Requiem For The Annual Employee Performance Review

Insights
10.01.15

During a recent reality television segment, a well-known NFL quarterback accompanied an equally well-known outdoor survivalist on a wilderness trek during which the quarterback dispatched a 6-foot alligator. After vanquishing the gator, the quarterback hauled it over his shoulders and headed to the campfire to roast his prize. The obviously expired gator's tail was seen to intermittently flick on its own—its central nervous system randomly signaling tail muscles to twitch though no longer with a reasoned purpose.

So what does this have to do with annual employee performance reviews? Perhaps more than you think. Like the purposeless flicks of the dead gator's tail, performance reviews are becoming an anachronism in the American workplace with little real purpose or positive effect. Your review process might already be dead and you don't even realize it, which could result in more harm than good. Let's examine this traditional employment practice a little closer to understand whether there is an issue that warrants wholesale reconsideration.

The Review Process Might Result In Unhealthy Competition

Let's face it: in many organizations, reviews are not unlike the scoring table at a competitive athletic event. In all but a few instances, how well (or not) an employee "scores" is usually followed by a carrot or a stick – maybe an immediate pay increase or promotion, or perhaps a performance improvement plan.

Because you have only so many dollars to spend on pay increases, and only so many positions into which employees can be promoted, employees often perceive the performance evaluation as a competitive process. There can only be so many winners receiving prizes on the medal platform.

Viewed in this light, performance reviews may produce significant employee anxiety and frustration, rather than motivation to be the best contributor to team success. And this is true for high performers as well. No matter where the individual bar is set, the system builds in the notion that you should do more and do it better. It focuses more on shortcomings than successes.

Moreover, in every workplace, there are inevitably workers who are perceived by peers as adept at "gaming the system." Perhaps they are better at appealing to the subjective preferences and hard-wired biases of those who perform the evaluations. Similarly, some workers may be perceived as "favorites" of supervisors who are subjectively "rewarded" by high marks on their reviews, while others are not.

For employees who perceive the review process as a subjective, biased, or otherwise flawed process, evaluations become a significant de-motivator and workplace distraction.

Performance Reviews Are Backward-Looking

Because most employee performance evaluations are used in conjunction with the process of compensation adjustment, they're not designed to incentivize future performance. They look backward instead of forward, frequently perpetuating stereotypes or entrenched perceptions that are not focused on current performance and accomplishments.

If an employee receives a poor review and no pay increase, is he or she likely to be fired-up about working harder in the upcoming year? And if, over time, an evaluator has pegged an employee as adequate for basic pay increases—but not bonuses for exemplary performance—is the same likely to be true?

Cookie-Cutter Reviews Are Bad For Business

Over time, the "halo effect" can easily dictate the results of the process. High performers consistently see most of the boxes on their evaluation forms checked as "above expectations" or "outstanding," and for those generally perceived as lesser performers, the norm becomes check marks in boxes for "meeting standards" or even "unsatisfactory."

To test the validity of these notions, you should review the evaluations given by individual supervisors to particular employees over multiple years. When the "halo effect" is ingrained, the evaluations tend to read like cookie-cutter versions that differ little, one year from another. While this does not prove the evaluations are inaccurate or undeserved, we also know employee performance is not static from year to year. Job performance usually varies—even for elite performers.

Where, however, inertia rules the performance evaluation process, all you really learn is who is generally liked or not so well liked by managers. And because the review process is usually time-consuming, managers who must evaluate many employees are motivated to "automate" the process in order to save time.

How might they do that? By perpetuating prior evaluations without critically revisiting each performance metric with a fresh and unbiased eye about what the employee did within the current review period.

Is This Really A Big Deal?

An increasing number of employers are rethinking why there is need to numerically rank employees each year, and are increasingly concluding that the time-consuming, traditional review process may no longer be a relevant investment of time and resources. Indeed, one recent research study found that 6% of Fortune 500 companies have already discarded the standard review process. This includes industry leaders like Microsoft, Adobe, Gap and Medtronic.

Not surprisingly, this research also found that about three-quarters of managers who perform reviews not only find them unreasonably time-consuming, but also believe the resulting numeric rankings do not convey an accurate picture about employee contributions to organizational success.

And in another recent study that included human resource managers and CEOs as nearly a third of those surveyed, a whopping 98% said that annual performance reviews were simply unnecessary. Is this a sign of the times? Not surprisingly, many employees believe that evaluation processes are incurably subjective, materially biased, and sometimes outright disenfranchising.

A Better Method For Performance Reviews

Critics of traditional annual employee evaluation systems believe there are better ways to gauge job knowledge, measure the quality and contribution of worker performance, and incentivize positive workplace behavior. A building block for transformation away from the traditional review model involves more frequent interaction between managers and employees, where assessments about the quality of an employee's work are based on a series of evaluation events that occur as job-related circumstances unfold.

For example, at the conclusion of a meeting that addresses strategy for a problematic project pinch-point, a manager and employee might discuss what progress was made, what remains for immediate action, and what might be handled differently in follow-up activity to promote ultimate success in resolving the issue.

This kind of interaction could also be scheduled to take place on a quarterly basis, each month, or even weekly. And the meetings don't have to be formal in nature; they could simply be check-in conversations, or even coffee-break chats.

Benefits Of More Timely "Reviews"

There is an obvious benefit to evaluating employee work performance close in time to when the work was actually performed by the employee. It will often yield more insight about actual strengths and weaknesses than trying to reconstruct those events months later for generic description in a lengthy evaluation document.

This is especially true since much of the critical detail and context of a situation may be difficult to reproduce later in time, or may even have been forgotten when the annual review process takes place. And there is no doubt that employees prefer multiple, recurring, performance-related discussions and feedback from their managers as opposed to year-end pronouncements.

Think of it this way: if given the choice of having your grade for a year-long educational course determined by a single, end-of-term test, or an averaging of scores from multiple and shorter exams conducted throughout a school term, it's probably safe to assume that most of us would favor the multi-test option. And it's probably equally safe to assume that the combined result of multiple tests conducted over time more realistically conveys how much a student learned about a subject when compared with a single test administered months after learning the material.

when compared with a single test administered months after learning the material.

But in the context of evaluating work performance, the traditional model presumes that the first option—the singular year-end test—is not only sufficient, but perhaps the best method of measuring job accomplishment. Many are not only questioning the validity of this model, but have discarded it in favor of more responsive and accurate evaluation goals and measurement tools.

Where Do We Go From Here?

With the landscape of employment rights in a state of unprecedented flux with the recent barrage of new interpretations of law and enforcement initiatives by agencies like the National Labor Relations Board, the U.S. Department of Labor, and the Equal Employment Opportunity Commission, now is the time for a fresh and thoughtful look at better understanding and measuring how your employees contribute to the success of your organization.

Clearly, there is no one-size-fits-all method for measuring the quality of work performance, while at the same time incentivizing the myriad of positive workplace behaviors that contribute to an organization's success. But like many employer policies and practices, if the explanation for why you do things the way you do is that "this is how we've always done it," there is little doubt your organization could benefit from the investment of more thought about your goals.

If, while reading this article, you have come to ask whether your organization's employee performance review program is not unlike the wagging tail of the deceased gator—aimlessly flicking back and forth without reason or purpose—now may be the time for breathing life into your review process. Taking a new and innovative approach that better measures how your employees contribute to the success of your organization may be just what the doctor ordered.

For more information, contact the author at MAbcarian@fisherphillips.com or 214.220.8300.

Related People

Michael V. Abcarian
Senior Counsel

214.220.8300
Email