

THE END OF PERFORMANCE APPRAISAL: WHAT'S NEXT FOR THE ORGANIZATIONS AND HOW TO DEAL WITHOUT ANNUAL APPRAISAL

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Abstract:- It is a known fact for every organization irrespective of its size and brand their employees are regarded as their key assets. One, of the widely used instrument used to evaluate the performances of their staff is by implementing performance appraisals on an annual, half-yearly or quarterly basing on the policy of the individual organizations. But, majority of the employees viewed that appraisals are like threatening and punishment tools rather than an improvement tool. And, it is an acceptable fact that while conducting appraisals biases plays a key – role. In, today's global competitive environment work – culture has changed; and the appraisal technique used is definitely less relevant today than when it was originally designed as a compliance tool.

This, paper mainly focuses on how majority of the organizations felt that appraisals are definitely coming to an end and the other measures taken up to assess the employee's performances. The, entire data presented in this paper is purely secondary in nature which is collected from various articles, magazines and other sources only. No, primary research is conducted on the selected topic. The, authors mainly attempted to give their own study on the performance appraisal and how it is completely transforming and re-shaping the way how the organizations are dealing with the appraisals across the globe.

KEYWORDS: Performance Appraisal, Organizations, and Employees.

1. INTRODUCTION

Performance – Appraisal is the process of evaluation of an employee at higher levels. In, order to know whether the selected candidate is worth or not, appraisals are the key. **(Smriti Chand, 2016)** Performance what does it actually mean from the employee's point of view? Performance is directly connected with productivity; it implies both effectiveness and efficiency.

Appraisals are just judgments drawn by the superiors on the characteristics, traits and performances of others. So, in short "Performance – Appraisal includes all formal procedures used to evaluate personalities and contributions and potentials of group members in a working organization. It is a continuous process to secure information necessary for making correct and objective decisions on employees". **(Dale – Yoder)**

To, observe the current – trend in most of the organizations are shunning down their formal annual appraisals and trying to find out new methods to evaluate their employees performances. **(Peter – Crush, 2015)** To name some global companies like Accenture has ditched its annual appraisal (for all of its 4, 59,000 staff). And, deloitte, Soberr and big firms across the globe has also recently turned back its annual reviews. **(Peter – Crush, 2015)** As, per the psychologists at Stanford – University (studying 607 performance evaluation processes.), founds that judging and giving conclusions on people on a performance scale actually worsens both employees and organizational performances. **(Peter – Crush, 2015)**

Retaining top talent must be the main reason and that is the key reason why most of the global companies are re – thinking their evaluation process, by converting them into most informal by continuous feed-backs from the managers on an on-going basis. **(Deb – Carpenter – Beck, 2017)**

2. LITERATURE – REVIEW

Steffen Maier (2016): Most of the employees working at global fortune 500 companies opined that they do not want performance reviews, rather they prefer frequent conversations at regular intervals that really assist in their development at work. To, quote an example globally renowned MNC Accenture has completely putted an end to their annual appraisals, and replaced their existing process with a more fluid system, in which their employees receive timely feedback from their managers on an on-going basis. GE is another renowned organization that has replaced its stack ranking system with a new performance management system which favoured more frequent feed-back delivered via a mobile application.

Josh Bersin (2013): As, per Josh opinion most of the organizations still follow and implement traditional form of appraisal techniques for conducting their annual reviews. And, the bigger question here is really the appraisals intended to produce the result or not. And, the study conducted revealed that ‘ **organizations totally can’t trust managers**’, and as stated above many companies (around 20%) are using forced distributions, which mandate that some portion of the employees are rated at the bottom and only a limited portion are rated at the top.

AF. Peter (2017): As, per the Danish – Industry annual management survey clearly revealed that annual employee performance appraisal has a number of dark sides. Imagine a situation naming IT – Company Cisco as an example where it had total employee strength of 70,000 and more across the globe. And, if the managers want to measure the performances of all those, how much time and money the hr – department and the hr – managers has to spend in conducting the appraisals. Here, time and money are not valued as the important constraints, the results out of appraisals are yielding darker – results that’s alarming. Furthermore the appraisals were far too retrospective in outlook. And, peter also opined that common and continuous dialogue between managers and employees is crucial for the success of any appraisal.

