

WorldatWork Research

Cutting-Edge Performance Management:

244 Organizations Report on Ongoing Feedback, Ratingless Reviews and Crowd-Sourced Feedback

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Table of Contents

4		Executive Summary
5		SECTION 1 Introduction
7		SECTION 2 A Brief History of Performance Management and the Origins of Cutting-Edge Practices
10		SECTION 3 Study Background and Methodology
13		SECTION 4 Patterns of Use for Cutting-Edge Practices
15		SECTION 5 Who Uses Cutting-Edge Practices?
17		SECTION 6 Why Use Cutting-Edge Practices?
20		SECTION 7 Effectiveness of Cutting-Edge Practices
24		SECTION 8 Organizational Change Processes
29		SECTION 9 Rewards Issues: A Closer Look
32		SECTION 10 Conclusion
33		References
35		Appendix: Performance Management Multi-Company Study Item Report

Executive Summary

This report presents data from a survey of 244 organizations that use one or more of three cutting-edge performance management practices: ratingless performance reviews, ongoing performance feedback and crowd-sourced feedback. These practices have received tremendous attention from the business press, but there has been almost no research that can guide the design and implementation of these practices. This study, supported by a grant from WorldatWork, is the first to analyze data from a large sample of users of these practices. Key findings from the study include the following:

1. Almost every company in the study (97%) uses ongoing feedback; 51% use ratingless reviews and 27% use crowd-sourced feedback.
2. Companies are not adopting ratingless reviews nor crowd-sourced feedback without also adopting ongoing feedback.
3. All three cutting-edge practices are being used in addition to, rather than in place of, many older performance management practices.
4. Organizations of all types are adopting cutting-edge practices, not just the high-tech companies and professional service firms featured in most media accounts.
5. Companies adopt cutting-edge practices for many different reasons that fall into one of three categories: alignment with company needs, the performance management process or meeting rewards system objectives.
6. Rewards system goals are less important for companies adopting ratingless reviews but are more important for companies adopting crowd-sourced feedback.
7. In general, cutting-edge practices are somewhat effective.
8. A comparison of responses to the survey of cutting-edge practices to the responses from earlier surveys suggests that cutting-edge practices are more effective than traditional practices.
9. The combination of all three cutting-edge practices appears to be more effective than using any one or two practices.
10. The combination of ongoing feedback and crowd-sourced feedback is more effective on many outcomes than ongoing feedback alone or ongoing feedback plus ratingless reviews.
11. Ongoing feedback plus ratingless reviews is less effective for strategic alignment and rewards system objectives than other patterns of practice.
12. The change process is an important determinant of the success of cutting-edge practices. Success factors include leadership from the business and human resources, widespread involvement of stakeholders in the design, a clear strategy that is based on business needs, training of both employees and managers, and the use of performance-oriented success metrics.
13. The effects of cutting-edge practices on pay plans are mostly positive, and these practices are not associated with an increase in compensation costs nor with the abandonment of pay for performance.
14. There are opportunities to increase the involvement of rewards professionals in the design and implementation of cutting-edge practices.
15. Given the many positive effects and the limited negative effects of cutting-edge practices, we predict that there will continue to be a rapid increase in the adoption of these practices as part of the performance management process.

SECTION 1 Introduction

Performance management has long been the HR practice that employees and managers dislike the most. The business press, many books, and blog posts have featured articles critical of performance management for many years. The reported shortcomings of performance management are familiar. Employees do not like receiving appraisals, and managers do not like conducting them; the rating process can be subjective and unfair; an annual process cannot keep up with the fast pace of business today. Our favorite laundry list is John Sullivan's (2011) catalog of 50 flaws of performance management. However, there are many other critiques, such as Ryan's (2015, 2016) claims that the process is a "hoax" that is based on "junk science." Despite periodic calls for entirely eliminating performance management, companies have not heeded such calls, and have instead focused on improving the process.

In the past 18 months, there has been an astonishing level of interest in addressing the problems of performance management using three possible solutions: ongoing feedback, ratingless reviews and crowd-sourced feedback. Ongoing feedback replaces the annual review process with reviews that are quarterly, monthly or on an irregular schedule (for example, after project completion). Ratingless reviews eliminate any scoring or labeling of performance; employees receive text-based feedback only. Crowd-sourced feedback uses social media so that peers and others can provide freeform feedback anytime, anywhere. A few companies have experimented with these practices for many years, but an avalanche of media attention has led to more widespread recent adoption.

Countless blogs, articles, books and webinars focusing on cutting-edge practices have appeared in print and on the web during the past 18 months. It is no exaggeration to say that almost every business publication has featured one or more articles about new approaches to performance management during this time. Companies mentioned in such articles include Deloitte, GE, Jet Blue, Microsoft, Accenture, Amazon, IBM and many others. The *Harvard Business*

Review published an article about Deloitte's overhaul of its process (Buckingham and Goodall 2015) as well as a blizzard of online articles focusing on ratingless appraisal (Rock and Jones 2015), crowd-sourced feedback (Mosley 2015), and ongoing, team-based performance management at GE (Baldassare and Finken 2015). Bloomberg ran a story (Greenfield 2015) on ongoing feedback, which it termed "never-ending performance reviews." Fortune printed stories on using big data to make reviews less subjective and painful (Sanati 2015), and on IBM as an example of a company that had "blown up" annual reviews (Zillman 2016). *Forbes* has published a stream of articles, including Pontefract's (2015) claim that performance management actually is not changing; Lawler's (2015) discussion of forgotten practices in effective processes; and Cancialosi's (2016) report on various changes at leading companies. *Forbes* is also notable for its publication of two columns critiquing ratingless appraisals. Galer (2015) was critical of the "brain science" behind ratingless approaches, and Hunt (2015) argued that ratingless is impractical, and that calibration of ratings and investments in performance are better approaches.

Professional associations also have highlighted cutting-edge practices. WorldatWork has published two articles in its monthly magazine, *workspan* (Coyle and Harvey 2015; Ledford, Lawler, and Benson 2016) and has devoted the second quarter issue of the *WorldatWork Journal* to cutting-edge performance management (2016). The *WorldatWork Journal* issue features an abbreviated version of this report as well as detailed case studies from Adobe Systems, Microsoft, Cardinal Health and Sears Holdings. The Society for Human Resource Management (SHRM) offered a variety of articles in *HR Magazine* in the past 18 months. These included Bersin's (2015) prediction that more companies would adopt cutting-edge practices in the future, Meinert's (2015) article on ratingless appraisals and ongoing feedback, and Goldberg's (2015) discussion of crowd-sourced feedback.

Even academic researchers, who sometimes take pride in avoiding topics that are trendy in the media, have begun to investigate cutting-edge practices. There have been multiple panels and papers on the topic at conferences of associations such as the Academy of Management and the Society of Industrial and Organizational Psychology (SIOP). SIOP's journal, *Industrial and Organizational Psychology*, ran a debate about ratingless appraisals and commentaries by several scholars in its June 2016 issue (Volume 9, Issue 2).

Even the mainstream media have published articles about performance management. The Washington Post (Cunningham 2015) ran a story on Accenture's elimination of performance ratings and the New York Times (Kantor and Streitfeld 2015) reported on Amazon's stressful culture, which included a critical account of its crowd-sourced feedback process. Even CNN (Sahadi 2015) ran a story about the end of ratings and performance reviews.

Remarkably, despite the flood of media attention on cutting-edge performance management practices, data are almost always absent from these articles. Most authors cite a few case anecdotes, but do no more. Even academic articles about ratingless appraisals are so far almost devoid of data directly relevant to the subject. This report is based on the first large-scale, publically reported study of cutting-edge performance

management practices. The study reported here is notable for three reasons:

- It has a large sample of 244 companies that use one or more cutting-edge practices.
- It examines all three cutting-edge practices, not just one or two.
- It is a relatively comprehensive investigation, and offers data on a wide range of issues relevant to the adoption and use of these practices.

Summary

Three cutting-edge performance management practices — ratingless appraisals, ongoing feedback and crowd-sourced feedback — have been the subject of intense interest by the business and general media, professional groups and companies that are considering adopting these practices. The study reported here is one of the first research investigations of cutting-edge performance management practices.

SECTION 2 A Brief History of Performance Management and the Origins of Cutting-Edge Practices

There have been three periods of performance management practice, as shown in Figure 2-1. **Conventional performance management** practices were created and implemented in the 1950s and 1960s. These practices include an annual review process; an assessment of goal attainment, as in Management by Objectives (MBO); appraisals using performance rating scales that are often quite complex; a balanced emphasis on both appraising performance and fostering development; and supervisor responsibility for ratings and allocating rewards based on the ratings. These practices are familiar to most employees today and are still the most common practices in use.

Transitional performance management evolved from the conventional model, starting in the mid-1990s. Goals are cascaded through the organization, creating alignment with organizational objectives. Ratings often are radically simplified, for example to a three-point scale, recognizing that heavy differentiation is

pointless in an era of annual pay increases averaging around 3%. Ratings typically take into account not just performance, but also competencies and behaviors (the “how” of performance). Rating distribution guidelines and calibration sessions limit supervisor discretion to set rewards, recognizing the limited perspective supervisors have on performance outside their immediate group. Midyear reviews often supplement the annual review process. Formal 360 reviews may be used to obtain input from co-workers. These practices still are considered to be “best practices” in performance management, even though surveys indicate that less than half of companies use them systematically.

Cutting-edge performance management has been used on a relatively large scale only in the past few years. Three practices distinguish cutting-edge performance management: ratingless reviews, ongoing feedback and crowd-sourced feedback. Ratingless reviews are an evolution from simplified ratings. Ongoing feedback expands the annual or mid-year

review to monthly or quarterly. Crowd-sourced feedback uses social media platforms to permit peer feedback in a free-form manner compared to the more formal, structured process of 360 reviews. These practices appear to be spreading rapidly, but companies using these practices remain a distinct minority.

It is appropriate to note that in this report, we use the term “cutting-edge” to mean that the widespread adoption of these practices is recent. We are not assuming that newer is better. Our study assesses the effectiveness of these practices.

