



# Replacing the Annual Performance Ritual

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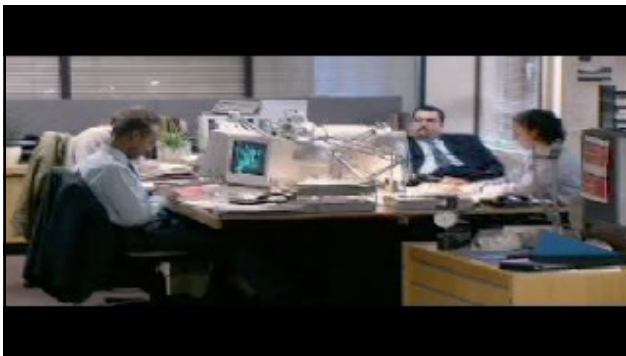
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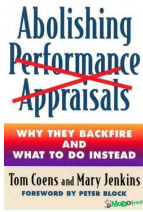
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### An Iatrogenic Disease?



- More than 90% of academic studies of appraisals offer no evidence of effectiveness.
- Yet, 97.2% of US—and 91% of worldwide—companies use them.

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### The Presenting Problem



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### Some Disadvantages of Appraisals

- More about maintaining control than fostering responsibility
- Counterproductive to driving out fear
- Inhibits authentic communication
- Encourages “sucking-up” behavior
- Applies one-size-fits-all approach
- Contains background “noise”: discipline, termination, pay raise, bonus, promotions, etc.
- Provides less and delayed feedback

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What are you going to replace it with?



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Companies that don't do performance appraisals

- Accenture
- Adobe
- Deloitte
- Gap
- Medtronic
- Microsoft
- Netflix
- P&G
- 11% of Fortune 500 companies, according to management research firm CEB

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Replacing the Annual Performance Appraisal at Deloitte

1. 65,000 employees, eliminated APAs
2. Previously, it spent **2 million hours a year** on performance reviews
3. Ratings might look "objective," but they are very subjective
4. Our highest rated teams were all strength-based
5. No cascading objectives, no 360-degree feedback

Source: "Reinventing Performance Management" HBR article on Deloitte

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Revealed Preference: What would you *do*, not what do you *think*?

1. Given what I know, I would award this person the highest possible compensation increase
2. I would always want him or her on my team
3. This person is at risk for low performance
4. This person is ready for promotion today

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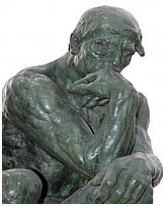
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How Knowledge Workers are Unique



- They *own* the means of production
- Firms need them more than they need firms—balance has shifted
- KWs have unique value, not jobs
- Office is their servant, not their master
- **Effectiveness** is far more important than **efficiency**
- **Judgments** are more important than measurements
- Ultimately, they are volunteers

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Replacing the Performance Appraisal

1. Key Predictive Indicators for Knowledge Workers
2. Peter Drucker’s Manager’s Letter
3. After-Action Reviews

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Knowledge-Worker Effectiveness—Drucker

- “What is the task?” (Definition, delegation, deadline)
- Autonomy (Greek for “self-governance”)
- Continuous learning and teaching



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Knowledge Worker KPIs

- Customer Feedback
- Interpersonal skills
- Effective Listening Skills
- Effective Communication Skills



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Knowledge Worker KPIs

- Continuous Learning & Coaching Skills
- Effective Delegator
- Ability to Deal with Change



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Knowledge Worker KPIs

- Number of Customer Contacts/Week
- Pride/Professionalism
- Passion
- HSDs

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Peter Drucker's  
Manager's Letter

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Drucker's Manager's Letter

- Twice a year
- Define objectives of executive/you
- What performance standards apply?
- What must you do to obtain objectives?
- What helps/hampers you?
- What resources do you need?
- Becomes the covenant

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Peter Drucker's Orchestra

- What results have to be achieved to make a difference?
- How is the firm helping you to achieve your professional goals and aspirations?
- What does the firm do right and what should it continue doing?
- What are the firm's weaknesses and what should it stop doing?



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Peter Drucker's Orchestra

- What critical things should the firm start doing?
- Why do you work here?
- Does the firm deserve your loyalty?



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Capturing Tacit Knowledge:  
After Action Reviews

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### AAR Questions

- What was supposed to happen? (objectives)
- What actually happened? (“ground truth”)
- What were the positive and negative factors here?
- What have we learned and how can we do better next time?

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### AAR Principles

- The *evaluation* is ultimately more important than the *experience*
- *Reflection* without *action* is meaningless
- But *action* without *reflection* is thoughtlessness
- Combine *experience* with *reflection* and learning that lasts is the result
- The objective is not just to correct *things*, but rather to correct *thinking*
- Flawed assumptions are the largest factor in flawed execution—there is no good way to execute a bad idea

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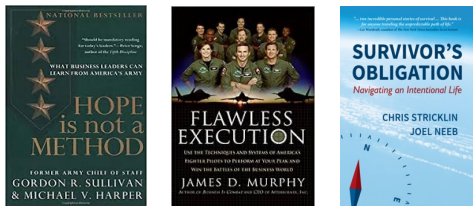
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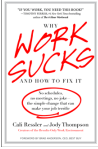

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Jody Thompson and Cali Ressler

*"You don't look at a pile of laundry and think, I'd better make sure I'm putting enough hours into this."*

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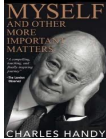
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Charles Handy, *Myself and Other More Important Matters*

*"Go to the theater. Everyone is listed. They don't talk about human resources. Managers are reserved for things, not people (stage manager, lighting manager). They are directed, not managed, by someone who leaves the scene once the project is underway. Audience feedback, the people who matter, doesn't have to wait for annual performance appraisal."*

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Peter Drucker

*"If I had a son or daughter, would I be willing to have him or her work for this firm? If yes, why? If no, why?"*

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