

Appraising Performance Appraisals for Agile Practitioners

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The Problem

The performance appraisal or review, pay for performance plans, merit pay increases, and the like are still everywhere in the workplace despite general dislike of them in the workplace by both the recipients and the managers who have to give them, as well as decades worth of studies showing their ineffectiveness. Although many agile software practitioners have spoken about this such as Mary Poppendieck¹ and others^{2,3}, this continues to be a pervasive tool, especially in the enterprise, that disrupts and damages not only agile transformations, but many other change initiatives.

Agile practices and values put the emphasis on collaboration and communication. The performance appraisal creates a agenda divide as the employee uses it to try to highlight his or her performance in order to get raises and promotions, while the manager uses the appraisal to divvy up scarce departmental resources. Both agendas can be a motivation for conscious or subconscious distortion of the data, or to behaviors that ultimately benefit the person doing them, but not the company or customer. The appraisal fosters low trust competition in the team rather than self-organizing to meet customer needs.

This makes sense when we look at the message from Dan Pink's best seller, "Drive"⁴. Pink's book, whose message is also briefly delivered in a short YouTube video⁵, cites study after study with evidence why extrinsic motivation only works for the most simple and menial tasks. For any serious work that requires some thinking or skill, it turns out that rewards actually harm performance significantly. It is only intrinsic motivation that works for the more difficult tasks, and these can not be driven. They can only be nurtured. The Performance Review is a severe extrinsic motivation device that really assumes that the employee can't be trusted to manage their own motivation intrinsically, and instead it depends on the carrot and the stick. Bonus and promotions are the carrot. Probation and termination are the stick.

This awareness of the problem of intrinsic and extrinsic motivation is not new to Dan Pink's book. A well cited article from the Harvard Business Review in 1968 by Frederick Herzberg⁶ talks about motivation through KITA - kicking the person - and he proves that statistically it is not effective. Both the carrot and the stick are variations of KITA. Instead what works is improving working conditions and giving more autonomy and challenge.

Bad Reviews for Performance Reviews

Joel Spolsky, well known software blogger, offered the following paragraph in an insightful article on performance reviews:

Most software managers have no choice but to go along with performance review systems that are already in place. If you're in this position, the only way to prevent teamicide is to simply give everyone on your team a gushing review. But if you do have any choice in the matter, I'd recommend that you run fleeing from any kind of performance review, incentive bonus, or stupid corporate employee-of-the-month program.⁷

But the awareness of the problems of the performance appraisal goes way beyond programmers and agilists. There are too many books to try to number which try to keep this popular management tool in place, while acknowledging and trying to fix some of the problems. But nothing I have seen really addresses the fundamental flaws as seen in the research. Here are three books that span the last decade which deliver pretty fatal blows to the concept of the performance appraisal.

Sam Culbert, Professor of Management at the Anderson School of Management at UCLA wrote a book that speaks plainly

1 <http://management.curiouscatblog.net/2008/02/11/dont-use-performance-appraisals/>

2 <http://runningagile.com/2008/02/02/of-rewards-and-teams/>

3 <http://www.scrumalliance.org/articles/8-should-a-scrummaster-give-performance-appraisals>

4 Pink, Dan, *Drive*, Riverhead; 2009.

5 <http://www.youtube.com/watch?v=u6XAPnuFjJc>

6 Herzberg, Frederick, *One More Time: How Do You Motivate Employees?*, Harvard Business Review, 1968. It can be found online at http://www.facilitif.eu/user_files/file/herzburg_article.pdf

7 <http://www.joelonsoftware.com/articles/fog0000000070.html>

enough in just the title. "Get Rid of the Performance Review!" published in 2010⁸. He claims that Performance Reviews are about power and intimidation, and prevent any possibility of effective communication between the parties involved.

Garold Markle runs a company that offers a process that can replace the performance review and who penned a book of his own in 2008, "Catalytic Coaching: The End of the Performance Review"⁹. Some of the same arguments are presented and a better system is proposed that focuses on effective coaching rather than judgments and evaluations.

Going back to 2000, Tom Coens and Mary Jenkins, M.D. wrote a book "Abolishing Performance Appraisals: Why They Backfire and What to do Instead"¹⁰. These authors go over many of the same problems and again provide a more collaborative peer approach for feedback between the manager and the employee.

For me the most penetrating and authoritative critique of the performance appraisal goes back to W. Edwards Deming, the legendary management guru who is most famous for his work in Japan. His famous for his 14 points of management were given out in handouts at his famous four day seminars in the early 1980's. Part of point 12 states:

*Remove barriers that rob people in management and in engineering of their right to pride in workmanship. This means inter alia, abolishment of the annual or merit rating and of management by objective, management by the numbers.*¹¹

Deming goes on to call performance reviews one of the seven deadly diseases:

*Personal review systems, or evaluation of performance, merit rating, annual review, or annual appraisal, by whatever name, for people in management, the effects of which are devastating. Management by objective, on a go, no-go basis, without a method for accomplishment of the objective, is the same thing by another name. Management by fear would still be better.*¹²

One other quote from Deming puts in context his thinking.

