

GE Abolishing Performance Ratings!

FINALLY GETTING OUT OF THE OPPRESSIVE SHADOW OF JACK WELCH. MAYBE.

Point 12 of Dr. W. Edwards Deming's 14 Points for Management reads, in part, "Eliminate the annual appraisal or merit rating system." It has been viewed by many to be a radical proposal, given that 85% of American corporations – and the vast majority of large companies – have clung excessively to individual merit reviews for decades, if not centuries.

Recently, however, there appears to be a shift in thinking in one major worldwide corporation, General Electric. GE Chairman and CEO Jeff Immelt made the following announcement in a recent interview.

Culture and attracting the right talent are also why we are moving from suburban Connecticut to downtown Boston. It's an ecosystem made by and for innovation. In Boston, we can be challenged by a doctor from Massachusetts General or by a student from MIT. We need to be in this environment.

We are also changing the way we evaluate our people. We're trying to end anything that was annual or quarterly and make everything more real-time. We wanted to make the feedback process more like how we give each other advice in the real world. Instead of an annual review, we have an app PD @ GE [Performance Development at GE] where our people are getting continuous insights from their colleagues that they can use to get better every day.

Susan Peters, GE's Sr. Vice President of Human Resources, followed up on the Immelt announcement and issued a notice to all GE employees.

Today we're announcing our latest update to Performance Development. Bottom line: after running pilots with 30,000 employees and getting tons of helpful, detailed input from employees around the world, we are adopting GE's performance development approach – without an annual static individual rating – as our company standard. We think this newest evolution of PD@GE provides a contemporary, powerful way to accelerate your growth in real-time, strengthen our culture of meritocracy and customer intensity, and secure our position as the world's premier digital industrial.

Performance Development is just part of a series of changes we've made over the last couple of years to ensure that GE continues to be a company that inspires your imagination and empowers you to do your best work.

As a learning culture, we want to help you grow whenever and however you choose. We launched several new digital learning platforms such as BrilliantYou, expanded the number of global learning centers, continued to enhance our Crotonville leadership institute – including our main campus and the more than 200 GE locations worldwide where we deliver

Crotonville leadership courses – to help you discover new interests and pursue your passion for learning at every stage of your career. We invest more than \$1B on employee learning and development every year...

The GE announcements generated a wide range of reactions on various blogs and group sites on the web. Following is a sample of those comments for your consideration.

- What are the effects of “copying” Deming’s advice to eliminate evaluation of performance, merit ratings, or annual reviews without an understanding of the supporting theory?
- Bravo! Even if they are not sure what they are doing it may start a trend. I’ve seen the ill effects of forced ranking in my 37-year career and am still amazed how most companies still don’t understand the psychology of human motivation and cooperation...
- Approximately 330,000 freed from the tyranny of rank and yank. I consider this a win. Let’s watch what they do with it.
- If Jack Welch was dead, he’d be spinning in his grave!
- Annual reviews are garbage. It puts managers and employees in a tricky position. Good managers will always provide real time feedback and setup the employee for success. All these systems are just band aids, in the absence of leadership values and willingness to have positive and sometimes difficult conversations.
- I support the move to real-time feedback. But let’s make sure that the feedback is fair, balanced, and objective. Otherwise, we are just accelerating the same old nonsense while calling it "innovation".

I suppose time will tell whether or not the GE initiative is an effective move toward Deming’s model of a healthy work environment – or “the same old nonsense” of tampering in American organizations. Time will tell if the new system effectively removes barriers to GE employees’ right to pride of workmanship – or if it creates still more confusion, inefficiency and demoralization among the affected people.

Notes

Jeff Immelt, “Why GE is giving up employee ratings, abandoning annual reviews and rethinking the role of HQ,” www.linkedin.com/pulse/why-ge-giving-up-employee-ratings-abandoning-annual-reviews-immelt.

Susan Peters, “GE, For You,” www.linkedin.com/pulse/ge-you-susan-peters.