading metrics. When participants feel the need to defend themselves in a review process and are worried about being ranked according to rigid criteria against their colleagues, it can be difficult to have a candid, give-and-take discussion about career aspirations, challenges, strengths, and opportunities.
- **Dangerously out of touch.** Businesses today need to be agile in leveraging talent to manage market challenges and opportunities. The world is simply moving too fast for companies to re-visit goals, strategy and performance only once a year, particularly in our growing “on demand” culture. Performance management has to be continuous. Employees grow and evolve when managers provide relevant, timely feedback about specific tasks/behaviors as they occur.

- **Source of unhealthy competition.** Open and mutually-supportive relationships with colleagues are a hallmark of a healthy workplace. A ranking system that pits employees against their peers can be destructive to both individual morale and teamwork. It damages collaboration and limits knowledge sharing -- two critical drivers of the creativity and innovation needed for business success today.

Beyond these obvious flaws, it is the psychological assumption underlying the ranking/review system that may be the most detrimental – namely, that employees need to be controlled, measured, and rewarded in order to perform well. It assumes that individuals lack self-motivation and can only be threatened or cajoled into doing the right thing. Unfortunately, that belief often becomes self-fulfilling. People who work in a culture governed by control and measurement will begin to shape their behaviors to succeed within those parameters. The structure fails precisely because it undermines personal ownership of performance.

Research shows the opposite to be true. Most people are intrinsically motivated, and respond best to a workplace culture that provides:

- **Autonomy** – The freedom to decide their own career goals and paths. Companies need to abandon the binary choice of moving up or moving out. Lateral moves into specialty areas need to be valued and encouraged as well.
- **Mastery** – The opportunity to learn new skills within a supportive environment that offers regular feedback and positive encouragement helps facilitate growth.
- **Meaning** – Insight into how their contributions align to the strategic goals of the business can foster a sense of personal empowerment and accountability in helping the organization succeed.

Autonomy, mastery, and meaning are not possible within a bureaucratic, fixed performance management system that ranks people against their colleagues and pushes them into boxes. Instead, organizations would do well to follow the lead of Accenture's CEO and say "we're done with that." The system you put in its place will depend on your organization's goals and talent strategies – there is no one-size-fits-all approach. We encourage clients to craft a framework that recognizes employee individuality, trains and encourages managers to have meaningful career conversations with their reports, and creates development paths that enable both the individual and the organization to succeed.

About Right Management

We are global career experts. Established in 1980, we have over 35 years of experience in career management and talent strategy. In that time, we've put 40,000 people to work every day, conducted over 12 million interviews per year and successfully transitioned more than three million people into new roles.

Right Management is the global career expert within ManpowerGroup (NYSE: MAN), providing tailored global workforce solutions that identify, develop and transition talent to optimize business performance. As career experts, we enable companies to win by helping employees build successful careers in the Human Age.

We drive better outcomes through our expertise in organizational effectiveness, career management and individual development. Right Management has offices in more than 50 countries and partners with companies of all sizes, including more than 80 percent of the Fortune 500.

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