workhuman*

10 Reasons Why Annual Reviews Are No Longer Enough

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For decades the review cycle was the same. Once a year, your boss would sit you down and tell you the things you were doing right or wrong. If you were lucky, you'd get a pay increase. If you got called into the boss's office at any other time of year, it was usually because something was wrong or you were being promoted. Done and done.

It's not that simple anymore.

The nature of modern work and workplaces has changed. We don't stay at one company anymore. We expect each new work experience to help us advance our skills, not just to serve the needs of the company but for our own growth. Companies also have higher expectations of employees – relying on our employees to take ownership of their development and to contribute to a culture of shared purpose, engagement, and productivity.

This has made things much more complex for managers. Years ago, we were administrators of tasks and people. Now we are coaches, trainers, career advisers, and counselors – all while keeping our teams engaged, content, and productive.

For the most part, today's managers are up to this challenge. The real problem is with the aging, inflexible performance management infrastructure most organizations still have – built for the last century's workplace. That infrastructure is holding us back, and it is time to rethink it.

Here are 10 ways we have outgrown traditional performance management.

It's one size fits all.

Traditional performance management was built to scale in an analog world, so it is heavily based on outdated templates and rigid processes. The advent of HCM software merely took a paper process and digitized it without leveraging any of the strengths of modern technology. Now it sits in the cloud without using any of the flexibility the cloud can provide. Because old-school HCM manages to the lowest common denominator and is the same for everyone, it can't address our unique human needs or allow us to adapt to the individual styles or challenges of our employees.

TWO

It's a check box.

In the traditional model, feedback happens because of a calendar, not because we are inspired to encourage or correct behavior. This is already a fail, because we know that effective feedback is always spontaneous, inspired, and as close as possible to the event. Traditional performance management is a tedious task, where managers often do a stack of reviews all at once – fatigued and cutting and pasting just to get finished. No wonder employees often feel their reviews are insincere, contrived, or biased.

THREE

It happens too infrequently.

Most traditional reviews are still annual or biannual, saving up a year or six months of feedback to dump on employees all at once. Science tells us the ideal moment for feedback is at the moment the behavior occurs – not days, weeks or months later. Moreover, employees want more frequent and consistent feedback. When feedback is triggered by the calendar, rather than human needs and events, it will never be as effective. Behavior will go unchecked or unrewarded for too long. To compound this, a delay also means important incidents may be forgotten or more recent events disproportionately emphasized.

It is top-down and one-directional.

Performance management has evolved far beyond the purely hierarchical, manager-led models of yesteryear. Yet some companies are working with platforms that still don't allow spontaneous peer-to-peer recognition or employee-led feedback and development. By hinging the success of performance management purely on a manager's point of view and unilateral feedback, we miss the opportunity to encourage employees to take ownership over their own development. Employees should be able to request and receive feedback when they want it.
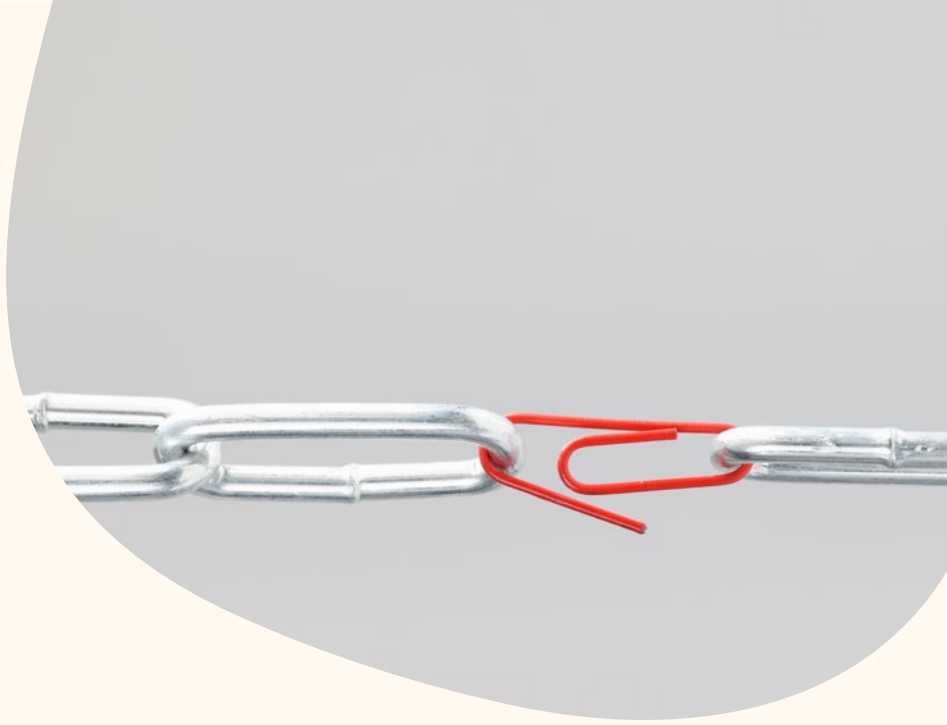
It hinges on a single relationship.

