We have recently witnessed a media firestorm over the way organizations conduct performance appraisals. A few years ago, a few leading-brand companies dropped performance ratings and shifted their annual performance reviews to a more frequent, manager-centric, feedback-rich process. Subsequently, questions started to surface about whether rating-less performance management was a passing fad or an unavoidable pivot toward a new workplace with a focus on development rather than compliance.

Colorful metaphors were put to work to mark a radical breakaway from the familiar annual appraisal routines. Catchy headlines such as “Kill Your Performance Ratings,” “Get Rid of Performance Reviews!” “Abolish Performance Appraisals!” and “The Trouble With Grading Employees” attracted the attention of business executives. The language of performance management started to shift, and for some of us it marked the coming of a new age in HR management. History will judge — but for now, this may be one of the most radical leaps forward in organizational practice since the invention of performance management itself.

One thing is certain in the new world of performance management — there is no longer a one-size-fits-all solution.
Historical Context
It is important to remind ourselves of the historical context for performance management. The legacy performance appraisal systems came into existence in the industrial era, when both military and government organizations set the standard. As hierarchies dominated the world order, the goal of managing performance was to exercise control from above and ensure compliance in the ranks. The system was set up to specifically catch those who were failing to deliver. On paper, it was a perfect system to go after the “guilty” and spotlight the “top performers” and “high potentials.” The A, B, C employee calibrations became the norm and spread across most high-performing companies.

While over the past few decades organizations have shifted away from the industrial-style governance models, many of their organizational practices remained stagnant, creating a jarring disconnect — and getting in the way of doing business. Disruption and reinvention have been everywhere in the economy for the past 25 or so years, and it seems as though there may finally be a general consensus that high performance can only be possible through engagement, collaboration and continuous learning for employees at all levels.

A call for the overhaul of the internal appraisal systems first came from the high-tech sector, which is known for its low tolerance for tradition. Professional services followed, with its relentless emphasis on efficiency and return on investment. Now the trend is spreading across other industries, affecting every type of organization, including government, education and the military. A global shift toward a more inclusive, development-focused performance system has been launched, and it appears to be going full-steam ahead.

Early Adopters
Several Fortune 500 companies have taken the lead on revolutionizing performance management, and they’ve reaped the rewards. Take Adobe, for example. Profiled in Fortune as the world’s #124 largest capitalization company last year, Adobe ditched annual performance reviews in 2011, replacing them with frequent “check-ins.” This radical HR move has paid unexpected dividends (see “How Adobe Keeps Key Employees From Quitting” in the June 16, 2015 edition of Fortune), as the company has accelerated its product development cycle, improved its market performance and kept its employees engaged and motivated, enabling the company to outcompete its rivals in Silicon Valley’s most intense talent market. Of course, multiple factors have been responsible for Adobe’s success.

However, the innovation in how the company manages its people was among the decisive factors. Flexibility, manager support and the focus on teams has helped Adobe lead the way in business as well as with its talent. Within a couple of years after Adobe’s bold move, a few technology pioneers cautiously followed. Then, in 2015, the flood gates opened, ushering in a wave of innovative breakthroughs involving a broad spectrum of companies such as Gap, Cigna, Microsoft, Cisco and the four big accounting firms.

When the announcement about GE dropping performance ratings and launching a new comprehensive performance development process hit the news a couple of years ago, it became official that the trend had grown into a movement (see “Why GE Had to Kill Its Performance Reviews After More Than Three Decades” on Quartz.com). For decades, GE has been an enduring icon of performance excellence, having defined what the “gold standard” for performance management was. When it announced that it was abandoning its annual performance ritual and was embarking on a new performance development agenda using the frequent-feedback, rating-less model, it reinforced the notion that the tide was turning and the next-generation performance management had finally and legitimately arrived.

Today, dozens of organizations are converting their performance management systems into something better, stronger and more strategic.

Research Is Slowly Catching Up With Practice
As the new practice of performance management has evolved and new change management processes have
matured, the next generation of innovative and strategic HR leaders has emerged. It is exciting to witness how the most bold and courageous HR practitioners among us are taking risks, stepping up to the challenge of leading the charge and shaping the future of work.

Evidence is continuing to build in support of broad-scale performance management overhaul. HRPS, the Society for Human Resource Management (SHRM)’s executive network, held an expanded panel discussion on this topic at its 2016 annual conference. HCI and the Conference Board have been holding performance management-centered conferences for the last couple of years, and New York-based NeuroLeadership Institute unveiled its own trend analysis of companies dropping performance ratings. Deloitte partnered with talent management expert Marcus Buckingham to overhaul its performance management system (read about the reasons why in the article “Reinventing Performance Management” in the April 2015 issue of *Harvard Business Review*).