FIGURE 2-1: Evolution of Performance Management (PM)

	Conventional PM	Transitional PM	Cutting-Edge PM
Period of prominence	1950 – today	1995 – today	2010 – today
Timing of reviews	Annual	Annual, sometimes also midyear	Monthly or quarterly
Basis for performance appraisal	Goal attainment; traits	Cascaded goals; competencies	Cascaded goals; competencies
Appraisal scale	Complex ratings	Simplified ratings	Ratingless
Input from peers and others	None	360 appraisals	Crowd-sourced feedback
Reward allocation method	Supervisor determines using ratings	Calibration meetings and formulas	Varied
Method of differentiation	Varies; can include stacked ranking, forced distribution	Distribution guidelines	?
Appraisal target	Individuals	Mostly individual, some teams	Mostly individual, some teams
Balance of performance vs. development	Balanced	Balanced	More development emphasis

Cutting-Edge Practices as Evolution, Not Revolution

Many proponents of cutting-edge practices represent them as “blowing up performance management” or “eliminating performance management as we know it.” Our research suggests that this rhetoric is overblown. First, cutting-edge practices are not a completely new paradigm that replaces earlier performance management models. Cutting-edge practices do not necessarily lead to changes in many basic performance management practices, including the basis for performance appraisal, rewards allocation, differentiation of performance and rewards, and team or units reviews. Cutting-edge practices are much narrower in their focus. As we will see in Section 4, companies that adopt cutting-edge practices have not eliminated older practices, and indeed they are heavy users of many transitional performance management practices. Second, each cutting-edge practice evolved from a practice that was a part of an earlier performance management model. Ratingless appraisals evolved from the complex ratings of the conventional model and the greatly simplified ratings of the transitional model. Ongoing feedback evolved from the annual process of the conventional model and the semi-annual process of the transitional model, increasing the feedback meetings from two to four or more. Crowd-sourced feedback is a natural evolution from the 360 feedback approach of the transitional model, taking advantage of social media tools to make the feedback more natural and timely than in an annual, ratings-based format.

Why Now?

Why are cutting-edge practices being adopted now? Three key reasons for this apply to all three practices: there is a general frustration with performance management; cutting-edge practices address some of the most common complaints about performance management; and these practices currently are fashionable and are receiving considerable attention. Beyond these general factors, companies cite many specific reasons for the adoption of each practice (for example, see Morris 2016; Ritchie 2016; Engler and Mason 2016; George and Holbein 2016, Baldassarre and Finken 2015; Zillman 2016.). Here we note the justifications used to adopt each practice, without comment on whether research evidence supports each point. (Indeed, research is limited on most of these points.) Common reasons for adopting each practice include the following.

Ratingless Reviews

- Employees dislike receiving ratings and managers dislike giving them; ratings demotivate; eliminating ratings creates a better experience for employees and managers.
- Ratingless reviews save time because ratings add time without adding value.
- Neuroscience research “proves” that employees’ rational brains quit functioning when they are given performance ratings, which they interpret as a threat.
- In the case of conflict, it is better for managers and employees to directly address employee performance and its associated rewards than to argue about whether an employee is a 3 versus a 3.4 or 4.1.
- Performance ratings are not valid or reliable, and reflect supervisor bias, discrimination and favoritism.
- Eliminating ratings as a topic of conversation leaves more room for employee development in manager-subordinate conversations.
- Ratings make employees compete against one another, inhibiting collaboration.

Ongoing Feedback

- Ongoing feedback helps build positive relationships between managers and subordinates that make performance conversations more timely and likely to occur.
- Regular meetings between managers and subordinates help solve problems in real time that otherwise would limit employee and organizational performance.
- Ongoing feedback better fits the fast-paced strategy of many businesses than an annual process. In high technology, for example, there can be multiple product cycles per year, making annual reviews based on annual goals outdated before they are conducted.
- Ongoing feedback has a developmental orientation, which is a critical business need in most organizations; for example, Millennials are said to receive too little development and are unprepared for the responsibilities they will inherit as Baby Boomers retire.
- It leads to more valid performance reviews and therefore better pay for performance, because

managers gain a much better understanding of how employees are performing and what challenges they face.

- Ongoing feedback helps create a positive feedback culture in the organization, which helps with the motivation, retention, and attraction of employees.

Crowd-sourced feedback

- Crowd-sourced feedback is much more natural, specific, timely and useful than the typical 360 review process that is based on the use of rating scales.
- Peer feedback fits increasingly team-based, modern organization designs; managers alone lack all the relevant information to assess employee performance.
- Use of peer feedback helps create a positive feedback culture in the organization, which helps with the motivation, retention and attraction of employees.
- Social media used for peer feedback is familiar and natural for contemporary employees, especially millennials; many would find it odd if the organization did not take advantage of social media technology in this way.
- Managers can quickly and easily review crowd-sourced feedback for the entire performance period, helping remind them of things an employee has done throughout the period; this helps overcome the recency effect, which is otherwise a major problem.

Summary

Cutting-edge practices have evolved from earlier performance management practices. Companies are adopting these practices to address specific problems with performance management. The three cutting-edge practices do not represent a complete performance management process or paradigm, and many companies round out their performance management process by retaining certain older practices, such as goal setting, calibration and methods of differentiating performance and rewards. Finally, organizations cite many different reasons for the adoption of each cutting-edge practice.

SECTION 3 Study Background and Methodology

In 2015, WorldatWork provided support for the Center for Effective Organizations (CEO) to conduct a survey focused on cutting-edge performance management practices, which were becoming increasingly prominent in the media. The study examined ratingless reviews, ongoing feedback and crowd-sourced feedback.

CEO at the University of Southern California has been conducting research on performance management since it was founded in 1979. Its research includes two surveys of contemporary practice in 2001 and 2012 (Lawler, Benson and McDermott, 2012; Lawler and McDermott 2003). Analysis of those data showed that the vast majority of companies were still using traditional annual ratings and performance management processes. Few companies were using practices that we characterize as cutting-edge as late as 2012.

Data Collection

During August and September 2015, we emailed invitations to those on the mailing list of CEO and a large percentage of the WorldatWork mailing list. Study invitations reached approximately 15,000 individuals using these two mailing lists. All invitations indicated that we were collecting data about organizations that were using one or more of the three cutting-edge practices. We also advertised the study on a number of relevant forums on the websites of WorldatWork, LinkedIn and elsewhere, reaching, perhaps, another 1,000 candidates. We also directly solicited managers from several companies that had been mentioned in the business media as using cutting-edge practices. Finally, we asked survey participants to provide us with contact information for potential respondents in other companies that were using cutting-edge practices; we asked those contacts to participate.

The campaign led 455 individuals to participate in an online screening hosted by CEO. The screening defined ratingless performance reviews, ongoing feedback, and crowd-sourced feedback and asked if the respondent's organization used each practice anywhere in the organization. We thanked those who responded "no" to using

all three practices, and discontinued their participation in the survey. Those who responded "yes" to using any of these three practices were asked to complete an online questionnaire about their performance management systems. In fewer than 10 cases, we received multiple questionnaires from the same company. When we received multiple questionnaires from a company, we used the responses from the more senior respondent and/or chose respondents from the corporate office as opposed to a single division or subsidiary. Our final sample included data from 244 unique corporations and a few other entities, such as not-for-profits and government agencies. Overall, we received usable data from 53% of those who were screened.

We collected data for far more cases than we expected. Based on a listing we had compiled of companies mentioned in the business press as users of cutting-edge practices, we believed that fewer than 100 companies in the United States were using any of these practices, and we hoped to receive 35 to 50 responses. Obviously, our actual sample size is far larger. We received so many responses to the survey that we terminated data collection one month earlier than originally planned. We believe that the large sample that we obtained for our study indicates that companies are rapidly adopting cutting-edge practices and are keenly interested in this topic. The actual number of companies using cutting-edge practices is impossible to determine, but it appears to number in the hundreds.

Sample Characteristics

The organizational level of the survey respondents ranged from CEO to Compensation Analyst, as shown in Table 1. The most common title for the respondents was Manager, along with Director and individual contributor. Seven respondents had unusual titles that did not fit in any category or did not provide a title.

We coded the top three categories as "vice president and above," and we disregarded the seven cases that did not fall into any category. This coding made it possible to use statistical tests to analyze differences by four organizational levels. We combined the top

TABLE 3-1: Respondent Organizational Level

Organizational Level	Frequency	Percentage Of Users
CEO / President / Chairman	7	3%
Chief Human Resource Officer (CHRO) or equivalent	13	5%
Vice President / Senior Vice President / Assistant Vice President (not CHRO)	19	8%
Director, Senior Director, Executive Director	62	25%
Manager, Senior Manager	77	32%
Analyst or other individual contributor position	59	24%
Could not be classified or missing	7	3%

N=244

three categories because statistical tests are sensitive to the number of cases in each category.

We also asked for the organizational function of the respondent. Organizational function data are displayed in Table 3-2. Most of the respondents were part of the HR unit. Almost half of the respondents were from the rewards function (including compensation, benefits, total rewards, etc.) and 4 in 10 were from other HR units (such as talent management, performance management, and organization development). Twenty respondents were the CEO or other members of the top executive team, including the top HR officer when that person reported to the CEO. As with organizational level, seven respondents were from miscellaneous functions or did not indicate their function, and we omitted those cases from statistical analyses.

Differences by Organizational Level and Function

The diversity of respondents indicates a possible concern that the responses might be systematically affected by the level or function of the respondent. Perhaps, for example, executives are consistently more favorable or less favorable to cutting-edge practices. This would make it necessary to take into account differences between respondent groups in analyses throughout this report.

We conducted Analysis of Variance (ANOVA) tests with post-hoc comparisons to determine whether group differences by level and function were significant. The analyses indicate that executives and the executive team tend to be more favorable on many

TABLE 3-2: Respondent Organizational Function

Organizational Level	Frequency	Percentage Of Users
Executive Team (includes CHRO)	20	8%
HR: Compensation, Benefits, Rewards	116	48%
HR: Other	101	41%
Cannot be classified or not indicated	7	3%

N=244

measures than other levels or functions, but the differences among other levels were rarely significant. For example, we asked about the effectiveness of cutting-edge practices on 18 different outcomes (see Section 9 for details.) Four outcomes showed statistically significant differences by organizational level; in each case, executives were more positive than other groups. There were more significant differences by function than by organizational level. Differences by function were statistically significant for 9 of 18 outcomes, with executive team members more positive than the HR groups in each case.

Because there are differences in responses by level and function, we report breakouts of the results by level and function as appropriate in this document. We do this when the differences are meaningful and help clarify the data.

Length of Experience with Practices

Respondents reported when they adopted each cutting-edge practice. The results are indicated in Table 3-3. It is important to keep in mind that all respondents were using at least one of these practices at the time of the survey, but may have adopted multiple practices at different times. The table indicates a wide range of periods of adoption. The percentage of organizations that have used ongoing feedback for three or more years is 41%; for ratingless reviews, the percentage is 34%; and for crowd-sourced feedback, it was 26%. On the other hand, the 35% to 46% of those using each practice have used it for less than a year. The recency of adoption is likely a key reason that approximately 10% of the sample was unable to answer questions about the effectiveness of cutting-edge practices.

The high percentage of new users of cutting-edge practices may lead to a concern that early adopters overly influence the pattern of results in this study. Perhaps users initially see the practices as effective, but their assessment may turn negative over time.

