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Why Traditional Feedback Needs Fixing

There's a quiet revolution brewing inside of 30 Rockefeller Plaza, home to Manhattan's media and business elite. Over the years, 30 Rock has seen its share of insurgents, usurpers, and raiders try to disrupt the old order, but nothing quite like this. What's happening here seems to break all the rules of revolutions. There's no fight over power or profits, no secret plans for takeovers or turnarounds, no armies or militias, no alliances or backroom deals, no visible signs of resistance or conflict. There aren't even two sides to this struggle. For now, it remains a revolution of one—that is, one company: Deloitte.

On the surface, Deloitte looks like any other corporate giant. With more than 250,000 employees around the globe, including almost 70,000 in the United States, it is one of the world's largest professional services networks. Deloitte LLP, the U.S. member firm, posted nearly $15 billion in revenue during the 2014 fiscal year. Its array of financial and advisory services is used by businesses across twenty industries, from energy to manufacturing to the life sciences. And the business itself is highly matrixed, staffed by employees who operate with different skill sets, service lines, and geographic stations. For a company of unusual size and reach, Deloitte doesn't seem all that unusual.

Until now.

Roughly three years ago, in the fall of 2013, Deloitte announced plans to radically restructure its review system. It stopped evaluating its employees on the basis of cascading objectives, multi-rater assessments, and number ratings—the trinity of performance management. Instead of tweaking the system, Deloitte scrapped it down to its studs. By declaring war on the status quo, the company's executive team decided it was time to try a completely different approach to sharing feedback.

Ashley Goodall should know. The silver-tongued Brit, who until recently served as Deloitte's chief learning officer and director of leader development, helped lead the company's charge against traditional feedback. In his role, Goodall managed Deloitte's efforts to develop leaders and innovative new methods of performance management. Trim, with almond-brown hair, Goodall speaks with an English accent that is soothing but steady. At Oxford, he studied music, developing a knack for arranging and playing difficult acoustic pieces.

That experience shaped the way he views people and performance. "All of the things in our professional ecosystem—the way we tell an employee how to work, how to grow, how to lead—all of those things must have some sort of consonance if we're going to do the best possible job," he explains. "We need to start paying better attention to people, not just ratings."

For the better part of three decades, that's exactly *not* how Deloitte operated. Its traditional model of performance management, a series of top-down reviews, was fashioned around the ratings craze of the 1980s. (More on that later.) Managers determined objectives for each of their reports at the beginning of the year. When a project finished—or after every quarter, if projects ran long—they rated employees based on how effectively they had met their goals.

Next, managers noted any instances when employees underperformed. In some cases, employees were already aware of their mistakes, but that knowledge was never guaranteed. More often than not, missteps only came to light during the review itself, not in the moment of error. So instead of addressing problems in real time, managers quietly noted them in a personnel file and moved on. Now, months later, they looked back at these events from the rearview mirror, trying from afar to recall what they saw.

Finally, these batched evaluations were factored into a single year-end rating, reached in lengthy consensus meetings at which groups of "counselors" discussed hundreds of people in light of their peers. Depending on the rating each employee received, he or she would be tracked for promotion, bumped up the pay scale, or flagged for probation. The most glaring underperformers—those with the lowest ratings—faced termination.

The process seemed way too forensic—re-creating past performance based on shreds of evidence—and felt strangely outmoded by twenty-first-century standards. "The traditional model worked very well when business measured a person's output," Goodall observed. "It was born in an industrial age when we could count how many bricks you laid or railroad ties you installed. Now all of that's changed."

WHY IT FAILS

Business in the twenty-first century looks nothing like it did one hundred years ago. Today, more than 70 percent of all employees work in service- or knowledge-related jobs. Their performance is powered by their technical know-how and ability to innovate by working in teams. Learning the right skills is just a matter of having the right kind of training. But applying those skills in the highly complex world of teams requires the right kind of development. And since no project ever goes completely according to plan—there's the inevitable course correction in strategy, objectives, or personnel—it makes you wonder: Instead of ranking people's capabilities at a single moment in time, wouldn't it make more sense to gradually nurture and refine them *over time*?

Then there's the problem of variability, or what researchers have dubbed the "idiosyncratic rater effect." Imagine yourself in one of Deloitte's year-end consensus meetings, when managers render decisions about employees' work. Sealed off from the rest of the group, an internal team of Deloitte counselors pours over a caseload of one hundred employees—say, from the audit division. Like archeologists on a dig, they furiously sift through batches of project summaries and end-of-quarter reports issued by managers to piece together the strengths and weaknesses of each employee.