*The fact is that the system that people work in and the interaction with people may account for 90 or 95 percent of performance.*¹³

Rather than blame or reward the employee, the Deming points to repairing the system and for that to happen, interactions between people are very important. This fits with the Agile Manifesto's¹⁴ value for individuals and interactions over processes and tools. Another useful reference that speaks to the benefits of trust, and the cost of its absence, is Stephen M. R. Covey's book, "At The Speed of Trust".¹⁵

What to do Instead?

As opposed to the more modern books above, apparently Deming called for the removal of the performance appraisal without actually suggesting what to do in its place. Garold Markle says that Deming was leaving it to the practitioners to come up with a solution¹⁶. Peter Scholtes in his book "The Leaders Handbook" reports that Deming when asked in a seminar what to do instead said, "Whatever Peter Scholtes says."¹⁷ Peter Scholtes devotes a chapter of the book to this, and his chapter gives a very comprehensive answer to that as well which I found the most thorough in that the approach seemed to cover the widest number of scenarios including a flow chart decision tree. Although Scholtes does repeat Deming's short answer at first, to just stop doing it, his decision tree does emphasize the need to change the way people think in the organization. Until management has a plan to cover all the current needs that the performance appraisal is intended to meet, it's best to focus first on deepening an understanding of the issue and changing the management mindset.

8 Samuel A. Culbert, Get Rid of the Performance Review!, Business Plus, 2010.

9 Garold Marke, Catalytic Coaching: The End of the Performance Review, Praeger, 2008.

10 Tom Coens and Mary Jenkins, Abolishing Performance Appraisals: Why They Backfire and What to do Instead,

11 <http://www.endsoftheearth.com/Deming14Pts.htm>

12 <http://www.endsoftheearth.com/Deming14Pts.htm>

13 Peter Scholtes et. al., The Team Handbook, Oriol Inc., 2003. (Deming quoted in the introduction.)

14 <http://agilemanifesto.org>

15 Stephen M. R. Covey, At the Speed of Trust, Free Press, 2008.

16 Markle, p. xi.

17 Peter Scholtes, The Leader's Handbook, McGraw Hill, 1998, p. 296.

A fairly simple to describe element of the transition is to unbundle the things that a performance appraisal is supposed to accomplish. For most, a coaching process would be much more beneficial to assist with improving working conditions and building the relationship. Coaching won't work if it's tied to pay, bonuses, or if it is directly tied to getting promoted to a higher salary.

Legal Advice

I'm not a lawyer, but some argue that the performance appraisal is needed to protect the company against lawsuits from people who are fired for non-performance, but Peter Scholtes reports that "some attorneys who defend their companies from wrongful dismissal charges have said privately that for every case they win with performance appraisal records, they lose three or four because of those records."¹⁸ Apparently there are almost inevitably inconsistencies in those records. It would be better to spend time building an environment of trust to reduce the legal liability. If necessary, performance appraisals can be brought in as a temporary tool to assist someone who appears to be a non-performer rather than force this tool onto everyone.

Judith Droz Keyes, a lawyer, wrote an article in HR Magazine in 2011 titled "The Legal Case for Eliminating Performance Reviews." She writes "In 35 years of practicing employment law, I can count on one hand the number of times a performance review was of significant help to my employer-client in defending against an employee's legal challenge. Even in those few cases, the employer's position would likely have been just as strong without it. Almost all the time, especially in the case of long-term employees, it's the opposite."¹⁹

How to Get There From Here?

This is a complex question. Ultimately I see this as a societal problem. The tendency to grade and reward performance probably goes back to the schools, and the impact of performance reviews in the workplace certainly extends into the home and reverberates from there. If we can change the norms in industry, this will have a dramatic impact in having happier more fulfilling workplaces, better products, decreased waste and pollution, especially soul pollution, and in general a better world. If you have any interest in tackling this one, please send me an email and we can talk!

HR professionals and people on the executive teams of companies, please help to revise these policies. Hopefully this paper has given you the ammunition you need to help convince your stake holders. It's most certainly impacting employee satisfaction, retention, performance, the customer, and the bottom line. Maybe you can start the shift.

If you are a manager, I think Joel Spolsky might have given the easiest solution for you. Try to avoid performance reviews and merit pay if possible, and if not possible, just try to give everyone good reviews. Also, as a front line manager, you can make a huge difference in the trust culture of your team if you can learn more about coaching and bring more of a coaching stance to your reports. If you have more time, take a look at Scholte's book. It has lots of great alternatives to get the job done which you can bring to the people you manage.