TABLE 3-3: Percentage Using Cutting-Edge Practices by Length of Time in Use

Practice	Being adopted now	Adopted < 1 year	1-2 years	3-5 years	6-10 years	More than 10 years
Ongoing performance feedback	16%	19%	24%	21%	10%	10%
Ratingless performance reviews	19%	24%	23%	19%	7%	8%
Crowd-sourced performance feedback	18%	28%	28%	20%	6%	0%

Note: Numbers reported equal the percentage of the total sample in each cell. N=244

However, additional analyses greatly reduce our concern about this issue. For example, there was almost no correlation between the effectiveness of a practice and how long it was used. We conducted a correlation analysis of the length of time of the use of each practice with each of 18 effectiveness outcomes, for a total of 54 correlations. Only three of the 54 correlations were statistically significant, indicating that the length of use of cutting-edge practices had little effect on ratings of practice effectiveness. The lack of relationship between length of use and other results is both surprising and encouraging, indicating that the views of the entire sample are appropriate in assessing cutting-edge practices. Nevertheless, it would be wise for specific organizations that adopt cutting-edge practices to monitor their effects over time.

Study Strengths and Limitations

This study has several strengths. It is notable for its large sample and relatively comprehensive survey, which permit us to address a wide range of issues concerning cutting-edge practices. Like all studies, this one has limitations, including the following.

1. **Perceptual data.** In this study, we assess the outcomes of cutting-edge using perceptual and opinion data. Perceptual data are the most appropriate for many analyses in this report, and perceptions of outcomes provide the best evidence for what the respondents believe to be the effects of adopting cutting-edge practices. However, we do not have quantitative outcome data on, for example, cost savings or increased productivity. This is a common limitation of large-scale survey studies.
2. **Cross-sectional study.** The data were collected at one point in time, limiting our ability to make causal inferences and to understand how opinions about cutting-edge practices evolve over time. We can overcome limitation to some degree by looking at how opinions vary based on the length of time that organizations have used the practices.

3. **Length of experience with cutting-edge practices.** Cutting-edge practices are relatively new. We are reassured by our analyses that the recent adoption by many organizations in our sample has not strongly affected the results. However, future research should continue to examine the evolution of views about cutting-edge practices over time in specific organizations.
4. **Representativeness.** Our survey respondents do not represent a random sample of companies. All respondents are from organizations that use cutting-edge practices. We cannot say how widespread these practices are across the U.S. economy as a whole.

Summary

The study is based on the responses to a comprehensive survey by representatives from 244 organizations that use one or more cutting-edge performance management practices. Respondents were from a wide range of organizational levels and functions. Most were part of the HR function. Members of the executive team (including CHROs) tended to be more positive about cutting-edge practices than others respondents. Organizations varied greatly in the length of time they used these practices, but the length of time used showed little relationship to attitudes about the practices.

SECTION 4 Patterns of Use for Cutting-Edge Practices

Given the considerable attention given to ratingless reviews in the business press, we expected that ratingless reviews would be the most common cutting-edge practice. But in fact, the most common practice is ongoing feedback. Nearly every company in the sample (97%) uses it. Ratingless reviews followed at 51%, while crowd-sourced feedback was used by 27%. It is notable that even though the use of crowd-sourced feedback has not gotten nearly as much attention in the media as ratingless appraisals or ongoing feedback, it was used by more than a quarter of the respondents.

TABLE 4-1: Patterns of Practice – Cutting-Edge Performance Management

	Number of Companies	Percentage of Companies
Ongoing feedback only	89	37%
Ongoing feedback and ratingless reviews	82	34%
Ongoing feedback plus crowd-sourced feedback	29	12%
All three practices	36	15%
Ratingless reviews only	7	3%
Crowd-sourced performance feedback only	1	< 1%

N=244

TABLE 4-2: Patterns of Use Versus Established Practices

	Ongoing Feedback Only	Ongoing + Ratingless	Ongoing + Crowd-Sourced	All Three
Cascaded goals	87%	80%	93%	89%
Calibration meetings	82%	70%	93%	81%
Assessment of competencies	80%	62%	90%	83%
360 feedback	59%	51%	83%	83%
Assessment of team or unit performance	48%	43%	83%	75%
Greatly simplified ratings	34%	30%	28%	47%

N=236

Combinations of Cutting-Edge Practices

Ongoing feedback is not just the most common practice; it is the foundation of this set of practices. Only 7 of 244 companies used either ratingless reviews or crowd-sourced feedback without ongoing feedback, making it misleading to look at either of those practices in isolation. The combinations of practices found in our sample are shown in Table 4-1. We use this classification in many analyses that we report in this article, less the two tiny groups that used ratingless reviews only or crowd-sourced performance feedback only.

For many of the tables in this report, we use 236 rather than 244 as the number of respondents. This is because we are reporting responses versus the patterns of practices reported in Table 4-1, omitting the eight cases in two small categories.

Older Performance Management Practices by Cutting-Edge Practice Users

Cutting-edge practices have interesting patterns of use in combination with older performance management practices. First, Table 4-2 shows that cutting-edge practices do not really replace older practices, despite much talk of “blowing up” performance management. All older practices are used to some degree with each set of cutting-edge practices. A majority of cutting-edge practice users also use cascaded goals, calibration, competency assessment and 360 feedback. Second, the use of ongoing feedback plus ratingless reviews is associated with less use of all older practices compared to other combinations of cutting-edge practice. This is consistent with statements of many advocates of ratingless reviews who are often hostile to traditional performance management.

They advocate a less-structured, less-bureaucratic approach. However, the lesser use of older practices is only a matter of degree. Third, the use of crowd-sourced feedback is associated with the greater use of older practices.

Do users of cutting-edge practices use the performance management practices listed in Table 4-2 to a different degree than organizations in general? Several surveys with broad samples are available for comparison. Different surveys cover different practices, and sometimes report different results when examining the same practice. The differences in results reflect differences in the specific wording of survey items and, most important, samples of different organizational size. Large organizations are more likely than smaller organizations to use “best” HR practices of all kinds. A SHRM survey (2011) of 510 members from organizations with more than 2,500 employees found that 54% used calibration while 16% used peer input on rewards for exempt employees and 10% used peer input on rewards for nonexempt employees. A Lee Hecht Harrison survey of 355 organizations, 46% of them with fewer 1000 employees (2016), found that 57% used competencies in performance assessment and 45% used calibration. The 2012 CEO study (Lawler et al. 2012) of 102 large organizations found that 82% used calibration, 90% used competencies and 16% used 360 appraisals for making rewards decisions. Despite the differences between these surveys, it is clear that users of cutting-edge practices use older

practices to a high degree compared to organizations in general. They are far more likely to use 360 feedback than is typical in organizations, and they make heavy use of calibration and competencies. This finding is notable in part because our sample of cutting-edge users includes a high percentage of small organizations, which would lead us to predict that they would use “best practices” to a lesser degree; this is the opposite of what we found.

Summary

Ongoing feedback is the dominant practice for users of cutting-edge performance management. Fully 97% of our sample used it versus 49% that used ratingless appraisals and 27% that used crowd-sourced feedback. A small percentage, 15%, used all three practices, but many others used ongoing feedback with ratingless appraisals or ongoing feedback with crowd-sourced feedback. Organizations that adopt cutting-edge practices do not abandon many older performance management practices, and indeed adopt some of them to a higher degree than other organizations. This suggests that organizations that adopt cutting-edge practices are attempting to round out their performance management process with other practices that make it more complete and systematic.

SECTION 5 Who Uses Cutting-Edge Practices?

Most press reports of changes in performance management practices feature either technology (Adobe, Microsoft, Amazon, IBM) or professional services firms (Deloitte, Accenture). This raises the question about the degree to which cutting-edge performance management practices appeal to specific kinds of organizations or workforces. The answer is that they do not. Our survey results clearly indicate widespread interest. Our respondents ranged from small private companies to some of the world's largest multinationals. They also included nonprofits, NGO's and public-sector organizations. We found that organizations of nearly all types, sizes and sectors are adopting ratingless systems, ongoing feedback and crowd-sourced performance feedback.

fewer than 10,000 employees. This reflects the size of U.S. corporations; there are far more small and mid-sized firms than large firms. Clearly, cutting-edge practices are being adopted by far more of these firms than by the large, prominent companies featured in most business media articles. Indeed, the primary reason we were surprised by the large size of our research sample is that we did not expect to find that so many smaller and mid-sized organizations were adopters of cutting-edge practices. It is an old and durable finding in HR innovation research that large organizations are more likely to adopt most HR innovations. This suggests that cutting-edge practices have a special appeal for smaller and mid-sized firms.

There is no indication in Table 5-2 that company size has any strong effect on the adoption of specific

Usage by Industry

Table 5-1 reports practice adoption by industry. Our sample represents 11 different industries and sectors. While high-tech firms and professional services certainly are among the adopters, manufacturing and financial firms are the leading adopters. Industries for which most of the labor force is unlikely to receive a traditional annual performance appraisal — agriculture, construction, extraction and personal services — are least represented in our sample.

Usage by Organizational Size

Table 5-2 shows the percentage of respondents by number of full-time equivalent (FTE) employees. Most of our respondents were small and medium-sized companies with

TABLE 5-1: Patterns of Use by Industry

	Ongoing Feedback Only	Ongoing + Ratingless	Ongoing + Crowd-Sourced	All Three
Agriculture, Forestry, & Fishing	2%	1%	0%	0%
Mining	0%	2%	0%	6%
Construction	0%	0%	0%	0%
Manufacturing	27%	17%	24%	8%
Information Technology	9%	15%	24%	39%
Transportation & Utilities	8%	4%	3%	3%
Wholesale Trade	1%	2%	0%	0%
Retail Trade	8%	4%	3%	3%
Finance, Insurance, & Real Estate	25%	17%	14%	14%
Services: Hotels, Personal Services, Repairs, & Similar	2%	4%	0%	0%
Professional Services	13%	28%	28%	19%
Public Administration	2%	4%	3%	0%
Other	2%	2%	0%	8%

N=236

TABLE 5-2: Patterns of Use by Company Size

	Ongoing Feedback Only	Ongoing + Ratingless	Ongoing + Crowd-Sourced	All Three
Less than 500 FTE's	15%	23%	10%	26%
500 – 2,500 FTE's	19%	26%	28%	20%
2,501 – 5,000 FTE's	13%	6%	14%	11%
5,001 – 10,000 FTE's	17%	22%	10%	17%
10,001 – 15,000 FTE's	5%	2%	14%	9%
15,001 – 20,000 FTE's	5%	2%	3%	6%
20,001 – 30,000 FTE's	3%	6%	0%	3%
30,001 – 50,000 FTE's	5%	2%	14%	0%

N=236

patterns of practice. For example, organizations do not appear to be more likely to adopt ongoing feedback plus ratingless appraisals rather than other practices as a result of company size. The differences are erratic and do not show any consistent configuration.

