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Putting a bit of agility into performance evaluations

Between now and the end of the year, 75% of European employees will have undergone an evaluation interview. And yet, if there is one thing on which everyone can agree, management and staff alike, it is that these annual reviews are often painful, even useless. Why, then, do we repeat them year after year? Arguably out of habit, and not knowing what to replace them with. Meanwhile, however, General Electric, Accenture, Microsoft, and Deloitte have all found an effective alternative: creating a culture of constant feedback.

> "Technological innovations are so numerous that we are forced to be faster and more flexible in our objectives."

According to the firm Tower Watson, only 36% of European companies consider their current methods of performance management – based largely on annual appraisals– to be efficient.[1] This low number is hardly surprising, however, given that, "In its current form, the lone annual interview, which focuses on past individual performance, fosters neither commitment or achievement, " says Associate Director of Human Resources at Deloitte, Sami Rahal, who goes on to argue: "We must transform our evaluation of individual and collective performance in an innovative and pragmatic way. This transformation is the key to renewing the contract of mutual trust between employee and manager." And it's a key that can unlock the potential for increased agility in performance evaluation.

The many criticisms of the annual appraisal

Annual appraisals are often accused of adding little to no value, because they do not allow managers to take into account the actual performance of employees or to effectively support their development. These interviews tend to be:

• **General:** Too vague to draw any concrete conclusions. By alternating between positive and critical messaging, managers may think they are sparing their employees. Instead, staff often emerge from annual review meetings

Hacking the performance evaluation process

As a manager, how can you divert the annual evaluation process? The idea is not to dismantle your evaluation process radically, but rather to add a layer of regular feedback:

• **Develop a culture** in which teams feel free to exchange feedback spontaneously, naturally and daily, rather than relying only on formal evaluations.

• **Increase feedback moments:** provide feedback at the end of each important project to discuss outcomes, shortcomings and what skills need to be developed to optimize future performance on similar projects.

The challenge is then to use this information throughout the year to prepare for your annual review meetings.

BASED ON :

"The End of Annual Performance Reviews: Are the Alternatives Any Better?" (*Knwoldege @ Wharton*, September 2016) ;

"Entreprise : la mort programmée de l'entretien annuel" by Loïc Farge (RTL, December 2016) ;

"General Electric signe la fin de l'évaluation annuelle des salariés" by Lucie Robequain (*Les Echos*, September 2016) ;

"Why big business is falling out of love with the annual performance review" by By Lillian Cunningham and Jena McGregor (*The Washington Post*, August 2015).

more confused than when they went in.

• **Subjective:** The manager struggles to accurately recall employees' achievements over the past year, and there is a tendency to rely on recent impressions rather than facts.

• **Demoralizing:** Employees go into annual review meetings hoping for a promotion, while managers are focused on trying to maintain their bottom line. From these positions, neither party is able to really hear the other and everyone ultimately walks away frustrated.

• **Inflammatory:** With risk of conflict, defensive interviewers, and justifications and excuses thrown at any criticism, the year-end interview is the encounter that employees and managers fear most because it exacerbates tensions that may have accumulated over the year

• **Time consuming:** everyone spends a huge amount of time preparing for year-end interviews in spite of the fact that no one is able to prove that their impact on performance actually exists.

• **Costly:** A company with 10,000 employees will spend an average of 35 million dollars on these processes.

Replacing interviews with regular check-ins

Considering this general discontent, is the solution, plain and simple, to bring these interviews to an end? If so, what could possibly replace them? From General Electric and Accenture to Microsoft and Deloitte, all of the companies who have decided to get rid of annual interviews instead encourage regular sharing moments between employees and their managers. Whether they are called "check-ins" (Deloitte) or "touch points" (General Electric), these moments are like weekly face-to-face conversations during which managers and their teams can exchange information about current projects, celebrate recent successes, or, conversely, communicate difficult messages. The last step in the process of getting rid of annual interviews at General Electric has been streamlining feedback to permit a 360°, non-anonymous evaluation in real time via a mobile application. This is a radical change for a business where annual interviews were previously aimed at allowing management to classify employees by assigning each of them a score (with the bottom 10% being asked to leave the company). "It was a system con-ceived for another time and it has not been adapted for today's world," explains Janice Semper, who has been charged with piloting this transition at General Electric. "There is no longer anything that happens here at annual intervals. Technological innovations are so numerous that we are forced to be faster and more flexible in our objectives."[2]

> "When there are constant interactions, the manager does not have to tiptoe around delivering criticism, since there will also be opportunities to regularly celebrate employees."

DAILY FEEDBACK AT VOLKSWAGEN MEXICO

“At Volkswagen in Mexico, every worker entering the factory has the choice to press one of three buttons: green (‘Everything is great’, orange (‘Things are not perfect but I am OK to work’) or red (‘Things are not OK’)”, says Gaël Châtelain. The manager and the Director of Human Resources immediately receive the results and can respond promptly by going to speak with the employee under concern. One of the benefits of this system is that it enhances transparency and facilitates discussions – including difficult ones – between employees and managers. On average, 85% of employees press the red button at least once in a year, providing a real opportunity for discussion with management, reducing the turnover rate by 30%.


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Restoring the manager assessment

During the advantageous moments of exchange that have been set up at General Electric, Accenture or Deloitte, simplified questionnaires are added to the end of each project or mission (on average 3 or 4 times per year). At Deloitte in particular, these questionnaires do not aim simply to take notes on the employee, but to evaluate the manner in which they are perceived by management. The questions are formulated to give importance to assessment, with statements like «Regarding the performance of this person, I would like her to stay on my team» to be rated from 1 to 5. The goal is not to have the manager give his opinion of the past performance of an employee but to say what he would like to achieve with him in the future. At the end of the year, all of this data is collected to trace the continuous flow of assessments that give a clear image of the evolution of the performance of Deloitte employees. Every employee always knows how he is situated and has the natural tendency to ask for the help of his manager to progress.

The advantages of the constant feedback method

There are several advantages to this approach. First, managers and employees focus on future performance rather than seeking to assess the previous year. Secondly, it makes it possible to reinforce the objectivity of the evaluation, which is based on measures taken in real time, without neglecting the subjectivity inherent to all evaluation processes. This approach also improves communication by putting an end to "sandwich feedback" (embedding negative feedback between positive messages), which protects the feelings of sensitive people, but also prevents clear messages from being conveyed. When there are constant interactions, the manager does not have to tiptoe around delivering criticism, since there will also be opportunities to regularly celebrate employees for other well-executed projects. Additionally, the company has a truly reliable career management tool. All progress is properly documented, which makes it possible to record variations in performance over time, which can then be consulted when it is time to discuss promotions or salary increases. Employees therefore have a clear and constant idea of what is expected of them. In concrete terms, accord-ing to Gallup, switching to a more fl uid method of performance evaluation increases employee productivity by nearly 13 percent. [3]

To prove that annual evaluation interviews are on their last legs, one need look no further than the United States, where 10 % -- and mounting – of Fortune 500 companies have already stopped using them.[4]

1. “Gestion de la performance en Europe: des évolutions, pas de révolution” (*Tower Watson*, December 2015).

2. “General Electric signe la fin de l’évaluation annuelle des salariés” by Lucie Robequain (*Les Echos*, September 2016).

3. “Faut-il mettre fin aux entretiens annuels d’évaluation ?” (*Relais Managers*, November 2015).

4. “Why big business is falling out of love with the annual performance review” By Lillian Cunningham and Jena McGregor (*The Washington Post*, August 2015).