Companies are rethinking their annual performance review processes. Many employees and managers agree that annual reviews are time-consuming exercises that don’t fit today’s workplace of fluid work teams and rapidly shifting business goals.

Millennial employees in particular want more than just an annual review. They want frequent feedback from their bosses, open communication and peer-to-peer feedback. Millennials seek coaching for ongoing improvement and career development.¹

Some analysts estimate that more than one-third of U.S. companies have thrown out the traditional annual performance review altogether.² These businesses are experimenting with dropping traditional employee rating systems and replacing annual reviews with other ways to evaluate and reward performance.

THE CHANGING WORKPLACE
Companies battling in the war for talent know that skilled workers are difficult to find and even harder to retain. Businesses today need employees with deeper expertise, independent judgment and better problem-solving skills.² So it is in the best interest of the business to try to retain productive workers and develop talent from within.

Millennials seek coaching for ongoing improvement and career development.

Businesses increasingly need their employees to be flexible, agile and innovative to compete in today’s global economy. Because work assignments and projects can shift throughout the year, annual goals quickly become irrelevant. Most employees today work on fluid teams that form and disband intermittently.

Employee tasks and goals can’t be planned out in advance with very much accuracy. Thus, annual reviews are often out of sync with goals and fail to include proactive, constructive discussions on how employees can be more effective in their roles.³

The traditional annual look-back approach also fails to help employees resolve problems in their current performance or to appropriately focus on developing skills for future project assignments. Because most work projects are short-term and tend to change along the way, ongoing discussions make more sense.⁴ By focusing on immediate issues through continuous feedback, coaching and direction have greater relevance and meaning.

REFRAMING THE PERFORMANCE REVIEW PROCESS
Many businesses are transitioning their performance management systems from static processes that measure past performance to ones that help employees grow and expand their skills and capabilities. The emphasis is shifting to ongoing guidance, coaching and performance development.

Many well-known companies, including Accenture, GE, Netflix and Adobe, made headlines when they announced their decisions to eliminate traditional performance management processes.⁵ Several of these companies have moved from annual reviews to continuous feedback systems or a blended evaluation approach.
When the emphasis shifts to improving individual performance and development, employees are more inclined to collaborate on teams and work together toward shared goals.

Technology is helping companies through apps that enable supervisors and peers to give and record performance feedback at any time. Managers can review some or all comments and discussions on an employee’s performance and factor them into decisions on merit pay, promotions, training and job reassignments.

Many businesses are encouraging supervisors to use ongoing conversations to better understand their employees’ interests, aspirations, skills and areas where they need to grow. These discussions transform the performance review process into one that helps employees progress along their career path, rather than ranking them against peers on a numeric scale.

Moving away from traditional annual rankings also makes it easier to foster teamwork. Annual reviews often pit employees against each other for promotions, bonuses and raises. When the emphasis shifts to improving individual performance and development, employees are more inclined to collaborate on teams and work together toward shared goals.

Companies are beginning to customize their performance management processes to align better with work processes, business objectives and employee needs. As they focus more on providing ongoing performance feedback and communication, the performance management process can pay off in increased productivity, improved retention, and higher employee engagement and satisfaction.

To discuss these topics in more detail, please contact your PNC Relationship Manager.