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Redefining Performance Evaluation: General Electric, Deloitte and Adobe

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Abstract- Performance Management System (PMS) is often used by managers to align the goals of the organization to the goals of their employees, and ensure productivity and efficiency. PMS has always been a crucial function of human resource management. However recent studies have shown that in the long term, the traditional system of performance management damages morale, motivation, teamwork, and stunts creativity and contribution. As a result, companies are doing away with the old ways of performance reviews and are opting for more flexible and efficient processes. This study aims at understanding the deficiencies in the old system and the reasons for adopting more relevant and upcoming trends in the field of performance management.

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Redefining Performance Evaluation: General Electric, Deloitte and Adobe

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I. Introduction

Several resources indicate that the concept of performance management was invented by W.D Scott during World War I, but it was only during the mid-1950s when formal systems were established. These systems, however, did not include the element of self-appraisal-which was introduced in the 1960s. Towards the end of the '60s, the focus shifted towards the goals and objectives of the organization along with self-appraisal. It was in the 1970s when the element of bias was realized in the existing systems. In the next 20 years, there was a focus on engagement and employee motivation with the help of metrics like self-awareness, conflict management etc. It was found that 40-60% of the companies modified their performance management systems to a large extent which, however, were found to be static [1]. In the past decade; concepts like 360 degree mechanisms were introduced in order to make performance management more effective [2].

Employees are the greatest asset any firm has. An organization revamping their performance management systems boils down to one primary factor - their workforce deserves more. Frequent and honest communication between managers and employees will provide employees with clarity on the organization's goals and objectives [3]. The benefits are twofold, as it overcomes two of the biggest challenges that all companies face- employee engagement and retention rates [4].

The demand for continuous feedback cannot be fed merely by an annual review. Take for instance, the millennial generation that makes up the largest part of the U.S workforce-42% of them expect a weekly feedback on their performance. Apart from this, there is immense competition in terms of innovation when new concepts are threatened by newer and more innovative concepts. Teams need to react with agility to implement new ideas; else they risk being left behind in the dust. For instance, Honeywell was highly innovative until Nest came along. The role of a 'manager' has evolved from being a taskmaster (there is software to fulfill this purpose now) to being a coach as this actually helps employees improve their skills.

Several biases are brought about during the course of a performance appraisal, which may appear to be unavoidable from the perspective of an employee. Reviewing an employee's recent behavior may also lead to managers holding a bias, regardless of the employee having held a prior stellar track record. About 88% of the workforce prefers a collaborative work culture instead of a competitive one. While ratings and annual reviews drive competition, transparency and openness drive collaboration thus making transparency the norm [3]. The organizations have shown little consideration to the evolution of these standards and measures post implementation. Therefore, it is necessary for companies to modify their Performance Management Systems in accordance with the change in performance measures which have been modified based on the changes in business objectives and employee mind-sets [1].

II. Evolution in Performance Management Systems

a) General Electric

In mid-2015, GE found that their performance management system known as EMS (established in 1976) was starting to lose value and research showed that there was a need for a system that was continuous and flexible. The goal of the performance development system was to look forward to future action than a formal review of past performance once a year. GE changed their approach from Performance Management to Performance Development where the component of development was futuristic, centred on coaching and accepted from all levels in an employee's network [5].

In order to execute the approach, an app called 'PD@GE' was developed which facilitated exchange of inputs through voice and text with an aim to bring about meaningful conversations between managers and their

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teams. However, since the development was focused at the individual, suggestions on improvement were also welcomed from anyone in the organization. This app acted as a tool to record conversations. The main areas determining the outcome of the new approach were priorities, touch-points, insights, career dialogue, and coaching [6].

The app helped managers and their team members to utilise data which was higher in quality. The setting of goals, meaningful conversations and the exchange of ideas helped analyse the performance of each employee with a focus on betterment than a normal review of work done in the past year.

The challenges with the implementation of this approach was change management. There was a need to have a different type of conversation based on how the manager and the employee could bring about improvement and enhance productivity.

Managers had to fulfil two major responsibilities:

1. How would they identify and develop employees at work?
2. How would they decide on compensation, benefits, rewards etc?

Managers would have to analyse the kind of goals set, the rate of achievement of the same and how much the individual has grown in a particular period of time. The compensation decisions were based on various assessments from different people the individual is professionally related to. While pilot testing this approach, they implemented the system with a rating system and without. Without the rating system, aspects such as compensation and merit bonuses were not impacted and the output was significantly higher in quality [7].

They looked inwards on behaviours and mind-sets of employees. Only time will be able to tell whether the changes made to the concept of performance evaluation at GE will be effective but one can be assured that these changes have already produced positive results across various aspects [8].

b) Deloitte

"We set out to develop a framework that was simple, local and focused on real-time data and on individuals' strengths," said Deloitte's National Leader, People and Performance, Alec Bashinsky.