And then the unavoidable happens. As they begin to evaluate performance, counselors filter the data through their own mental dashboards—the deep-seated, highly distinct set of prior assumptions, beliefs, and predispositions they've formed over their lifetimes. This shield acts like a cognitive compass that guides and directs their review process. There's nothing inherently wrong with following the familiar. But when instincts mix with information, the result can be misleading.

That's because each reviewer's field of view becomes clouded by personal idiosyncrasies. In an instant, the ability to objectively study and evaluate information is overtaken by some personal feeling or experience from the past. Without realizing it, the raters may draw completely different conclusions about the same set of data on the basis of certain triggers or cues. Everyone in the group sets out to reach the same destination but ends up following different coordinates. They can't help it—they're navigating with bias.

Consider a recent study of nearly forty-five hundred managers who were evaluated on certain performance dimensions by two bosses, two peers, and two subordinates. The six-member team produced highly variable ratings of the managers, but only 21 percent of those differences could be attributed to *actual* events. An astounding 62 percent of the variance resulted from the priority and consideration given by raters to certain performance metrics. When it came to giving the ratings, some actions mattered more than others, and they differed from one rater to the next.

Or, to put it more bluntly: The feedback said more about the person giving the rating than the one receiving it.

Clearly, there was a strong scientific case against the use of ratings. But the wildest revelation—and the one that set the revolution in motion—came when Deloitte actually started crunching the numbers. (That's their business, after all.) Between completing forms, holding meetings, and creating ratings, the company had spent nearly *two million hours a year* on performance management. Besides for the obvious loss of productivity, the system seemed ill suited to address a host of "people issues" like employee engagement, talent development, and career counseling, which is where performance really thrives.

Goodall winces at remembering what the company had unearthed. "As we studied how those hours were spent, we realized that many of them were eaten up by leaders' discussions behind closed doors about the outcomes of the process," he said. "We wondered if we could somehow shift our investment of time from talking to ourselves about ratings to talking to our people about their performance and careers." What they needed—and eventually adopted—was a pivot from the past to the future.

STUCK IN REVERSE

The Deloitte discovery shows why traditional feedback needs fixing. In searching for a way forward, the company recognized it could no longer afford to look back, which is what usually happens with most feedback. When we talk about things that belong to the past, the conversation stalls. No one can go back in time and write a different outcome. What's done is done. And that's why traditional feedback is fundamentally flawed: It's supposed to bring change, but people can't change what they can't control.

Giving feedback to others about things they can't change is like asking them to step out from a block of cement that has already set. That might have worked before, while the compound was still wet, but not now. People don't get a redo on the past, so telling them about their mistakes after the fact will only bring helplessness and frustration. Had they known sooner, these individuals might have handled each situation differently.

But it's not just a problem of bad timing. Delivering feedback in past tense often comes across as judgmental. Because traditional feedback is usually shared by a supervisor, it heightens sensitivities and puts people on high alert. They become defensive. Even innocent observations about performance can read like harsh accusations. It feels like a trial—and in many ways, it is: Feedback subjects us to the court of public opinion, even if that opinion just belongs to one other person.

Scientists have picked up on this phenomenon as well. New brain research shows that certain regions of the mind go dark when our status is threatened—something that can often happen in the course of a performance review, especially if we're told that we're not making the cut. What happens next is a sort of mental paralysis: The neurotransmitters in our brains that help us carry out executive functions become dull and lifeless. That, in turn, constricts our fields of view, making it harder for us to take in information, process data, and unleash creativity. While negative feedback isn't all bad—we'll see why in the next chapter—it has the potential to throw our brains into survival mode, as stress-inducing hormones flood our neural pathways.

That causes a dismal effect on the psyche of the person receiving feedback. People tend to believe the things they're told by a boss or trusted colleague, even if the message isn't one they'd like to hear. So when feedback is especially brutal and deeply rooted in the past, people tend to adopt a fixedly dim view of their capabilities and fall victim to "learned helplessness," a psychological condition that causes people to act helplessly, even when they have the power to change their debilitating state of mind.

With so many strikes against it, traditional feedback is starting to lose its luster among the managing class. In fact, managers may even dislike giving feedback more than employees dislike receiving it. In surveys of managers and human resource professionals, leadership advisory firm CEB found that only 23 percent responded favorably to their company's current performance management practices. That's a steep decline from a decade ago, when the satisfaction rate stood at 50 percent.

Since 2013, 85 percent of HR managers surveyed have either made changes in hopes of improvement or plan to do so in coming years. Those changes may take years to materialize, but, in the meantime, it's pretty clear that the status quo isn't drawing rave reviews.