Grant. W. Levitan (2016): According to Grant he opined that in most of the organizations annual performance appraisal has died. He, argued that how appraisal results would be beneficial, to say the meetings conducted for the last period; to say February or March how it is benefited for the current period. And, most of the appraisals is connected only with monetary calculations like annual bonus hike, promotions etc. at, present conditions annual appraisals are chucking down, and in that place monthly and weekly conversations about the performance is taking place.

Thomas (2018): As, per his studies and also according to the study conducted by the Society of Human Resource Management(S-HRM), 95% of the employees are totally dis – satisfied with their company’s appraisal process, and majority of the employees agreed that they don’t believe the existing process doesn’t provide accurate and correct information about employee performances. And, Thomas also clearly stated how present the appraisal has changed its way. To, say in 1950’s USA Government used 3 categories to rate the performances: Outstanding, Satisfactory and UN – Satisfactory, and later they implemented 360 – Degrees. Whichever the appraisal technique implemented none benefited the employees because of its dark features. To, manage and retain the top talent appraisal should be used in such a way to identify the ways how to improve the employees performances through continuous dialogue between the superior and employees. Any, appraisal model implemented objective is to suggest the employees in the areas where he/she has to be improved, but not as an punishment or an threatening tool.

Matt Krumrie (2011): Many of the employees feels nervous about the performance – results when communicated, but the real truth, any appraisal end results should mainly focus on how both parties can become better in the year ahead, says Sorenson. Appraisal instead of conducting annually it should be done at regular intervals which help the employees to understand clearly the performance that they expected to perform, as per the Society of Human Resource Management(S-HRM). Here, the most fundamental aspect to observe carefully is the success or failure of appraisal depends upon how clearly the performance expectations to be achieved is communicated to the employees in an organization, and in the similar way the feed – back results should be also communicated accurately said by Max Messmer.

Jane Simms (2017): Jane in his study conducted shared some interesting facts on appraisal and why appraisals at now are coming to an end. All the organizations across the globe are discussing why the appraisals have to be conducted. In, the year 1957 popular management professor expressed his opinion in HBR Article stated that employees would be better of assessing themselves than submitting to an un – natural head – to – head with their manager.

Fred Nickols (2012): In, his study Fred argued that if companies didn’t have a performance appraisal system:

1. How would people receive feed – back?
2. How would employees get their work place objectives?
3. How would Training & Development needs to be determined?
4. How would be the best performers recognized?

So, from the above questions some organizations are still arguing that appraisals are mandatory in assessing their employees performances. But majority of the organizations argued that organizations can be still successful without appraisals, it is by continuous interactions between managers and their employees on a continuous basis. Globally, renowned companies like Accenture, Deloitte, General – Electric showed the way without appraisals. It is from the organizations point of view completely re-shaping and re- defining its performance management systems. The appraisal system should be designed in such a way that it should gain acceptance from majority in an organization.

Jamie Resker (2017): She opined that across the global companies for the first time, a new wave trend has emerged that it is elimination of the performance reviews and ratings in favour of adopting an approach that emphasized more on frequent performance dialogue.

Jamie also opined that:

- **Annual performance reviews are an illusion.**
- **86% of the managers are UN – skilled at conducting the formal performance reviews.**
- **94% of the reviews is composed of candid conversations about the performance measurements.**

And, she suggested the top 4 performance management reforms should include:

1. Phasing out the annual processes.
2. Proper performance conversation framework.
3. Training for the managers and all the staff.
4. Moving away from the traditional 5 – point rating scale.

Adobe (2017): Adobe a multi – national software company has totally abolished its annual- appraisals, and instead they introduced “**CHECK – IN**” in the year 2012. By using the stated appraisal technique where the employees and managers have regular, informal conversations to set clear expectations, give frequent feed – back and talk about their career growth.

As, per the recent survey conducted by the US Office workers revealed that the traditional performance reviews are totally un – productive and stressful, and these reviews are totally out-dated and waste of time and money for any kind of organizations.