Deloitte found that their previous performance management approach and the 360 degree review mechanism took 2 million hours of their working time. They also found that their system was inefficient and did not meet their constantly evolving objectives. Furthermore, they found that their performance levels dropped drastically too. They realised that their solution had to be simple, focused on the individual and based on a real-time scenario.

Deloitte aimed at creating an approach which had no 360-degree reviews and once-in-a-year performance reviews but instead focused on speed, agility and a free-sized mechanism of constant learning with reliable data. The three objectives of the contemporary approach were:

1. Recognize Performance
2. Obtain Clarity
3. Fuel performance.

With the help of Gallup's 1.4 million employee study, Deloitte identified 60 high performing teams within the organization and the most common factor determining the success of the employees in these teams was the belief that they had an opportunity to work to their strengths each day. It was now clear that the first goal was to help employees achieve their maximum potential.

With the first goal established, there came an aspect which challenged the process. The team leader was the best person to articulate the strengths of each person but the perception of strengths was subjective. How does one really determine the strengths of an individual without bias from the rater? How does one remove the idiosyncratic rater effect in the process to prevent the data from being skewed? Thus, the second goal was to obtain clarity.

It was found that an individual was consistent in rating their performance but was inconsistent in rating other's. Deloitte determined that it was better to ask the team leader questions focused on what they would do regarding the team member across multiple scenarios. Here are the statements Deloitte asked leaders to select about an employee in order to overcome the idiosyncratic effect:

1. Given what I know of this person's performance, and if it were my money, I would award this person the highest possible compensation increase and bonus–this measures overall performance and unique value.
2. Given what I know of this person's performance, I would always want him or her on my team–this measures ability to work well with others
3. This person is at risk for low performance–this identifies problems that might harm the customer or the team on a yes-or-no basis
4. This person is ready for promotion today–this measures potential on a yes-or-no basis [9]

Having obtained clarity, the next step to this approach was to improve performance which is the ultimate goal of performance management. Deloitte pointed out that the optimal frequency of performance reviews was weekly. They also found that there was a significant difference when the team member decided the weekly check-ins [10] with the team leader as compared to the other way around.

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c) Adobe

Adobe's traditional method of performance management was the same as that of most companies in the marketplace. In March 2012, they realised that their growth was stagnant and while they were considered as a reliable company, their potential for progress was low. This is when they decided that they were doing away with the annual performance reviews as a part of their approach to reinvention. The annual performance reviews consisted of many steps including various administrative activities and the average time spent on these were 8 hours per employee. Each manager had about 5 employees in their team which meant an investment of 40 hours by the manager. Adobe had about 2000 people managers and that totals to 80,000 hours spent on performance reviews which is the equivalent of working time of 40 full-time employees.

In addition to the time spent on annual performance review, there was also a negative effect on employee engagement. The process of the traditional review was rated low and many asked for this process to be made less tedious. The problem was that by the time the feedback was delivered to the employee, they would have lost significant amount of time during which certain behaviours could have been altered and made effective. There were also instances when the manager faulted in delivering constructive feedback thus making all the effort go in vain.

A team of more than 10 was formed to scrap the traditional method and introduce a refined, simpler and much more effective approach to shape a performance management process labelled as 'Check-in'. In contrast to the previous approach, this method was a conversation between the manager and the employee which included:

1. Setting written expectations at the start of the year. The company suggests quarterly meetings at the minimum. A form to set goals is provided but there is no specific format required to be followed.
2. Providing continuous feedback based on performance all throughout the year ideally as real time as possible.
3. Removing all mandates around timing, methods and written reviews.
4. Determining budgets for increments and stock grants which happens on an annual basis where managers and senior leaders can adjust the rewards based on their best judgement.

Check-in conversations were to happen once in a quarter, but teams were given the liberty of setting a time frame of their convenience. While it was preferred that face to face conversations were conducted, teams working across countries and remote had their check-in conversations through audio or video conference. In a global employee engagement survey conducted in 2014, 72% of the employees said that they received regular check-ins from their managers.

Budgets are determined by senior leaders to allocate rewards and stock grants which are then put into an online tool called the Rewards Tool. Within this budget, people managers adjust employee's raise based on the performance compared to the goals and objectives of the organization. These adjustments are reviewed by senior leaders and they allocated stock to the top performers as well. The recommendations entered into the tool takes about 30-60 minutes.

One of the significant challenges while introducing this approach was that some countries such as Germany and France have work councils and countries such as China have particular performance processes. Another challenge was the intense change management as managers had to be trained to give constructive feedback than being critical and they had to be taught how to base rewards and adjust compensation based on performance. However, it was found that there was increased accountability taken by managers in their decisions [11].

