

C E



**Center for
Effective
Organizations**

Eliminating Performance Appraisals

**CEO Publication
G15-09 (656)**

Edward E. Lawler III
Director
Center for Effective Organizations
Marshall School of Business
University of Southern California

April 2015

Eliminating Performance Appraisals

Edward E. Lawler

Should organizations stop doing performance appraisals? The argument in favor of eliminating them is that they frequently do more damage than good. Among the damage that they are said to do, the least troublesome is wasting time, and the most troublesome is the alienation of employees and creating conflicts between them and their supervisors.

There is no doubt that in many organizations performance appraisals are poorly done, and that they create a multitude of problems. However, it is important to point out that they exist because of the need to motivate, direct, and improve the performance of individuals and organizations. Those who advocate eliminating performance appraisals don't disagree with these needs, but they point out that managers can and do this anyway, and that therefore performance appraisals are a redundant bureaucratic troublesome activity.

It is hard to argue with the point that "good managers" do what a good performance appraisal is supposed to do. The fact that they can and do it supports the argument that appraisals can be eliminated, or at least, radically simplified. The "problem" is that many managers do not manage in ways that

make performance appraisals unnecessary. Despite this, some companies have declared that they are performance appraisal-free organizations.

Organizations do not have to make a choice between no performance appraisals and everyone having a performance appraisal. An interesting alternative is to require performance appraisals only where they are necessary.

One approach organizations can take to eliminating unnecessary performance appraisals is to focus on identifying those managers who have the motivation, management skills, and behaviors that make their doing formal performance appraisals unnecessary. In essence, this approach identifies managers who are good managers and leaders and, as a result, do not need to do performance appraisals. They can be certified as not needing to do performance appraisals with their direct reports and their part of the organization can be declared performance appraisal-free.

The challenge in operating with this approach, of course, is deciding which managers in an organization need to do performance appraisals and which do not. Part of this process needs to be training managers to be sure they have the right skills, and gathering data showing that the people working for them have been treated in ways that make traditional performance appraisals unnecessary.

A clear advantage of this appraisal-free approach is that it will motivate managers throughout an organization to become certified as performance appraisal-free managers. It can make being appraisal-free valued as a part of a manager's package of skills. Without this approach, there often is little incentive for managers to learn the skills that are necessary to do good performance appraisals, and to learn the skills that make them unnecessary.

One needed feature of an appraisal-free approach is a training course for employees about what they should expect from their manager given that there will be no formal performance appraisal. Unfortunately, in most organizations today, employees are not even trained in how they should behave in the performance appraisal. This is one of the many reasons why they are not particularly effective in most organizations.

Of course, even the best performance management system cannot make all managers effective at setting goals, coaching, and giving feedback. The answer for them is not eliminating the appraisal system; it is eliminating them.

At this point, you may be wondering if I know of any organization that has utilized the idea of certifying managers as appraisal-free. The answer is no, but there are probably some out there. If not, hopefully this piece will stimulate some

organizations to seriously consider this idea, and develop a program that ultimately leads to performance appraisal free zones in organizations and ultimately organizations that are effective and performance appraisal-free.