

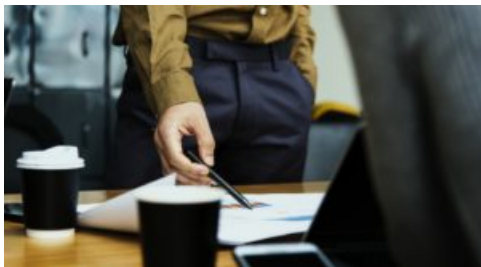
11.2: Putting It Together- Performance Management and Appraisal

In a Harvard Business Review article titled “The Future of Performance Reviews,” authors Peter Cappelli and Anna Tavis cite estimates that “more than one-third of U.S. companies are . . . abandoning the traditional appraisal process—and all that followed from it.”^[1] Instead, organizations across industries and geographies have embraced the practice of “frequent, informal check-ins between managers and employees.” The list of converts includes technology companies, professional services firms and even GE, developers of the notorious 20/70/10 “rank and yank” appraisal system. For the future view, researcher and people analytics expert Josh Bersin estimates that 70% of multinational companies are “moving toward this model.”



What’s driving this change is a recognition that traditional appraisal systems are a significant expense that doesn’t add value. The HBR article quotes a Deloitte manager who “referred to the review process as ‘an investment of 1.8 million hours across the firm that didn’t fit our business needs anymore.’” A Washington Post business writer provided a more dramatic explanation, referring to the process as a “‘rite of corporate kabuki’” [translation: a form of traditional Japanese drama with highly stylized song, mime, and dance^[2]] that restricts creativity, generates mountains of paperwork, and serves no real purpose.” Dollars and drama aside, the primary factor driving this shift is a realization that traditional end-of-year performance appraisal processes tend to be focused on rewarding or punishing past performance and miss the opportunity for improving performance—and developing talent—in real time. In contrast to a rearview mirror view, “regular conversations about performance and development change the focus to building the workforce your organization needs to be competitive both today and years from now.”

Conceptualization of the “Agile Manifesto” in 2001 was a pivotal moment in software—and, subsequently, human resource management—history.^[3] For perspective, the authors noted that while they value planning, they value responding to change more. Although their intent was to improve software development and not employee performance, the values and principles the “agilites” identified reframed the definition of performance and were adopted by companies like Adobe who were already using agile concepts for software development. To illustrate, Adobe was already “breaking down complex projects into ‘sprints,’ that were immediately followed by debriefing sessions.” Cappelli and Travis note that “Adobe explicitly brought this notion of constant assessment and feedback into performance management, with frequent check-ins replacing annual appraisals.”^[4]



To summarize, Cappelli and Tavis identify three business imperatives driving decisions to abandon traditional appraisal processes:

- The return of people development
 - Given the competitive labor market, retention is “once again critical” and companies are attempting to eliminate employee ‘dissatisfiers,’ which include annual reviews
 - A focus on numerical ratings is believed to interfere with essential learning
 - Switching to a project or event debrief model “helps managers do a better job of coaching and allows subordinates to process and apply the advice more effectively”
- The need for agility

- With innovation increasingly seen as a source of competitive advantage, organizations need agility and employee adaptability—something that traditional backwards-facing appraisal approaches don't support.
- The centrality of teamwork.
 - Fostering teamwork is easier to do when an organization doesn't use forced ranking or focus on individual accountability

The way we work has changed; in order to remain relevant, performance management systems need to change as well.

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1. Cappelli, Peter and Anna Travis. "[The Performance Management Revolution](#)." Harvard Business Review. October 2016. Accessed August 20, 2019. ↵
 2. "[Kabuki](#)." Lexico. Accessed August 20, 2019. ↵
 3. "[Manifesto for Agile Software](#)." Agile Manifesto. Accessed August 20, 2019. ↵
 4. Cappelli, Peter and Anna Travis. "The Performance Management Revolution." ↵

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