Summary

Our results indicate that the companies adopting cutting-edge performance management practices are very diverse. They come from almost every industry and sector, and there are many more in the manufacturing and financial services sectors than in the high-tech and professional service sectors that are best represented in the business media. Many also come from smaller, mid-sized and large organizations. We suspect that the promises of cutting-edge practices to reduce bureaucracy, create more nimble HR processes, and move more quickly may hold special appeal for small and mid-sized firms.

SECTION 6 Why Use Cutting-Edge Practices?

Based on the literature on cutting-edge practices, we developed a list of 18 different reasons that an organization might adopt them. We expected that most companies would have multiple reasons for adoption. Therefore, we asked respondents to indicate the importance of each reason in their organization's adoption using a seven-point scale. Using factor analysis and reliability testing, we condensed the 18 reasons into three primary categories: *strategic alignment with business needs*, effectiveness of the performance management process and rewards system objectives. Strategic alignment with business needs included increasing performance, supporting the company's values and strategy and developing a performance culture. Improving the *effectiveness of the performance* management process included providing useful feedback, improving managers' and employees' experience with the process and using a real-time rather than calendar-driven process. Meeting *rewards system objectives* included employee motivation, development, rewards for performance and retention. Three reasons did not fit in any cluster: focusing more on employee strengths than weaknesses, identifying poor performers and reducing the time spent on performance management.

The finding that there are three primary reasons for adopting cutting-edge practices offers practical advantages. It suggests that, although companies identify many discrete reasons for adopting the new practices, the reasons can be collapsed and organized into a more elegant set of factors. This makes it easier to organize discussions about the advantages and drawbacks of adopting the practices and easier to communicate and remember the basis for change.

Figure 6-1 reports the reasons for adoption of cutting-edge practices. All three primary reasons for adoption are at least moderately important, but strategic alignment and process effectiveness are more important than rewards system objectives. Looking at items within the clusters, the most important reasons for adoption are providing useful feedback to employees, increasing organizational performance, motivating employee performance and supporting company values.

The least important reasons for adoption are attracting potential employees, identifying poor performers, and reducing time spent on performance management. Using the new process for attraction and identifying poor performers pose practical problems, so the lower importance of these reasons is understandable. The difficulty in using cutting-edge practices for attraction arises because the practices still are relatively novel, and it may be difficult to explain the rationale for the practices and how they work to prospective employees. Using performance management processes of any kind to identify poor performers is problematic; generally, it is better to identify and act on poor performance immediately than to wait until an appraisal event to identify and deal with poor performance. On the other hand, the relatively low importance assigned to reducing time spent on performance management is surprising, given that total hours required by older processes is such a common criticism of traditional performance management.

Patterns of Use and Reasons for Adoption

We performed additional analyses to look at how the reasons for adoption are related to each pattern of cutting-edge practice. We found few significant differences in reasons for adoption except for rewards system objectives (see Table 6-1.) For rewards system objectives, the pattern is clear. Rewards system objectives are significantly more important for ongoing feedback plus crowd-sourced feedback (shown in red), and less important for ongoing feedback plus ratingless reviews (shown in blue), for every specific objective except one. The exception is developing employee skills and knowledge, which is lowest by a small margin for ongoing feedback only. The overall pattern is especially pronounced for attraction, retention, development and rewarding top talent. In general, the importance of each reason for adoption among users of all three practices is an average of the means from the prior two columns (ongoing

FIGURE 6-1: Reasons for Adoption: Mean Responses



plus crowd-sourced and ongoing plus ratingless). However, those using all three practices are less likely than those using other combinations of practices to see rewarding employees more effectively or identifying poor performers as goals of the adoption of the new practices.

What explains the lack of differences for strategic alignment and performance management system effectiveness, and the clear differences for rewards system effectiveness? Case studies and the popular literature indicate that companies adopt all three cutting-edge practices to meet business objectives such as increasing performance and supporting company values and to improve the effectiveness of the process for both managers and employees. However, there are differences in the rhetoric concerning rewards system objectives. Some (certainly not all)

proponents of ratingless appraisals view performance ratings as illegitimate, unfair and destructive, and dislike performance differentiation, individual pay for performance, and tying performance differences to individual rewards. Advocates of ratingless appraisals are the most likely to advocate “blowing up performance appraisals.” Such advocates appear to be in the minority — most ratingless review advocates do not suggest abandoning pay for performance, for example — but it appears that there are enough such users of ratingless appraisals to affect the results shown in Table 6-1.

The degree to which crowd-sourced feedback is associated with a greater emphasis on rewards objectives is somewhat surprising. This indicates that users of crowd-sourced feedback plus ongoing feedback see this change as a way to obtain more accurate and

TABLE 6-1: Patterns of Use Versus Reasons for Adoption: Mean Responses

	Ongoing Feedback Only	Ongoing + Ratingless	Ongoing + Crowd-Sourced	All Three
Rewards System Objectives	5.41	5.08	6.01	5.44
Rewarding employees more effectively	5.38	5.04	5.66	5.11
Attracting potential employees	4.02	3.64	5.31	4.22
Retaining existing employees	5.43	4.94	5.76	5.36
Motivating employee performance	6.09	5.85	6.31	6.19
Developing employee skill and knowledge	5.76	5.85	6.43	6.11
Rewarding top talent	5.89	5.26	6.15	5.61
Identifying poor performers	4.70	4.02	4.90	4.11

N =236

Response Scale: 1 = Not at all important; 4 = Moderately important; 7 = Extremely important

fairer performance ratings and to better meet rewards objectives such as tying pay to performance, and attracting, motivating and retaining employees. The use of all three practices averages out the conflicting influences of ratingless appraisals and crowd-sourced feedback, and in general, the responses of those using all three practices fall in between the second and third patterns of practice.

Organizational and Respondent Demographics

We performed additional analyses to determine whether organizational size or the characteristics of the respondents are associated with differences in the reasons for adoption of cutting-edge practices. There are no significant differences based on organizational size, but there are some differences based on respondent characteristics. All respondent subgroups see strategic alignment as an important factor in adoption and rewards system objectives as somewhat less important. There were minor differences in the degree to which different types of respondents viewed improving the effectiveness of the process of performance management as important. Respondents from the Rewards function see process effectiveness as less important than executives or other HR respondents. Also, individual contributors (for example, compensation analysts) saw process effectiveness as less important than those at other levels in the organization.

Summary

The primary reasons that organizations adopt cutting-edge practices are strategic alignment with business needs, effectiveness of the performance management process and rewards system objectives. Respondents rated strategic alignment and process effectiveness as somewhat more important than rewards system objectives. The use of ratingless reviews plus ongoing feedback is associated with less emphasis on rewards system objectives, while the use of crowd-sourced feedback plus ongoing feedback is associated with greater emphasis on rewards. There are minor differences by respondent subgroup, but no differences in the importance of different objectives by organizational size.

SECTION 7 Effectiveness of Cutting-Edge Practices

The most important question about cutting-edge performance management practices is: Are they effective? Do these practices achieve their intended goals? Here, we examine the degree of effectiveness of cutting-edge practices for a wide range of outcomes.

Effectiveness Measures

As section 6 indicated, we asked the survey respondents about the importance to their organization of 18 possible reasons for adopting cutting-edge practices. We also asked about the effectiveness of cutting-edge practices on the same 18 measures, on a scale ranging from “not effective at all” to “very effective.” Using factor analysis and reliability testing, we determined that these measures grouped into the same three primary factors as they did for adoption, (namely strategic alignment with the business), increased process effectiveness, and better met rewards system objectives. The same three items also failed to cluster with these factors (focus on strengths rather than weakness, identifying poor performers and reducing time spent on the process). The identical patterns makes it easy to compare the reasons for adoption with the level of effectiveness.

Degree of Effectiveness of Cutting-Edge Practices

Figure 7-1 indicates that cutting-edge practices as a set are considered to be somewhat effective by our sample and the pattern for effectiveness mirrors reasons for adoption. In general, companies are seeing the greatest positive effects where intended (strategic alignment and process effectiveness), with somewhat less impact on rewards system objectives.

Almost all of the effects are positive, with means of around 5.0 on a seven-point response scale, for strategic alignment and process effectiveness outcomes. Inspection of specific outcomes within the three clusters indicates that cutting-edge practices have the

most positive impact on providing useful feedback to employees, supporting company values, developing a performance culture, supporting the business strategy, and increasing the time managers spend on coaching. The effects also are positive on meeting rewards system objectives, especially motivating employee performance, developing employee skills and knowledge, and rewarding top talent.

There was only one negative outcome: attracting potential employees. There was also one neutral effect: employee retention. This suggests that users of cutting-edge practices may need to do a better job of explaining cutting-edge practices to new hires, prospects and employees. Finally, cutting-edge practices do not appear to be especially effective in reducing the time spent on performance management. Time saved by freeing managers from doing ratings perhaps is being spent on additional coaching and feedback for employees.

Patterns of Practice And Effectiveness

Table 7-1 examines the use of different combinations of cutting-edge practices versus effectiveness. The most favorable combination of practices for each outcome is identified in red. The results clearly suggest that crowd-sourced feedback is very important to maximizing the effectiveness of cutting-edge practices. The use of all three practices shows the highest effectiveness on outcomes for all three primary factors as well as 15 of the 18 specific indicators. Ongoing feedback plus crowd-sourced feedback was most effective for two notable outcomes: increasing organizational performance and rewarding employees effectively, and it is essentially tied with the use of all three practices on attracting employees.

Ratingless appraisal plus ongoing feedback is not superior to other combinations of practice on any outcome. Ongoing feedback plus ratingless reviews tends to be associated with the lowest level of effectiveness on strategic alignment outcomes (especially developing a performance culture, supporting business strategy and increasing organizational performance) and rewards system objectives (especially rewarding

FIGURE 7-1: Effectiveness of Cutting-Edge Practices: Mean Responses

employees more effectively and rewarding top talent), as well as identifying poor performers.

The areas of lowest effectiveness for ratingless appraisal are the same ones where the greatest questions typically are expressed about performance management in general, including reducing time spent on performance management, rewarding employees effectively, retaining talent and rewarding top talent. On the other hand, use of ratingless appraisals in any combination appears to be more effective at focusing on employee strengths rather than on weaknesses.

Ongoing feedback alone was superior only for identifying poor performers. This suggests that the absence of ratings in ratingless appraisals may make identifying poor performers more difficult and that crowd-sourced

feedback, which is often entirely positive, also may not help identify poor performers.