III. Result of These Changes

The mobile application at GE helps managers keep a track of ever changing business objectives. It also serves as a platform to receive feedback and acts as a medium to keep a record of the same. This application facilitates feedback on performance, determines which tools to use in order to bring about learning and development and helps guide the employee on what to do in order to progress to the next role. The new performance development system is building the foundation of high-performing teams– Trust. The insights given and taken through this new method of reviewing performance is very different and higher in quality when compared to that of the methods such as the 360 degree reviews in the past.

While the team acknowledges that it was difficult in the beginning, this approach to performance management has enabled managers to become vulnerable which in today's corporate world is a commendable skill. The transition from an environment which was controlling to one which is focused on empowering and inspiring has resulted in an increase in productivity by 5 times the previous one before the implementation of the changes.

This proves that GE was successful in its attempt to reinvent their understanding of performance management.

Deloitte asked four questions to its managers and these responses create a reliable set of data that helps make significant decisions about succession planning, development strategies, performance analysis etc. The end result of the performance management process is called a 'performance snapshot'. The new

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performance management system includes frequent 'check-ins' initiated by the employee in order to make sure that the team leaders are in constant touch with employees. The automated system allows the employee to evaluate his/her performance based on the feedback received from other stakeholders and enables the team leader to provide feedback. These check-ins and performance snapshots are used by other processes that are intended to measure, reward and enhance performance. This displays the efforts Deloitte has made to understand each employee's strengths and abilities [12].

Adobe introduced their revamped performance management approach into their recruiting efforts. 8 out of 10 of their new hires have asked about the 'check-in' process prior to their first day at work. With the check-in process, managers have been able to actively review performance and provide feedback. Terminations are made if necessary and under-performing employees resign after a discussion with their manager. Since the implementation of the check-in process, involuntary turnover and non-regrettable attrition has increased by 2%-3% which is considered a good outcome. This helps the organization to evaluate and maintain the quality of the workforce. In a survey evaluating exit surveys provided to employees, 75% of them state that Adobe is a great place to work [11].

IV. Conclusion

While there are pages of statistics for a sportsperson to determine the player's worth and a series of tests for psychometric evaluations, the traditional methods of performance management focus on labelling an employee with a single number when there is variety and subtle distinctions in human beings within a single number. There are multiple factors which affect an individual's performance and generalizing the same in order to quantify it in a pre-determined format is unfair especially when the objectives and priorities of an organization is bound to change by the hour. Time is indeed money and the traditional methods result in a loss of significant amounts of time during which the employee could have potentially made necessary changes to enhance productivity. This is why the annual performance reviews are no longer efficient in carrying out its purpose.

When compared to the mind-sets of individuals from a few decades ago, the trend in today's marketplace is to look for meaning in work done and fulfilment from personal growth & development is a major intrinsic factor of motivation to show up to work the next day. Extrinsic factors such as money have lesser value compared to other intrinsic factors. This is why Google changed their approach to performance management because they had a high attrition rate and their top performers were not motivated by income raises and were looking for opportunities to contribute to a purpose and therefore the company had to create the same to keep them engaged.

The common factors across GE, Deloitte, Adobe and many other firms which have modified their performance management system are Simplicity and Trust. Employees wanted a simpler method to evaluate performance and receive feedback than wait for the year-end to make these changes. There was a need for a mechanism which involved simple real-time conversations focusing on how to be better in various aspects. With the transparency in the new methods of performance management, the trust between a manager and an employee increases which lays the foundation for teamwork. This factor plays a crucial role in making progress and enhancing productivity.

The 'check-ins' fulfilled the requirement but it would not have been easy because managers and employees would need to learn how to give constructive feedback rather than being critical. It is necessary for both parties to build this important 'people skill' in order to be a part of a high performing team. This is applicable to situations where the employee is promoted or rewarded because of the technical competence and not the possession of people skills.

The scrapping of the previous methods of evaluating performance has resulted in the creation of simpler methods but they are not fool-proof. Companies are still probing to see how they can collect more reliable data in order to be able to comprehend the richest version of the individual. In order to put forward the best version of each individual, companies must get a hold of the diversity in each individual and then conclude from it. The new performance management methods rely heavily on the judgement of managers and senior leaders but the aspect regarding a possibility of incompetence in seniors is not yet addressed.

These companies champion the cause to redefine the concept of evaluating and managing performance. The next step could be to determine a multi-dimensional understanding of each employee's potential. The future scope of this study could be to quantify the results of the new methods in these companies and determine a particular framework to transition from the older to newer mechanisms. However, it is indeed ironic how these technologically rich companies have moved away from technology to address this need using the human touch.

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