Cappelli and Anna Tavis (2016): More than 1/3rd of the bosses and sub – ordinates of US – Companies hated traditional form of appraisals, and they totally abandoned these type of appraisals. The, biggest limitation is holding the employees accountable for what they did in the last year. In true scenario measuring last year’s performance in this current year was un – fair and un – realistic, and that’s the reason why many organizations at present are moving towards direct conversations between the managers and sub – ordinates on at a regular intervals. In a recent article for people + Strategy, a Delloitte manager referred to the review process as “**an investment of 1.8 million hours across the firm that didn’t fit our business needs anymore**”. And, some other companies believed that annual reviews as a last century practice. The, main limitation why more and more companies are against the annual – reviews is because of more emphasis is put on the financial – rewards and punishments only.

And, it is true that 70% of MNC’S are moving towards a model of regular conversations about performance and development changes and building the dynamic and capable workforce that needs to be more competitive both today and years from now.

Kris (2015): Employees do not need any kind of annual performance reviews to evaluate their performances of last year. To, make this true GE announced that it was abolishing its old – age method named “Rank and Yank” system of appraisal. Under, this method each and every employee was allotted a calculated performance – score, compared with their peers and the result is the lowest percentile of employee getting fired. Samuel UCLA Researcher opined that even if you accept or not performance assessments are “a curse on corporate America”, he opined.

Today’s global organizations want frequent feed – back, open communication, and continuous collaboration with their peers. As, per the research conducted at Kansas state university, Eastern Kentucky university, and Texas A & M recently argued that these performance reviews instead of motivating the employees, it is showing the opposite effect, and due to this many employees tend to mis – construe even the most positive feedback.

If, we observe Microsoft also completely vanished its current Performance management process completely. Generally at Microsoft they used to implement Bell – Curve to assess their employees, (without offering real – time feedback), and the top employees fled. As, per LASZLO BOCK, SVP of people operations at Google, he recently wrote: ‘PFM as practiced by majority are rule based, bureaucratic process, which consequently hated by all categories of employees. (Managers, employees and even hr – departments.)

Devashish (2017) : As, per the Times Job – Survey, “ the performance review puzzle”, of more than 1,200 employees in various kinds of organizations resulted that performance reviews conducted are completely opaque, cumbersome and a waste of time.

The survey findings are as follows:-

60% of the employees said that the performance review waste a waste of time, 75% said that they did not know on what basis they were evaluated, 85% were not totally aware of the end – to – end process of performance review, 90% found that the existing performance review forms are complex and cumbersome.

The outcomes of survey findings:

35% are satisfied, 25% are rarely – satisfied, 10% are said that they were always satisfied, 30% were only sometimes satisfied, And, a huge 95% said that proper training was not done by their Hr- Department how to fill in the review form.

MEASURING PERFORMANCES: A NEW DIMENSION

At, present the buzz word among the global – companies is the abolishing of annual performance reviews. And, at present many organizations are re-designing their appraisal policy. The, new policy of appraisal should design in such a way that it creates a immense faith and trust between the manager and the employees, but not like putting” **old wine in the new wineskins**”. **(Stephen Amling, 2018)**

The, bigger question to be answered by the hr – departments is if they get rid of Performance – Management ratings, and how would they identify and reward high performing employees. According to Steven Hunt has identified the following ways to be adopted by the hr – departments in the absence of annual performance reviews, and to identify the high performers.

1. Shift ratings from the employee assessment to manager collaboration sessions.
2. Evaluating the employees basing on the goal accomplishment only.
3. Rating of the employees basing on the future actions instead of past performances.

According to a research firm Bersin by Deloitte around 70% of the companies across the globe are re – thinking and re – shaping of its current Performance Development Strategy (PDM). Nearly 6% OF THE Fortune 500 companies have totally get rid of ranking methods, as per management research firm CEB. **(Corporate executive board, a subsidiary of Gartner)** The, main reasons forced the companies to stop their old – aged appraisals is because of:-

1. The changing nature of work.
2. The need for better collaboration.
3. The need to attract and keep talent.
4. The need to develop faster.