These results suggest that there is a synergy between the three cutting-edge practices that makes them an effective combination. We suspect that the strengths of each practice help overcome the weaknesses of the other two practices. Employees and managers like ratingless reviews and therefore it has a positive impact on process effectiveness, but it can make strategic alignment and managing rewards more difficult. Ongoing feedback is not a strong intervention by itself, but it does improve the process by improving the relationships between managers and employees and it gives managers better information for making rewards decisions. Crowd-sourced feedback fits with business needs

TABLE 7-1: Patterns of Use Versus Effectiveness: Mean Responses

	Ongoing Feedback Only	Ongoing + Ratingless	Ongoing + Crowd-Sourced	All Three
Strategic Alignment	5.03	4.87	5.02	5.35
Developing a performance culture	5.16	4.76	5.04	5.15
Supporting business strategy	4.99	4.85	5.04	5.44
Supporting company values	5.21	5.13	5.08	5.71
Increasing the organization's performance	4.90	4.71	5.31	5.18
Process Effectiveness	4.84	5.08	5.00	5.34
Increasing the time managers spend on performance coaching	4.91	5.08	4.96	5.34
Creating a real-time instead of calendar-driven (such as annual) process	4.59	4.68	4.88	5.24
Improving employees' experience with performance management	4.58	5.08	5.00	5.29
Improving managers' experience with performance management	4.66	5.07	4.85	5.21
Providing useful feedback to employees	5.32	5.40	5.31	5.74
Rewards System Objectives	4.21	4.13	4.31	4.56
Rewarding employees more effectively	4.48	4.36	4.54	4.31
Attracting potential employees	2.97	3.08	3.50	3.58
Retaining existing employees	3.95	3.89	4.12	4.39
Motivating employee performance	4.71	4.51	4.54	5.03
Developing employee skills and knowledge	4.52	4.67	4.42	5.06
Rewarding top talent	4.64	4.46	4.73	4.91
Unscaled Items				
Reducing time spent on performance management	3.90	4.23	4.31	4.50
Focusing more on employee strengths than weaknesses	4.47	4.88	4.31	4.97
Identifying poor performers	4.66	3.96	4.46	4.32

N =236

Response Scale: 1 = Not at all effective; 7 = Extremely effective

for speed and managing teams; increases process effectiveness because of its ease of use; and gives managers more information about performance that can be used in rewards decisions. Therefore, it appears that the combination of all three is more powerful than any one or two practices.

Effectiveness of Cutting-Edge Versus Older Practices

We used information related to the effectiveness of the performance management process from previous CEO studies of performance management in large companies. The results reported in Table 7-2 compare the results from two earlier studies and the current study. The results are supportive of the impact of cutting-edge practices. For 5 of the 7 outcomes, respondents to the 2015 survey of users of cutting-edge practices reported higher effectiveness of their process than did respondents to the earlier surveys of users of traditional practices. Respondents to the 2015 survey reported more effectiveness at providing useful feedback to employees, motivating employee performance, supporting the company's values, and developing employee skills and knowledge. All of these differences are statistically significant, and all of these objectives are priorities for cutting-edge practices. For one outcome, supporting the business strategy, the effectiveness ratings for cutting-edge respondents essentially tied those of the 2002 respondents. The only area in which respondents to both older surveys rated their effectiveness more favorably was in identifying

TABLE 7-2: Use of Older vs. Cutting-Edge Practices and Effectiveness – Mean Responses

Effectiveness Measure	Older Practices		Cutting-Edge
	2002	2012	2015
Providing useful feedback to employees	4.96	4.98	5.38
Motivating performance	4.42	4.28	4.65
Supporting company values	5.07	4.95	5.21
Supporting business strategy	5.02	4.80	4.98
Developing a performance culture	4.65	4.52	4.98
Developing employee skills and knowledge	4.24	4.00	4.63
Identifying poor performers	4.75	4.98	4.30

N: 2002 = 55 2012 = 102 2015 = 236

poor performers, which is not a goal of cutting-edge practices. These results suggest that the transition to a new performance management model is meeting its objectives.

Conclusion

The data we report are an important step forward because they are from a large and diverse sample and because they consider so many potential outcomes. It is encouraging that our results are consistent with a growing body of case study data. However, no study represents the final word. It will be important to consider whether the conclusions reached in this study change as companies gain more experience with cutting-edge practices.

The data indicate that cutting-edge performance management practices are moderately effective on a number of measures and are rated as lower in effectiveness only on attracting potential employees. A strong conclusion is that the use of all three practices is the most effective pattern, followed by the use of ongoing feedback plus crowd-sourced feedback. Ratingless appraisals plus ongoing feedback, without also using crowd-sourced feedback, is the least effective approach for strategic business alignment and meeting rewards system objectives. Ongoing feedback alone is the least effective approach for meeting rewards system objectives. Comparing the results of this survey to early surveys indicates that cutting-edge practices are more effective than older performance management practices on 5 of 7 measures.

SECTION 8 Organizational Change Processes

Managers often assume that the most important decisions in creating an organizational change are about the design of the change — that is, its features and specifications. Most of the writing about cutting-edge performance management certainly focuses on such issues. However, considerable research on organizational change indicates that execution is more important than design. A mediocre design that is well implemented will outperform a change that is perfectly designed but badly implemented. Therefore, it is important to understand the change processes that are used to design and implement cutting-edge performance management practices.

We investigated a broad range of questions about the ways that the organizations in our sample designed, implemented and evaluated cutting-edge practices. These included the leadership of the change effort, the level of involvement of different stakeholders, the nature of the change process, the level and types of training associated with the change, and the metrics for assessing the change.

Leadership of the Change Effort

Leadership is critical in sponsoring organizational change, inspiring others to implement it, defining its parameters and clearing roadblocks to implementation. We report data on the leadership of the change effort relevant to cutting-edge practices in Table 8-1. Respondents indicated that HR executives were the major drivers of the adoption of cutting-edge practices, and top executives in the organization were next in importance. This suggests that performance management is an area in which HR leaders play an important role in the change process. The rewards function and local managers play a lesser leadership role in the process, and are not leading the change effort to the same degree as HR and corporate executives. The

data also indicate that there are no major differences in the leadership of the change process for different combinations of cutting-edge practices.

Involvement of Stakeholder Groups

A long-standing principle of organizational change is that those who are involved in developing a change are more likely to support it. Therefore, we asked about the degree to which different stakeholder groups were involved in the design of the cutting-edge practices that were adopted in their organization. Table 8-2 presents the results.

Given the primary leadership role of HR executives in the creation of cutting-edge practices, it is not surprising that they are the most involved in the design; 90% of respondents indicated that HR executives were involved to a great degree or somewhat. Next were rewards leaders and top executives of the entire organizations, with 67% and 68% respectively, indicating that these stakeholders were involved somewhat or to a great degree. Managers in general were involved to a great degree or somewhat in 49% of our sample. Employee involvement in these changes is limited; only 21% indicated that non-managers were involved somewhat or to a great

TABLE 8-1: Leadership of the Change Process: Means

	Ongoing Feedback Only	Ongoing + Ratingless	Ongoing + Crowd-Sourced	All Three
Led by top executives for the organization	3.30	3.35	3.17	3.06
Led by HR executives	3.81	3.99	3.90	3.77
Led by the rewards function (compensation, compensation and benefits, total rewards, etc.)	2.63	2.71	2.72	2.32
Led by managers in local business units	2.77	2.48	3.03	2.86

N =236

Responses: 1 = Little or no extent; 2=Some extent; 3=Moderate extent; 4=Great extent; 5=Very great extent

degree, and 51% of organizations indicated that employees weren't involved at all. It appears that the design of cutting-edge practices is a top-down, not a bottom up, process.

Table 8-3 compares the perceived effectiveness of cutting-edge practices versus the degree to which different stakeholder groups were involved in the design. The results indicate why involving stakeholders is so important to the change process. For all groups, a higher level of involvement in the design was associated with higher effectiveness.

TABLE 8-2: Stakeholder Involvement in the Design Process of Cutting-Edge Practices

	Not at all	To a slight degree	Somewhat	To a great degree	MEAN
HR leaders	4%	6%	16%	74%	3.61
Rewards leaders (compensation, total rewards, etc.)	20%	13%	28%	39%	2.86
Top executives of the entire organization	12%	21%	39%	29%	2.85
Top managers in the specific unit(s) that adopted changes	16%	22%	37%	26%	2.72
Managers	21%	31%	36%	13%	2.40
Non-management employees	51%	27%	16%	5%	1.76

N =244

Response scale: 1 = Not at all effective; 7 = Extremely effective

TABLE 8-3: Stakeholder Involvement in the Design Process of Cutting-Edge Practices Versus Perceived Effectiveness

	Not at all	To a slight degree	Somewhat	To a great degree
Top executives of the entire organization	3.98	4.52	4.68	4.83
Top managers in the specific unit(s) that adopted the changes	4.21	4.26	4.73	4.99
HR leaders	4.28	3.85	4.51	4.71
Rewards leaders	4.52	4.26	4.56	4.84
Managers	4.18	4.49	4.79	5.10
Non-management employees	4.51	4.63	4.88	4.77

N =244

Response scale: 1 = Not at all effective; 7 = Extremely effective

Table 8-3 also indicates that the level of effectiveness is similar whether non-management employees are involved either somewhat or to a great degree. This suggests that a moderate, rather than high, level of employee involvement may be enough.

Characteristics of the Change Process

Table 8-4 reports that respondents view the change process as guided by a clear strategy and see it as based on a clear business need or opportunity “to a moderate extent” or greater. This indicates that there is room for improvement in outlining a clear strategy for change and in building the business case for change. Respondents indicated that the change process is not bottom-up. This is consistent with our finding that the non-management employees are not highly involved in the change process. Table 8-4 also indicates that there are no major differences in the change process used for different combinations of cutting-edge practices.

We also asked about whether the organization adopted the changes all at once throughout the organization, used pilots to test the changes before considering organization-wide adoption, or made different changes in different parts of the organization. It appears that cutting-edge practices are being adopted boldly rather than cautiously. We found that 59% of organizations reported that all cutting-edge changes were made for the entire organization at the same time, while 31% used pilots, and 10% made different changes in different parts of the organization. Smaller organizations were more likely to make changes for the entire organization at once, while large organizations were more likely to use pilots. There were no differences in the change approach that was used across different combinations of cutting-edge practices.

Training Programs

Nearly all companies in our sample provided orientation and training for both managers and employees to prepare them for the change to cutting-edge practices.