Studies tell us the most critical relationship an employee has is with their direct manager – but traditional performance management weaponizes this dynamic. In a traditional model, a poor manager with a single point of view becomes a single point of failure. If the relationship is flawed, the entire performance management cycle becomes suspect, emotionally draining, and ultimately a waste of time. Modern organizations see performance management as a matrix of relationships, creating checks and balances and multiple viewpoints to ensure good employees cannot be shut down by flawed management.

It is not employee-led.

The traditional performance cycle is manager-led, and employees are recipients of feedback – not stakeholders in their own development. In this old model, there is no mechanism for employees to ask for and receive feedback on what matters to them. They certainly are not invited to give reverse feedback to management. Today's employees expect to have a voice in their development and the company culture. Without it, they may feel hostile toward and suspicious of the process, entirely. With it, they will thrive.

It's tied to compensation rather than development.

In traditional performance management, reviews were a necessary evil we had to endure in order to qualify for pay increases. But today's succession planning and development process is less and less likely to follow the old rules of annual increases based on performance ratings. Moreover, this connection of development with compensation set up the wrong dynamic. It disconnected performance management from development and made it all about getting that annual 2% raise. Real performance management should focus on career pathing, skill building, engagement, and productivity. Making feedback a staging area for a pay increase cheapens the entire process.

It focuses most on fixing what is wrong.

There is an implicit negative bias to the traditional review process that every manager who has used it will recognize. Even for a star employee there is a built-in imperative to present "balanced" feedback that makes us reach to think of areas for improvement. This can feel like a slap in the face to employees who should be managed by encouraging their strengths. Rather than offering continual micromoments of praise or correction over time, we also tend to dump everything at once, good and bad, which dilutes everything we say. And of course, giving "praise sandwiches" never works, because for every negative piece of feedback given, it takes at least five pieces of praise to balance it.

You rarely follow up.

Anyone who's ever given a review in a traditional performance management system knows the sigh of relief you give when at last you are done giving feedback for the year. That's a little horrifying when you think about it. Feedback should never be finished. It should be an ongoing cycle of always-on encouragement or constructive input. In the old way, unless there was a PIP, the next time the issues came up was the next review – which could be months or a year away. Yet we know that good development requires follow-up and action plans. To be effective, performance reviews must be tied to ongoing coaching, learning and development, recognition, and mentorship.

TEN

It's too limited in scope.

The last major failure of traditional performance management, and the software platforms they are built on, is their lack of flexibility. In these systems it is difficult for managers to "break out of the box," offering individualized, human management to every employee. The traditional review encourages us, through the use of forms and templates, not to "see" anything that isn't on the form. These systems overemphasize MBOs, KPIs, and other metrics and undervalue us as people. Modern performance development understands that employees are individuals and lets us highlight their human contributions and the relationships that are the real fabric of teamwork and success in our organizations.

Does all this mean that performance management needs to be complex and difficult?

Not at all. This is where truly modern performance development technology really shines. No longer must you force-fit employees into the process. Now you can adapt the process to fit each of your employees – opening up ongoing, natural conversations and co-creating a more human process of development with your employees. Ultimately, this is far more intuitive and simple for both managers and employees.

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