

# Goodbye annual ratings, Hello flexibility

Moving away from the annual ritual of ratings, companies are now making yearly performance reviews interactive and hi-tech

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Every year, during the annual performance review, employees eagerly look forward to ratings. While some may agree with the manager's evaluation, the others criticise him/her and call the ratings as 'biased'. This practice is age-old and has often been subject to criticisms from various quarters.

Lately though, companies have started getting rid of annual rankings and reviews, and this gained prominence when Accenture CEO Pierre Nanterme recently announced that the professional services firm is getting rid of annual evaluations. Starting in September, the company's 3,30,000 staffers will no longer be judged based on company rankings and evaluations. The CEO has said that the firm will implement "a more fluid system, in which employees receive timely feedback from their managers on an ongoing basis following assignments."

Not just Accenture, in March this year, Deloitte announced that it was piloting a new programme in which rankings would disappear. Microsoft did away with its rankings nearly two years ago. Adobe, Gap and Medtronic have transformed their performance review process.

In India, startups and smaller companies have been at the forefront to this big shift. Rishi Das, CEO of recruitment firm HirePro, says, "In companies where jobs are static, for instance, jobs in the shop floor or back office, then a conventional review system can be followed and the same thing cannot be applicable for dynamic jobs." A clear objectives should be set for employees so as to achieve them, he says.

"If clear objectives are given, they can be measured," he adds. Often, rankings do not go well with employees. "In case of self assessment, an employee might give '9 out of 10' ratings and the manager will give only '7'. There might be a difference of opinion between them and HR steps in to facilitate the conversation," says Rishi Das. Ronesh Puri, MD of Executive Access (India), a global search firm, says performance review and rating should be an ongoing exercise. "Annual ratings are passé now as giving feedback to an employee after one year is just not sustainable," he says.

Instead of annual appraisals, short feedback on a monthly basis could be better. It will ensure that feedback is not dated, and remedial action can be executed immediately. However, it should not become a ritual as is the case with annual appraisals, Puri says. His firm has conducted more than 1,900 search mandates at leadership levels. Annual performance reviews are a disaster, says Hari T N, who has been in the HR industry for more than 25 years, and is at present the head of HR at BigBasket.com, an online grocery company. "Organisations that have no other mechanisms but the annual performance reviews are neither managing performance nor their business. If there is a strong periodic review mechanism (monthly rhythm works best for most firms) sup-



plemented by feedback and corrective actions, then topping it off with an annual review is really effective," he says, adding firms that just have annual reviews obviously would fail in the long run.

**Measure based on the given task**  
Rituparna Chakraborty, senior VP of TeamEase, says, she is personally not in favour of the Bell Curve. "Give a task. Measure based on the assignment given. For instance, if there are five people in a team, and a manager gives the highest rating to two, the rest automatically get lower than that, because you cannot give the highest ratings to all," she says, adding that clear tasks should be given to individuals and then they should be reviewed based on it. Samit Deb, HR head for Asia Pacific for Kronos, too opines that the Bell Curve system is fundamentally flawed as it pits one employee against another.

Even if feedback is given, is it being followed? Deb says, "The feedback is seldom tracked or valued by both managers and HR in most companies. The performance reviews have largely diminished to being considered an annual ritual typically used for salary hike decisions." He adds that it needs tweaking.

"Many organisations have realised that the annual performance review exercise and ranking have led to quite a few good performers exiting as they felt they were undervalued, thanks to the force fitting nature of the bell curve ranking system. Therefore, some forward thinking organisations are experimenting and already making some drastic changes like getting away from something which was very fashionable like stack ranking or even the holy grail of conducting the annual performance review itself," Deb says.

#### Taking the app route

Now companies are taking the app route. "Just like how one uses Facebook and WhatsApp every day, managers can seek as well as deliver regular feedback using 'likes' and 'comments' etc and start conversations that pave the way for two-way communication

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with their employees," says Deb.

Technology can help as live feedback as well as data pertaining to work can be fed in, says Puri. "Imagine when every week you open the machine, your performance data flashes on the screen. This will help keep the focus and serve as a timely reminder," he says.

"Technology can help capture key observations of managers about their team members in real time. This can ensure that at the time of providing feedback, the manager could use these observations to make their feedback more objective and data-based, rather than appearing to be subjective and anecdotal," says Hari.

Which system suits Indian companies better? Deb says that while millennials want empowerment at work level, their work needs to be managed by clear goal setting and by providing regular formal/informal feedback. Gen X might prefer more formal feedback on a less regular frequency when compared with Gen Z. "It's important to sensitise managers on the benefits of holistic, technology-led new-age review mechanisms that eliminate bias. While technology will be at the core of these new performance mechanisms, where performance feedback is moving to a 'crowd sourcing' model, manager enablement is required to ensure the 'how' of the feedback communication is delivered effectively. Performance review processes will therefore need a mix of 'High tech and High touch' elements to ensure this change in performance reviews are successful in modern organisations managing a multi-generational, multi-cultural, geographically dispersed workforce," he says.

All these experts point out that there should be some mechanism in place to measure one's performance so as to give employees promotion and hike according to his/her performance.

"It is very important to differentiate performance of individuals within a company and thereafter reward people based on their performance. It is key to redesign the appraisal methodology, where a limited number of well-defined goals that are objective in nature are set. Periodic evaluation through continuous feedback and manager interaction is also critical to the implementation of a good performance system," says Richard Lobo, SVP and Head HR, Infosys.

In the Indian context, receptivity is higher when feedback is conveyed in a non formal manner so Indian companies need to factor the DNA of Indians when designing appraisals as what works in the West do not necessarily work here, Puri says.

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#### Separate performance reviews with annual increments

Companies force fitting employees into bands/ ratings is definitely an issue in today's corporate world, says Ronesh Puri, MD of Executive Access (India).

"What started as a novel practice has unfortunately been exploited at times, just to force fit people into hikes. However, for big companies with large employee strength, this is a double edged sword and needs to be handled carefully," he adds, suggesting to separate performance reviews with annual increments.

When asked how big companies can solve this problem, Samit Deb says a fully transparent, fairly democratic process would certainly help. "The top management should drive the change against force fitting traditional models of performance management and instead decentralise the process to the extent possible, while instituting apt checks and balances to ensure fairness and accuracy," he says. One way to address this is by giving managers adequate budgets for pay revision, which can be based on the team size and other criteria, and then empowering them to make objective decisions on performance-linked pay revisions without enforcing stack ranking or a bell curve approach, while managing within the pre-set budget, explains Hari.

"Bell curves and stack ranking take away accountability from line managers and make them less effective with respect to people and performance management. In fact, managers get away with the perfect excuse for not learning how to lead by citing that it's the top management's decision to impose bell curves. Statements like 'I would have liked to give you a higher rating but can't do so because of the bell curve guidelines as outlined by our top management' are a classic example of this," he says.