On average, organizations provided about five hours of orientation and training to employees and about 10 hours for managers, with extremely wide variation in the amounts provided. Table 8-5 details the degree to which organizations provide training versus combinations of cutting-edge practices. Organizations implementing crowd-sourced feedback reported providing much more training — 13.4 hours on average — for employees working with the new system. Given that social media is a newer technology and has the potential for abuse, this investment is understandable. Organizations adopting ongoing feedback provided the most training to managers, but it is not clear why that is the case. We asked about the types of training provided, and over half of the

organizations provided all five types of training. As Table 8-5 indicates, more than two-thirds of companies, regardless of the combination of practices, provided training in performance documentation, manager skills and how rewards are tied to performance.

Metrics for Assessing Success

The metrics used to assess the success of cutting-edge practices reveal a great deal about the goals of these practices and how executives think about their effectiveness. We asked respondents about the importance of different kinds of metrics in determining the ultimate success of the cutting-edge practices. Table 8-6 indicates the percentage of users of cutting-edge practices who used each metric. Patterns of responses were similar across all combinations of cutting-edge practices. This is consistent with the goals of the cutting-edge practices, as indicated in section 6. Two employee-oriented metrics, turnover and survey measures of employee opinions, were next in importance. Turnover is a surprisingly important metric because retention was far down the list of goals for cutting-edge practices. We expected that survey measures would be seen as more important because such measures are probably the best way to measure many outcomes, including process effectiveness and rewards effectiveness. Finally, the overall cost of the performance management system was rated as the least important metric; 30% of companies didn't use it. This probably reflects the low priority given to the goal of cost savings by organizations that adopt cutting-edge practices.

TABLE 8-4: Characteristics of the Change Process: Mean Responses

	Ongoing Feedback Only	Ongoing + Ratingless	Ongoing + Crowd-Sourced	All Three
Guided by a clear strategy	3.48	3.44	3.17	3.20
Based on a bottom-up implementation approach	1.85	1.90	1.93	2.20
Based on clear business need or opportunity	3.15	3.05	3.11	3.33

N =236
 Responses: 1 = Little or no extent; 2=Some extent; 3=Moderate extent; 4=Great extent; 5=Very great extent

TABLE 8-5: Training During Implementation: Means

	Ongoing Feedback Only	Ongoing + Ratingless	Ongoing + Crowd-Sourced	All Three
Hours of training provided to:				
Employees	5.2	3.2	13.4	3.2
Managers	18.2	5.3	6.8	5.4
Topics covered (Percentage of users indicating 'yes')				
Employee skill building	53%	59%	56%	66%
Manager skill building	71%	70%	74%	72%
How rewards are tied to performance in the new system	65%	73%	73%	67%
Performance calibration across employees	67%	37%	74%	47%
Performance documentation	91%	74%	81%	75%

N =236

Organizational Change Processes and Effectiveness of Cutting-Edge Practices

The variations in the change processes used by organizations that adopt cutting-edge practices are

TABLE 8-6: Metrics Used to Assess Effectiveness

	Not used	Slightly important	Important	Extremely Important
Employee performance	5%	7%	41%	47%
Employee turnover	12%	23%	44%	21%
Survey measures of employee opinions	23%	17%	34%	26%
Cost of performance management	30%	31%	29%	10%

N =244

interesting and provide good benchmarks. However, the most critical question is: Does the change and implementation process make a difference in the effectiveness of these practices? The answer is that differences in the change process have a big impact on effectiveness.

Table 8-7 displays the correlations between the change management variables that we have considered in this section and the three primary types of effectiveness for cutting-edge practices: strategic alignment with the business, effectiveness of the performance management process and meeting rewards system objectives. Correlations of .20 and lower are minor; correlations between .20 and .39 are modest; and correlations of greater than .40 are strong by the standards of this type of research. As the legend indicates, the more asterisks displayed, the higher the correlation.

The data indicate that the level of leadership shown by business leaders is much more important than the level of leadership from HR executives or rewards leaders. Indeed, leadership by HR executives and the rewards function is important primarily for meeting rewards objectives. Given that HR executives in most organizations are leading the change process, this result gives us pause. The results for stakeholder involvement also point to the importance of involving top executives, business managers of units that adopt the changes, and managers in general, but also indicate that for all types of stakeholders, more involvement is better. Articulating a clear change strategy and basing the change on a clear business need or opportunity are important to success, and they may be one reason that having business leader leadership and involvement may be critical.

TABLE 8-7: Correlations Between Change Management and Effectiveness of Cutting-Edge Practices

Measure	Strategic Alignment	Process Effectiveness	Meet Reward Objectives
Leadership			
Top executives for the organization	●●	●●	●●
HR executives			●
Rewards function			●
Managers in local business units	●●	●●	●●
Non-management employees			
Stakeholder Involvement in Design			
Top executives of the entire organization	●●	●●	●●
Top managers in the specific units that adopted the changes	●●	●●	●●
HR leaders	●●	●	●
Rewards leaders	●		●
Managers	●●	●●	●●
Non-management employees	●	●	
Change Process			
Clear strategy	●●●	●●	●●●
Bottom-up implementation approach	●		
Based on clear business need or opportunity	●●●	●●	●●
Pilot versus entire organization versus different processes in different places			
Training			
Hours: Employees	●	●	●
Hours: Managers		●●	●●
Measures of Success			
Survey measures			●
Employee performance	●●	●●	●●
Employee turnover	●●	●●	●●●
Cost of performance management			

Correlation Level: Blank = Not statistically significant; ● = Less than .20; ●● .20-.39; ●●● .40 or higher

The results also indicate that the more training, the better, especially for managers. Although not shown in the table, additional correlations indicate the success on all three outcomes is associated with providing more of every type of training (employee and manager skill building, how rewards are tied to performance, performance calibration and performance documentation). Finally, senior managers consider employee performance and employee turnover to be important measures of success. Survey measures, which are probably the most common type of metric, are related to effectiveness only for meeting rewards objectives. The cost of performance management is a relatively unimportant metric for most senior managers, consistent with the low priority given to the goal of lowering costs through cutting-edge practices.

Summary

Users of cutting-edge practices are quite varied in the leadership of the change effort, stakeholder involvement in the design, nature of the change process, training provided and metrics used to assess success. However, most of these variables are relatively strongly related to the effectiveness of cutting-edge practices.

SECTION 9 Rewards Issues: A Closer Look

Performance management has always been central to the operation of the rewards systems in most organizations. Individuals are appraised based on their performance and the result, typically a rating, is used to determine their pay increases, bonuses, stock grants and other rewards such as recognition and training opportunities. The exceptions to this include some organizations (often in the public sector) that do not reward individual performance with monetary rewards, as well as a few that say they reward individual performance but have no performance management plan.

The changes that we studied as part of this research project — ongoing feedback, ratingless performance reviews and crowd-sourced performance feedback — potentially can affect how rewards systems operate in major ways. To determine the impact of these practices, our survey asked a number of questions about the impact of the practices on the organization's rewards system.

Recap: Rewards System Objectives, Adoption and Effectiveness

We saw earlier that meeting rewards system objectives was one of the three primary reasons that organizations adopt cutting-edge practices (section 6), and that these practices were somewhat effective in meeting rewards system objectives (section 7). Among rewards system outcomes, cutting-edge practices are most effective at motivating employee performance, developing skills and knowledge, and rewarding top talent than attracting and retaining employees. Cutting-edge practices are least effective at attraction and retention of employees. Among different patterns of cutting-edge practices, rewards system objectives are most important to those adopting ongoing feedback plus crowd-sourced feedback. The most effective patterns of cutting-edge practices for meeting rewards system objectives are the use of all three practices together and/or the use of ongoing feedback plus crowd-sourced feedback.

Why might cutting-edge practices improve rewards outcomes? Each cutting-edge practice helps in a different way. Ongoing feedback provides the manager with a better understanding of the employee's accomplishments and challenges and encourages the supervisor to help overcome obstacles to performance while they are still small. Eliminating the scoring feature of performance reviews may eliminate an irritating distraction that often makes it difficult for employees to hear about why they are being rewarded and how well they are being rewarded. Finally, crowd-sourced feedback helps supplement the supervisor's experience with data about how others view an employee, and it reinforces the importance of teamwork. Overall, cutting-edge practices may help create a clear connection, in the eyes of employees, between their behavior and their rewards, as well as help them improve their performance.

The Impact of Cutting-Edge Practices On Rewards

We asked a series of questions to determine the impact of the adoption of the cutting-edge performance management practices on compensation. Table 9-1 presents the results for six pay system outcomes for the four most common adoption patterns.

Compensation costs are a critical business issue for most organizations, and it is important to understand what effects cutting-edge practices have on compensation costs. There are some concerns that cutting-edge practices may lead to higher costs. For example, some fear that managers may find it harder to control pay increases if ongoing feedback builds closer personal relationships with employees; ratingless reviews may reduce control over costs in the absence of ratings; and crowd-sourced feedback may lead to inflated pay increases if the mainly positive feedback of peers does influence pay decisions. Fortunately, our data suggest that these fears are unfounded. Fully 89% of respondents indicated that pay levels remain about the same, and the results were similar across all combinations of cutting-edge practices. However, nearly a third of

the sample indicated that they had “no basis to judge,” indicating that many organizations are not examining this issue closely.

To a moderate degree, the respondents reported that their pay decisions are more transparent and more differentiated based on performance. They also feel that top performers receive more rewards than before and that, in most cases, managers have more discretion in deciding pay increases and bonuses. Overall, the data clearly suggest that the practices tend to be supportive of more effective pay decision making, and therefore, cutting-edge practices have a positive impact on the objectives of most rewards systems.

There are some interesting differences in results for the combinations of practice options shown in Table 9-1. Ongoing feedback alone shows positive results for increased pay transparency, increased pay differentiation, and top performers receiving more rewards. The increased contact between managers and subordinates may lead to more discussions about pay and a better understanding by managers about who is and is not a high performer. Ongoing feedback plus ratingless reviews and the use of all three practices is most likely

to result in increased manager discretion around pay. Perhaps this is because the absence of ratings may eliminate the more mechanical forms of pay for performance based on ratings, at least in some organizations. Ongoing feedback plus crowd-sourced feedback leads to increased pay differentiation in some organizations and less pay differentiation in others. Overall, the results of cutting-edge practices on pay outcomes are positive and there are few negatives. However, no combination of practices receives high marks in all areas, and none is rated lowest across all impact areas. Thus, the best choice of practices needs to be influenced by how important different pay outcomes are for that organization.

Ratingless Appraisal and Pay for Performance

In an organization that has no performance ratings, how can the organization pay for performance? To look at this important issue, we asked only those who used ratingless reviews (52% of our sample) to indicate which methods they used to make decisions about allocating rewards. Table 9-2 shows the results.