Help For the Front Lines

Perhaps my heart goes out mostly to people on the front lines of the workforce who are on the receiving end of the annual review. Although this may be a painful process and even at times it may seem unfair - the best work you can do is to learn more about giving and receiving feedback, and taking responsibility for getting the feedback and the direction you need. There are many resources available for that, and there may even be a training at your company about this topic. For me, what is the key word is taking responsibility yourself - and that might mean getting your own training. The best training I know for learning about taking responsibility, which is the most important, is from Dr. Christopher Avery and his Responsibility Process²⁰. Check it out!

I'd highly recommend that you consider your boss to be your best customer. Jim and Michele McCarthy have a wonderful

18 Scholtes, p. 352.

19 Judith Droz Keyes, "The Legal Case for Eliminating Performance Reviews.", HR Magazine, April 2011.

20 <http://leadershipgift.com>

podcast about this topic.²¹ Their book, *Software For Your Head*²² has one of the best feedback techniques I know called the Perfection Game²³.

The book *The Anatomy of Peace*²⁴ from the Harbinger Institute will help you look at your boss as a human being rather than an object or an obstacle. You can also consider learning more about Non-Violent Communication²⁵, and to listen for feelings and needs no matter what the judgments or criticisms or even the praise might be.

Lastly, think about learning to coach your manager on these topics. And when I say coach, I mean it from the professional definition of coaching as held by the International Coaching Federation. "...partnering with [your manager] in a thought-provoking and creative process that inspires them to maximize their personal and professional potential."²⁶ Another coach like behavior comes from Gervase Bushe and his book "*Clear Leadership*"²⁷ where he recommends tracking and fanning the good behaviors you see in others, especially those in authority. His book is inspired by Appreciative Inquiry²⁸, but Gervase Bushe's learning conversation, also from that book, might be a useful feedback tool.

Further Research

Although there are great answers in the resources listed above to address the feedback and evaluation needs of you and your organizations, this has only been what I've found in a couple months of searching. There are most certainly other resources available, especially in the Lean, Agile, and even the Human Resources community. Each of those groups are worth reaching out to. And if you find something, will you let me know about it as well?

he concept of continuous improvement means we can keep exploring. We inspect and adapt and keep learning. As I did my research for this paper, some of the most interesting and intriguing ideas came out of the book "*Getting to Maybe: How the World is Changed*"²⁹. The book delves a bit into complexity theory, but although backed by a great deal of theory and research, the book is filled with stories of social innovation and transformation - for example the story of how Bob Geldorf started Live Aid or Reverend Jeff Brown was part of a dramatic reduction in the homicide rate in Boston.

The concepts in *Getting to Maybe* come out of Developmental Evaluation, which is a more dynamic means of evaluating social innovation programs when funding them than traditional evaluation schemes. Although people are not social innovation programs, it seems that the analogy from the beginning of the book might be of interest. Simple systems are like baking a cake. It's straight forward and once you have a recipe you can get the same cake each time. Complicated systems are like sending a rocket to the moon. There are a lot of moving parts and the teams might be large, but once you work out the problem, you can pretty much do it again and again. But raising a child is complex. There are no guarantees how a child will turn out, and success with one child does not guarantee success with another. A career is perhaps also a complex system, and maybe there are some clues in Developmental Evaluation.

Last Words

The performance appraisal isn't always the most popular subject, but the evidence has been in for quite some time that it is more harmful than beneficial. There's room for more research and thinking, but not for improving the performance appraisal. Instead the most important research is in engaging with your system and using continuous improvement and inspect and adapt to improve both the relationships in the workplace as well as the systems for getting work done. There are solutions available for how to set pay without performance appraisals, and for addressing legal concerns. If you're willing to be a transformational leader – will you bring these ideas to your workplace?

21 <http://www.mccarthyshow.com/2011/28-your-boss-is-your-best-customer/>

22 Jim and Michele McCarthy, *Software for Your Head*, Addison Wesley, 2002. It is also available online <http://liveingreatness.com/software-for-your-head.html>

23 <http://liveingreatness.com/the-core-protocols/perfection-game.html>

24 The Harbinger Institute, *The Anatomy of Peace*, Berrett-Koehler Publishers, 2006.

25 Marshall B. Rosenberg, *Non-Violent Communication*, Puddledancer Press, 2003.

26 <http://www.coachfederation.org/>

27 Gervase Bushe, *Clear Leadership: Sustaining Real Collaboration and Partnership at Work*, Nicholas Brealy Publishing, 2010.

28 http://en.wikipedia.org/wiki/Appreciative_inquiry

29 Westley, Zimmerman, and Patton, *Getting to Maybe: How the World is Changed*, Vintage Canada, 2007.