

## Fixing Performance Ratings: It's not about what you eliminate, it's about what you create

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It seems every month another story is released about a company that supposedly abolished performance appraisals or eliminated performance ratings. These stories typically allude to scientific studies suggesting that ratings are terrible. I applaud the transformation taking place in performance management, but have two concerns about claims that companies should eliminate performance ratings. First, [the scientific research arguing against ratings is often vastly misinterpreted](#). Second, recommendations that companies “get rid of ratings” are misguided.

Let me be clear. Most companies' existing performance rating processes are in dire need of improvement and many are terrible. I'm excited that companies are replacing traditional performance management methods with more effective processes. But there are right and wrong ways to “fix performance management”. [As I recently discussed with Josh Bersin](#), it is not about getting rid of ratings; it is about doing ratings in a more effective manner. Whether implicit or explicit, every company categorizes employees based on perceived value to the organization which is what it means to rate performance. If you pay some people more than others then you are in effect rating their value.

Virtually all business leaders accept that people perform at different levels and believe it is fair and intelligent to invest more in employees who are likely to provide a greater future return to the business. Since the best predictor of future behavior is past behavior, the most effective way to do this usually involves assessing employees based on past performance and classifying them based on their relative contributions to the company (i.e., rating them). The challenge of performance management is accurately identifying the “winners” without making other people feel like losers. This is one of the most difficult parts of talent management, but to loosely paraphrase George Orwell, “all employees may be equal but some employees are more equal than others”.

HR pundits keep writing articles about eliminating performance reviews as if we could ignore the reality that not all employees provide equal value to their company. These articles often remind me of daytime TV ads selling schemes to “lose weight without changing your diet” or “get rich through real estate with no money down”. Getting rid of ratings might sound nice, but it doesn't work. Instead of talking about eliminating ratings, we should be discussing the new methods companies are creating to more effectively measure employee performance.

A recent [press release about Accenture](#) provides a great example of this trend. The article leads with the headline that Accenture “will get rid of the annual performance review”. Accenture may be getting rid of annual reviews, but they are not getting rid of performance reviews entirely. This is clear if you read the [interview with Accenture's CEO referenced in the article](#):

“Performance is an ongoing activity. It's every day, after any client interaction or business interaction or corporate interaction...Nobody's going to wait for an annual cycle to get that feedback. Now it's all about instant performance management”

The comments made by the CEO indicate that Accenture is not getting rid of performance reviews. What they are doing is replacing their annual process with an ongoing process. Accenture may actually spend more time conducting performance reviews in the future than it did in the past. But because the

reviews will be conducted in real time as part of ongoing business operations they won't feel as bureaucratic as the old annual process and are likely to be more accurate and more impactful on employees.

Unfortunately this article, like many of its kind, does not talk about what Accenture is creating. Instead it dwells on what Accenture is no longer doing. The article also makes a lot out of Accenture eliminating forced ranking, seeming to imply that Accenture will no longer be comparing employees based on performance. However this also is clearly not the case based on comments from Accenture's CEO:

“You need to give some evaluation. You need to give a compensation increase... We're going to evaluate you in your role, not vis a vis someone else who might work in Washington, who might work in Bangalore....It doesn't mean we're going to be easy—that we're not going to measure, to evaluate. We're going to do all of this, but we're going to do it in a very different way”

Accenture may no longer be using forced ranking, but they are still evaluating employees. Sadly the article fails to describe how Accenture will conduct these evaluations. This is unfortunate as we learn far more from understanding what companies are doing as opposed to talking about what they are not doing!

I don't know how Accenture is going to conduct its evaluations, but I'm certain Accenture will continue to look at relative value of employees when making decisions about pay, promotion and partnership. It sounds like they are shifting their focus to compare employee accomplishments rather than comparing employees directly against each other. This might be analogous to a basketball coach telling players that “rather than waiting until the end of the season to evaluate whether you will make next year's team, I'm going to provide detailed feedback after each game about points, rebounds, assists and other performance criteria so you will always know exactly how much you are contributing and can compare it to the contributions made by your peers”. Such a change is not about getting rid of ratings. It is about changing the process used to make ratings.

Performance management needs to change. And happily it is changing. But the big changes are not about eliminating ratings. They are about more fairly and accurately assessing performance in a way that engages employees and improves decisions related to workforce investment. I recently hosted a series of competitions where 13 companies from multiple industries explained why their performance management processes were particularly effective (join me at [SuccessConnect for the finals](#) ). Three themes emerged across the performance management processes presented by the contestants:

- 1) They were tailored to the company's specific business needs and culture, and methods that worked well in one company might fail in other organizations.
- 2) They stressed the importance of ongoing employee-manager dialogue.
- 3) They emphasized transparent, consistent and accurate methods for rating employee performance.

When companies set out to fix their performance management processes it is important to remember that success will not come from getting rid of existing rating practices. It will come from replacing them with more effective rating practices.