By far the most frequent way decisions are made is by allowing managers to make their own decisions within budget constraints. However, this approach often is combined with other practices to guide the decision-making process. These other practices include calibration meetings and various distribution requirements. In almost half of the cases, the decisions are made partly in calibration sessions. One in five users of ratingless appraisals used a “shadow” performance rating system. This means that managers still generated performance ratings; the system is considered ratingless because the ratings, (and sometimes even the existence of shadow ratings), are not disclosed to employees. Obviously, such a system lacks transparency, which can have a negative impact on employee views of the fairness and effectiveness of the pay plan.

Overall, there is little difference in how pay decisions are made when organizations use ratingless

TABLE 9-1: Mean Impact of Cutting-Edge Practices on Rewards

	Ongoing Feedback Only	Ongoing + Ratingless	Ongoing + Crowd-Sourced	All Three
How have total rewards costs changed vs. the market in units using ratingless appraisal, ongoing feedback, and/or crowd-sourced performance feedback? *	3.06	3.02	3.25	3.04
Pay decisions are more transparent to employees **	3.18	2.70	3.09	3.00
Changes in pay are less differentiated across the organization **	2.35	2.33	2.76	2.46
Changes in pay are more differentiated based on performance **	3.41	2.95	3.39	3.15
Top performers receive more rewards than before **	3.32	3.08	3.09	3.12
Managers have more discretion in delivering pay increases and/or bonuses **	2.49	3.15	2.84	3.09

* Responses: 1=Greatly decreased vs market; 2=Decreased; 3=Stayed about the same; 4=Increased; 5=Greatly increased vs. market; N=117 'No basis to judge' is excluded from the calculation

** Responses: 1=Not at all; 3=Moderately; 5=To a great degree; Ns range from 165 to 187; “Don’t know” is excluded from the calculation

TABLE 9-2: Rewards Allocation Decisions by Users of Only Ratingless Appraisals

Reward Allocation Method	Percent 'Yes'	
	Ongoing + Ratingless	All Three
Managers make decisions on their own within budget constraints about how to allocate rewards	82%	78%
Rewards allocation is determined in calibration sessions involving a large pool of employees	42%	47%
Rewards are allocated according to a specific distribution	21%	31%
Managers use "shadow" performance ratings for allocating rewards that are not communicated to employees	21%	20%
Management ranks employees from first to last (stacked ranking), whether or not this ranking is communicated to employees	14%	31%

N=118

appraisals plus ongoing feedback, or as part of a combination of all three practices. The largest difference involves the use of stacked ranking, which is used more frequently by companies that use all three cutting-edge practices. There is no obvious reason or explanation for this result.

The Role of the Rewards Function in Adoption and Design

We saw in Section 8 that rewards leaders are playing a secondary role in the adoption and design of cutting-edge practices. Top HR executives are playing the lead roles in adoption and design. Thus, performance management appears to be an area in which HR executives are heeding calls to take a leadership role in implementing HR practices that matter to the business. Rewards leaders rarely are leading the change effort, although they are about as involved as other stakeholder groups in the design process.

We are concerned that rewards leaders are not more heavily involved in the design and implementation of cutting-edge practices because of their relevant expertise and because of the implications of these changes for compensation and total rewards plans. Rewards professionals may be underutilized when they become just another stakeholder in the adoption and design of cutting-edge practices. We believe that rewards leaders can play larger roles in these change efforts. An example of where they can help to develop better solutions is in pay for performance for organizations using ratingless reviews. Rewards professionals know from experience that relying too

heavily on supervisor discretion in setting pay can create problems, even with budget constraints. Broadbanding and certain recognition programs are examples of older rewards programs that failed using such an approach. We urge rewards leaders to take advantage of opportunities to play a major role in the adoption and design of changes in performance management in their organizations.

Summary

The results of this study suggest that moving to the three cutting-edge practices studied is intended to and does have a favorable effect on the rewards systems and pay for performance. The companies report that it leads to conditions in which pay is more motivating and more transparent, without increasing compensation costs. Companies that adopt cutting-edge practices continue to pay for performance, even if they adopt ratingless reviews as part of the package. Overall, the results suggest that those who manage the rewards systems of organizations should welcome cutting-edge practices.

SECTION 10 Conclusion

Performance management practice is clearly undergoing a period of rapid change in the United States. When the CEO conducted a survey of performance management practices in 2012, there were only a handful of companies reporting anything other than a traditional annual rating process based on goals and employee behaviors. Three years later we identified some 244 companies that have adopted cutting-edge practices. The reasons that companies are adopting them apply to most organizations today, and companies that are using these practices report that they are effective in general and more effective in many respects than older practices. The results of our study suggest that there will be far more adoptions of cutting-edge practices in the future.

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Appendix: Performance Management Multi-Company Study Item Report

INITIAL N=455 (BEFORE SCREENING)

FINAL N=244 (AFTER SCREENING)

Introduction

This survey is designed for organizations that have adopted a specific set of performance management practices. Please indicate whether any part of your company is using the following performance management practices today.

1. Ratingless performance reviews: Employees do not receive a numerical or verbal rating during performance reviews.

29% Yes (Go to “Continue Survey”)

71% No

2. Ongoing feedback: Manager – subordinate performance reviews, check-ins or other meetings to discuss employee performance and/or development occur at least four times a year, not just annually.

54% Yes (Go to “Continue Survey”)

46% No

3. Crowd-sourced performance feedback: Incorporates systematic use of social media feedback or recognition as part of performance assessment.

15% Yes (Go to “Continue Survey”)

85% No

Thank you very much. As you respond to questions in this survey, please keep in mind that by “your organization,” we mean the entire corporation or other entity, not a subunit of a larger organization.

What is the name of your organization? By “your organization,” we mean your corporation or other parent entity, not a division or work unit.

Your organization: _____

N=244 HEREAFTER. NOTE: ROW PERCENTAGES MAY NOT ADD TO 100% DUE TO ROUNDING.

Reasons for Adoption

You indicated that your organization uses ratingless appraisals, ongoing feedback and/or crowd-sourced performance feedback. In responding to the items in this section, consider only the parts of the organization that use those practices, and think of the overall performance management process that includes those specific practices. How important was each of the following factors in management's decision to develop the new performance management process?

		Valid row percent							Mean	S.D.
		Not at all important		Moderately important			Extremely important			
		1	2	3	4	5	6	7		
1.	Reducing the time spent on performance management	13	9	8	20	17	15	18	4.36	1.97
2.	Increasing the time managers spend on performance coaching	2	2	5	9	15	27	41	5.77	1.42
3.	Rewarding employees more effectively	1	4	6	21	15	30	22	5.25	1.47
4.	Focusing more on employee strengths than weaknesses	2	6	7	25	21	24	16	4.91	1.48
5.	Creating a real-time instead of calendar-driven (such as annual) process	4	4	6	10	15	24	37	5.51	1.67
6.	Improving employees' experience with performance management	1	2	2	7	17	26	45	5.98	1.24
7.	Improving managers' experience with performance management	0	1	2	11	22	29	35	5.81	1.16
8.	Attracting potential employees	9	16	13	24	13	12	12	4.05	1.82
9.	Retaining existing employees	1	5	6	18	19	27	24	5.26	1.49
10.	Motivating employee performance	1	1	2	4	16	35	41	6.02	1.14
11.	Developing employee skills and knowledge	0	1	5	7	18	32	39	5.90	1.17
12.	Rewarding top talent	2	3	4	13	18	23	38	5.62	1.49
13.	Identifying poor performers	5	10	16	23	16	16	14	4.38	1.71
14.	Developing a performance culture	1	1	3	11	16	26	42	5.86	1.31
15.	Providing useful feedback to employees	0	0	1	2	7	35	56	6.43	.78
16.	Supporting business strategy	1	1	2	11	10	33	41	5.93	1.24
17.	Supporting company values	<1	2	2	8	13	33	42	6.00	1.18
18.	Increasing the organization's performance	<1	<1	0	9	12	29	49	6.14	1.06

Performance Management Practices Used

1. In this section, we ask about your use of various performance management practices in your entire organization, not just in parts that use ratingless appraisal, ongoing feedback and/or crowd-sourced performance feedback. About what percentage of employees in your entire organization currently are covered by each practice?

	Valid row percent							Mean	S.D.
	None	Few (1-20%)	Some (21-40%)	About half (41-60%)	Most (61-80%)	Almost all (81-99%)	All (100%)		
a. Ratingless performance reviews: Employees do not receive a numerical or verbal rating during performance reviews.	49	11	3	5	5	6	22	3.12	2.52
b. Ongoing feedback: Manager – subordinate performance reviews, check-ins or other meetings to discuss employee performance and/or development occur at least four times a year, not just annually.	3	5	12	17	18	16	29	5.02	1.73
c. Crowd-sourced performance feedback: Incorporates systematic use of social media feedback or recognition as part of performance assessment.	73	10	7	4	2	1	2	1.66	1.36
d. Greatly simplified ratings: You use ratings, but use only an overall summary rating scale with three or fewer scale points.	66	10	3	3	2	6	11	2.25	2.13
e. Cascaded goals: Goals that are aligned from executives to front-line employees.	15	9	9	13	15	16	23	4.44	2.12
f. 360 feedback for performance reviews: Formal system that collects performance data from peers, subordinates, managers and sometimes customers.	37	27	13	11	5	5	4	2.47	1.66
g. Assessment of team or unit performance in addition to, or in place of, individual assessment.	46	19	10	9	7	4	4	2.42	1.77
h. Assessment of employee competencies	25	14	13	8	8	11	22	3.81	2.33
i. Calibration meetings in which managers discuss the performance of large pools of employees and determine rewards allocation.	22	12	10	12	11	16	17	3.94	2.19

2. When was this practice first adopted anywhere in your company?

		Valid row percent					Don't know*	N/A*	
		Being adopted now	Adopted less than a year ago	1 – 2 years ago	3 – 5 years ago	6 – 10 years ago			More than 10 years ago
a.	Ratingless performance reviews	19	24	23	19	7	8	4	48
b.	Ongoing feedback	16	19	24	21	10	10	5	3
c.	Crowd-sourced performance feedback	18	28	28	20	6	0	6	73
d.	Greatly simplified ratings	14	12	26	30	13	4	4	66
e.	Cascaded goals	7	7	16	35	21	13	7	15
f.	360 feedback	8	10	26	26	18	12	11	37
g.	Assessment of team or unit performance	3	10	20	30	23	14	13	45
h.	Assessment of employee competencies	10	9	23	23	19	18	9	25
i.	Calibration meetings	8	7	17	28	22	18	9	22

*Don't know and N/A are not part of the calculation of row percent but a percentage of total.

New Performance Management Processes

The questions in this section pertain ONLY to the parts of your organization that use ratingless appraisals, ongoing feedback and/or crowd-sourced performance feedback.