Here, is the list of 4 companies leading the charge of change related to its appraisals:-

1. MICROSOFT: - Initially, they used forced rankings and graded on a bell – shaped – curve. At, present it is replaced with continuous interactions between the managers and their employees. This model makes easier to allocate rewards in a unique manner that reflects best outcomes from their employees.
2. ADOBE: - Adobe introduced a new – method “CHECK – IN”. This, method is an informal rating system of on-going, and real time feedback system. The, core advantage of this method is managers instead of dwelling the employees short – comings, they focused more on goals, objectives, career development and strategies for development.
3. CIGNA: - Cigna previously used formal letter or numeric ratings to assess the performances but now they are also adopting “CHECK – INS” and conversations about their employee performances at any point of time during the year. **(Break – Free , February 22, 2017)**

The following table clearly shows the 6 global giants that have re – defined completely its performance management:

S.NO	COMPANY NAME	OLD - METHOD	NEW - METHOD
1.	General - Electric	Yank and Rank	Rolling out an App for delivering regular feedback.
2.	Cargill	Annual - Reviews	Every day PFM – Management System.
3.	Elililly Pharmaceutical	Annual - Reviews	Theme of “TRUST” and the employees are given a chance to voice their ideas.
4.	Adobe	Annual - Reviews	Check – In Program.
5.	Accenture	Annual - Reviews	On – Going performance discussions, immediate performance development
6.	Google	Formal - Ranking System	Outcome and key result areas

(Source: - The Future of Work: Kris Duggan, CEO and Co – Founder of Better Works, on December 15th, 2015)

NEW WAYS TO DEAL WITH EMPLOYEES REGARDING APPRAISALS

- **CHECK – INS:** Instead, of providing feedback on an annual basis, it is better to give feedback on an on-going and continuous basis throughout the year. At the GAP Incorporation, managers and employees will have nearly 12 – informal, and un – documented conversations about performances throughout the year. The, main objective of CHECK – INS is instead of identifying mistakes or successes from previous months, it enables the mangers to identify and resolve the issues on a continuous and timely – manner.
- **QUARTERLY PERFORMANCE GOALS:** Write a small paragraph companies that are setting quarterly reviews are generating 31% greater returns from their performance process than those who do it annually.
- **DEVELOPING AN APP:** Measuring, the performances by touch – point discussions as done by GE. GE introduced PD@GE, an app to help employees, managers, and team – mates to share feedback for continuous improvement.
- **PERFORMANCE SNAP - SHOTS:** Delloitte is the one the first organization to replace its performance review process with performance snap – shots, where the employee is evaluated at a single moment in time rather than a year. Snap – Shots clearly provides the managers about the recent performance results of their employees, which helps in identifying the areas where the employees are lagging; and if needed training or skill building can be arranged.

CONCLUSIONS

It, a truer sense appraisals are required to assess the performances of their employees, but the methods administered used for ratings is cumbersome and out-dated. By, using traditional or old – aged methods it is very difficult to measure the employee’s achievements in their given job. Moreover you can’t measure the last year contributions shown in the present year, and as a result most of the organizations across the globe and all categories of employees are totally un – satisfied with the existing appraisal followed and implemented by most of the organizations.

It is a known fact that employees are regarded as the key assets for any kind of organization, and appropriate measures have to be undertaken to retain the existing workforce. Due, to competition the nature of work across the globe is changing, and the employees have to perform multi – dimensional roles to achieve both the individual and organizational goals. And, identifying the talented employees and rewarding them is also crucial. To, achieve the above stated a proper appraisal policy has to framed by the hr – departments, or else it affects the overall organizational growth and development. Keeping this challenge in mind many of the Fortune companies globally has re – shaped its appraisal policy from annual basis to a continuous. No more that the appraisal is regarded as a punishment tool for non – performers, now it is viewed as an improvement tool.

The organizations in total cannot get rid of the performance appraisals completely, but the timing and methods used can be designed in such a way which installs continuous motivation and confidence among the employees in any organization.

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