In 2015, the Society for Industrial and Organizational Psychology’s Leading Edge Consortium conference centered around trends and research on performance management from the industrial psychology perspective. SHRM has run a series of webinars to shed more light on performance management next practices, and WorldatWork has partnered with the Center for Effective Organizations to contribute their share of research by studying the “before” and “after” of companies that have gone rating-less. And last year *WorldatWork Journal* dedicated an entire issue to the topic of the evolving performance management model.

Research is beginning to flood the market, finally catching up to practice.

**What Role Does Technology Play?**

The role technology has played in performance management transformation is quite instructive. It was the inflexible and clunky HRIS systems that may have ultimately doomed the old process to failure. The new

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### Make Small Changes, So You Can Be Change Ready

Even if your organization isn’t quite ready to join the performance management revolution, there are some things you can be doing now that will help you more easily move in that direction if or when the time comes.

**Start with a review of your organization’s current state, and decide on strategic direction.** It all depends on the outcomes you are looking for. If transformation and innovation is your goal, the legacy annual review might not work for you. If, on the other hand, you have just implemented a process that delivers and you are seeing results, you might want to keep what’s working — at least for now.

**Accelerate the performance cycle.** Even if you are keeping your current performance system, a once-per-year appraisal is simply too little too late. Quarterly reviews are becoming more and more common, and new, fast-moving organizations are making manager conversations even more frequent.

**Simplify documentation.** Requiring managers to do a lot of documenting and recording takes time away from them talking to their employees. Remember that timely feedback and on-the-job discussion is the most valuable part of any manager’s time.

**Focus on managers’ conversations.** Managers are the backbone of the new way of doing performance management. If there is one investment you need to commit to regardless of your overall transformation status, it is developing your managers’ coaching skills.

**Separate performance management and rewards.** We’ve learned from behavioral economics that managing performance and assigning rewards is not a combination that leads to increased motivation of employees. At minimum, use performance review time to discuss performance only. Save the rewards conversation for later.

**Invest in developing HR capability.** Performance management transformation requires stewardship from HR, and many HR organizations are not prepared to lead such drastic changes. Make sure you’re ready.
rating-less and no-documentation practice may have developed in defiance of the old tech infrastructure. Without “the platform,” companies took matters into their own hands and custom designed new performance management systems and processes. In the space of a couple of years, an ecosystem of startups has emerged, offering innovative and flexible solutions to enable fast-paced, simplified processes providing efficient, just-in-time connections between employees and their managers.

A new generation of cloud-based performance tools powered by big data algorithms and artificial intelligence is already flooding the market, and several talent management companies have unveiled innovative performance management apps. With this kind of technology, organizations are able to scale and adopt much more personalized, flexible solutions.

**Practical Lessons for HR**
For those of us working in higher education (which is not necessarily known for breakthrough management practices), seeing mainstream media reporting disruptions in the way human resources operates in the realm of performance management might be a little disorienting, as the rating-less environment for us represents a largely untested territory with land mines everywhere along the way and questions about differentiating talent, deciding on pay for performance and managing for risk and compliance.

But no matter where you stand on the performance management change readiness front, making a few decisive steps toward at least building the capability for change is a must. Here’s what you can do in the now:

**Ask questions.** Some questions we should be asking ourselves at our own organizations include “What would it take to make annual performance appraisals a reward?” “How could we take the fear out of the process and make it forward looking, energizing and motivating for our employees?” “Would anyone argue against having more mentoring and feedback in the workplace?” “What if we trained managers to coach, not judge, and rewarded them for coaching regularly and effectively?” “What if we created a culture where employees proactively ask for feedback and expect to hear from their managers when they need it most?”

**Empower managers and employees.** Managers cannot do their jobs unassisted. The more organizations and managers know about employees’ needs and aspirations, the more targeted their messages can be. HR should place a focus on gathering that information and making it available to managers. HR should also empower employees by giving them a voice. One way to do this is through people analytics and social technology tools.

**Place a focus on collaboration.** To achieve new performance levels in an organization, we must create teams and break out of silos, so make sure the performance system you currently have does not incentivize competition among team members. Review your reward systems, and validate collaboration as a special community asset.

**Build HR capability.** No change would be possible without purposeful, competent and empowered HR teams. Invest in building your HR organization’s innovative capability. Test out new client solutions on your HR team first, and make sure HR is fully on board.

**Explore new technology.** Switching to a new HRIS system is a major undertaking and might take longer than you think. Instead, try out new agile tools (think: apps) that do not require a big system overhaul.

In summary, there are many ways to join the performance management revolution. No organization can attract and retain high-potential, high-performing talent without moving along with the times. Just remember — getting there is a marathon, not a sprint, so be prepared to commit for the long haul.

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With all of the new technology at our fingertips, organizations are able to scale and adopt much more personalized, flexible solutions to performance management.