1. To what extent are performance conversations between manager and employee intended to focus on each of the following?

		Valid row percent					Mean	S.D.
		Not at all	Moderately			To a great degree		
		1	2	3	4	5		
a.	Assessing employee performance	1	5	24	30	41	4.05	.95
b.	Providing feedback to employees	0	1	5	24	70	4.63	.63
c.	Encouraging employee development	1	2	10	31	55	4.37	.83
d.	Setting goals for performance and/or development	<1	2	12	33	51	4.33	.82
e.	Providing rewards that are based on performance	11	18	26	25	21	3.27	1.27
f.	Career growth	2	6	30	35	27	3.79	.98

2. How have total rewards costs changed versus the market in units using ratingless appraisal, ongoing feedback and/or crowd-sourced performance feedback?

Greatly decreased versus market	Valid row percent				No basis to judge*	Mean (Excluding 'No basis to judge')	S.D. (Excluding 'No basis to judge')
	Decreased	Stayed about the same	Increased	Greatly increased versus market			
0	3	89	7	1	47	3.06	.37

*No basis to judge is not part of the calculation of row percent but a percentage of total.

3. Please indicate the degree to which any of the following has happened in units that use ratingless reviews, ongoing feedback and/or crowd-sourced performance feedback.

		Valid row percent					Don't know*	Mean (Excluding 'Don't know')	S.D. (Excluding 'Don't know')
		Not at all	Moderately			To a great degree			
		1	2	3	4	5			
a.	Pay decisions are more transparent to employees	18	20	30	17	15	25	2.92	1.30
b.	Changes in pay are less differentiated across the organization	33	25	22	10	10	27	2.38	1.30
c.	Changes in pay are more differentiated based on performance	15	16	25	23	20	25	3.18	1.33
d.	The level of employee development has increased	4	16	37	32	11	26	3.31	1.00
e.	Employees are less clear about how well they are performing	41	38	12	6	3	22	1.92	1.03
f.	Top performers receive more rewards than before	17	14	27	24	19	24	3.14	1.34
g.	Managers have more discretion in delivering pay increases and/or bonuses	22	15	32	16	15	18	2.87	1.33

*Don't know is not part of the calculation of row percent but a percentage of total.

4. How do parts of the organization that have adopted ratingless performance reviews make decisions about allocating rewards? Please indicate whether those parts of the organization do any of the following.

	Valid row percent		N/A*
	Yes	No	
a. Managers make decisions on their own within budget constraints about how to allocate rewards	80	20	48
b. Managers use "shadow" performance ratings for allocating rewards that are not communicated to employees	22	78	48
c. Management ranks employees from first to last (stacked ranking), whether or not this ranking is communicated to employees	20	80	48
d. Rewards are allocated according to a specific distribution	24	76	48
e. Rewards allocation is determined in calibration sessions involving a large pool of employees	42	58	48

*N/A is not part of the calculation of row percent but a percentage of total.

5. In parts of the organization that use ongoing feedback, how many times per year are supervisors expected to meet with managers to discuss performance and/or development?

	Number of times per year	
	Mean	S.D.
Ongoing Feedback	5.05	5.24

In parts of the organization that use crowd-sourced feedback, how useful are the crowd-sourced data for performance discussions with employees?

Not at all	Valid row percent					No basis to judge*	N/A*	Mean (Excluding 'No basis to judge')	S.D. (Excluding 'No basis to judge')
	1	2	Moderately 3	4	Extremely 5				
5	3	51	28	13	10	73	3.41	.94	

*No basis to judge and N/A are not part of the calculation of row percent but a percentage of total.

Design and Implementation Processes

The questions in this section pertain ONLY to parts of your organization that have ratingless appraisals, ongoing feedback and/or crowd-sourced performance feedback. If you have adopted these practices in multiple locations, or have adopted different practices at different times, think of the most recent time that you implemented one of the three practices.

1. To what extent are the following descriptive of the change process for adopting ratingless appraisal, ongoing feedback and/or crowd-sourced performance feedback in your organization?

	Valid row percent					Mean	S.D.
	Little or no extent	Some extent	Moderate extent	Great extent	Very great extent		
a. Led by top executives for the organization	12	13	30	28	17	3.24	1.23
b. Led by HR executives	6	6	15	39	34	3.88	1.13
c. Led by the rewards function (compensation, compensation and benefits, total rewards, etc.)	31	17	20	20	11	2.63	1.40
d. Led by managers in local business units	22	23	24	24	8	2.72	1.25
e. Guided by a clear strategy	10	13	26	31	20	3.38	1.22
f. Based on a bottom-up implementation approach	52	19	18	6	4	1.91	1.16
g. Based on clear business need or opportunity	15	16	29	23	17	3.11	1.29

2. How involved was each stakeholder group in designing ratingless appraisals, ongoing feedback and/or crowd-sourced performance feedback in your organization?

	Valid row percent				Mean	S.D.
	Not at all	To a slight degree	Somewhat	To a great degree		
a. Top executives of the entire organization	12	21	39	29	2.85	.97
b. Top managers in the specific unit(s) that adopted the changes	16	22	37	26	2.72	1.02
c. HR leaders	4	6	16	74	3.61	.76
d. Rewards leaders (compensation, total rewards, etc.)	20	13	28	39	2.86	1.14
e. Managers	21	31	36	13	2.40	.96
f. Non-management employees	51	27	16	5	1.76	.91

3. Roll-out strategy: Which of the following best captures the change process by which these new performance management practices were adopted? (Check one.)

- 59% a. All changes were made throughout the entire organization at the same time
- 31% b. Some units piloted the changes to test them before we considered organization-wide adoption
- 10% c. Different changes were tried in different parts of the organization

4. How many hours of orientation and training did your organization provide to managers and employees to prepare them for the changes in performance management? Training could be classroom, online or other. (If none, please write 0).

	Mean	S.D.
a. Employees	4.90	22.86
b. Managers	9.75	58.20

5. Did the training cover the following topics?

	Valid row percent	
	Yes	No
a. Employee skill building	56	44
b. Manager skill building	70	30
c. How rewards are tied to performance in the new system	68	32
d. Performance calibration across employees	53	47
e. Performance documentation	80	20

6. How important are each of the following to senior managers as measures of the success of the changes in performance management in your organization?

	Valid row percent				Mean	S.D.
	Not used	Slightly important	Important	Extremely important		
a. Survey measures of employee opinions	23	17	34	26	2.62	1.10
b. Employee performance	5	7	41	47	3.31	.81
c. Employee turnover	12	23	44	21	2.73	.93
d. Cost of performance management	30	31	29	10	2.19	.97

7. Where in the HR unit is the responsibility for administering performance management in your organization?

	Valid row percent				Mean	S.D.
	Not at all	Somewhat	To a large degree	Primarily responsible		
a. Dedicated performance management group	48	7	16	29	2.25	1.32
b. Rewards (compensation, total rewards, etc.)	14	31	28	27	2.68	1.03
c. Learning (training, development, etc.)	24	32	24	21	2.41	1.07
d. Talent management	28	20	22	30	2.53	1.19
e. Other	66	11	10	13	1.71	1.10

Effectiveness of the changes

In responding to the items in this section, consider only the parts of the organization that use at least one of ratingless appraisals, ongoing feedback and crowd-sourced performance feedback, and think of the overall performance management process that includes those specific practices. How effective is the new performance management process on each of the following?

		Valid row percent							Mean	S.D.	
		Not effective at all									Very effective
		1	2	3	4	5	6	7			
1.	Reducing the time spent on performance management	11	11	10	24	20	11	12	4.14	1.82	
2.	Increasing the time managers spend on performance coaching	2	4	6	23	28	23	14	4.98	1.38	
3.	Rewarding employees more effectively	5	8	9	31	25	12	10	4.38	1.53	
4.	Focusing more on employee strengths than weaknesses	3	2	13	27	30	15	10	4.67	1.36	
5.	Creating a real-time instead of calendar-driven (such as annual) process	5	8	10	17	25	17	18	4.71	1.72	
6.	Improving employees' experience with performance management	2	6	6	22	29	23	13	4.90	1.42	
7.	Improving managers' experience with performance management	2	5	8	18	32	23	12	4.90	1.42	
8.	Attracting potential employees	18	18	18	29	12	4	1	3.16	1.49	
9.	Retaining existing employees	10	8	15	27	28	8	5	4.00	1.55	
10.	Motivating employee performance	4	4	10	22	32	22	6	4.65	1.39	
11.	Developing employee skills and knowledge	1	4	14	24	32	18	7	4.63	1.30	
12.	Rewarding top talent	6	6	6	25	27	19	11	4.60	1.60	
13.	Identifying poor performers	2	12	18	26	18	13	11	4.30	1.57	
14.	Developing a performance culture	2	3	10	16	30	24	15	4.98	1.43	
15.	Providing useful feedback to employees	1	2	6	12	26	34	19	5.38	1.28	
16.	Supporting business strategy	3	3	7	19	29	24	15	4.98	1.45	
17.	Supporting company values	3	3	5	16	25	29	19	5.21	1.45	
18.	Increasing the organization's performance	2	4	7	25	32	20	11	4.85	1.34	

Information about you and your company

1. What is the primary sector of the economy in which your company competes?

Column percent	
1%	Agriculture, Forestry, & Fishing
2%	Mining
0%	Construction
20%	Manufacturing (other than information technology)
18%	Information technology (hardware, software, or services)
5%	Transportation, Communications, Electric, Gas, and Sanitary Services
1%	Wholesale Trade
5%	Retail Trade
19%	Finance, Insurance, and Retail Trade
2%	Services: Hotels, Personal Services, Repairs, and similar
22%	Professional Services (Business, Health, Legal, Engineering, Research, Educational, Membership Organizations, Museums and similar)
2%	Public Administration (Government)
3%	Other

2. In the last full fiscal year, what was the revenue of your company in U.S. dollars?

Column percent	
30%	Less than \$500 million
18%	\$501 million - \$1.5 billion
21%	\$1.51 billion - \$4.5 billion
13%	\$4.51 billion - \$12 billion
8%	\$12.1 billion - \$36 billion
6%	\$36.1 billion - \$100 billion
1%	\$100.1 billion to \$150 billion
3%	More than \$150 billion

3. Approximately how many full-time equivalent (FTE) employees are there in your company?

Column percent	
19%	Less than 500
22%	500 – 2,500
10%	2,501 – 5,000
18%	5,001 – 10,000
6%	10,001 – 15,000
4%	15,001 – 20,000
4%	20,001 – 30,000
4%	30,001 – 50,000
12%	More than 50,000

4. In the past year, how did the size of your company's workforce change?

Column percent	
2%	Declined more than 10%
8%	Declined 5%-10%
49%	Less than a 5% change
26%	Grew 5%-10%
14%	Grew more than 10%

5. When was your organization founded?

Column percent	
8%	2006 or later
17%	1990 – 2005
21%	1970 – 1989
54%	Before 1970



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