Let's sum up. So far, we've described five ways that traditional feedback needs fixing. When we share it, people tend not to hear us. This is because:

1. **It consumes too much time and productivity.** By its own estimate, Deloitte was spending almost 2 million hours per year on traditional reporting—the equivalent of 547 working hours in a single day.
2. **It focuses on the past, which can't be changed.** We resist the change we can't control. And we can't control the past—we can only live with it and hopefully learn from it.
3. **It comes across as judgmental.** It doesn't matter if the feedback comes from a parent, a teacher, or a boss. As long as there's hierarchy, we feel like someone is handing down a sentence.
4. **It perpetuates negative behaviors and beliefs.** Hearing about our flaws leads to the debilitating experience of learned helplessness, which prevents us from grasping the solutions readily available to us.
5. **It diminishes the prospect of growth.** The self-defeating tone of traditional feedback pins people to an unchanging narrative about their own intelligence and abilities.

So if traditional feedback is so flawed, how come it continues to occupy our workplaces, schools, and homes?

Strange as it sounds, it started with factory lighting.

FEEDBACK: A SHORT HISTORY

The first time performance reviews received serious consideration dates back to the 1930s, when a Harvard Business School professor named Elton Mayo studied the behavior of workers at the Hawthorne Works, a large factory complex of the Western Electric Company in Cicero, Illinois, just a short drive from Chicago's urban hub. During its heyday in the first half of the twentieth century, the Hawthorne Works housed more than forty-five thousand employees and produced large quantities of telephone equipment and other consumer goods, such as refrigerators and electric fans.

Managers at the Hawthorne Works commissioned Mayo and several colleagues to observe the effects of industrial conditions on worker productivity. In one series of tests, the team discovered that intermittent changes in lighting intensity inside the plant produced a temporary boost in worker performance. In another study, Mayo found that workers who assembled telephone relays produced double their typical output when allowed to choose their own teammates and retreat to a "special" work room fifty or so feet from their usual spot on the factory floor.

The experiments ran over the course of five years. After combing through all the observations, exit interviews, and data samples, Mayo concluded that workers tended to enjoy short-lived boosts in performance when they felt that managers paid attention to them, a phenomenon that later came to be known as the "Hawthorne effect." Degrees of happiness and productivity, the theory went, correlated directly to the social structure of the workplace.

Workers seemed to crave the empathetic recognition of their employers—regardless of whether their bosses actually liked them. An attentive boss meant a more engaged employee. Even trivial gestures like brightening the factory floor provided a measure of comfort for workers, who, in turn, responded by producing better work. They just needed to feel like they were being noticed.

Suddenly, it wasn't enough to simply hire someone to do a job; bosses had to manage and mentor people, too. That usually happened in formal meetings, a time when managers could review procedures, talk about company business, or just rally the troops. In 1950, these interactions became enshrined in corporate culture with the passage of the Performance Rating Act, which mandated annual reviews of all federal employees. Subsequent legislation would tie bonuses and salaries to these assessments. Soon, the private sector followed with its own set of review reforms.

The performance management movement was born.

But it wasn't until 1981 that the framework we know today as traditional feedback took hold throughout the American workplace. That was the year Jack Welch became the chief executive of GE, beginning an iconic twenty-year run as America's most celebrated corporate leader. Welch pioneered the "rank and yank" approach to employee review, a three-step ratings scale that measured individual goals and performance on a bell curve. The top 15 percent of performers were awarded a 1; the middle 70 percent were assigned a 2; and the bottom 15 percent were designated a 3. The 1s got promoted ("ranked"). The 3s got canned ("yanked").

Wooed by GE's success—at one point, it was the highest-valued American company at $300 billion—other companies quickly adopted "rank and yank" in their own management ecosystems. By 2012, nearly 60 percent of Fortune 500 companies used some version of it, just with more euphemistic titles like "talent assessment" or "performance procedure." Apparently, calling it "rank and yank" engendered about as much excitement around the office as mandatory drug testing.

And so the top-down, rear-facing process of giving feedback developed, unchecked, for much of the late twentieth century. What began as an earnest attempt to apply industrial research morphed in a systematic reduction of employees to numbers, efforts to ratings, and managers to bean counters. Something had to change. The entire enterprise needed a switch. For that, we return to Deloitte.

THINKING IN THE FUTURE TENSE

"We've arrived at a very different and much simpler design for managing people's performance," promises Ashley Goodall, the former Deloitte learning chief. It's designed to accelerate performance, not slow it down. "The first thing we do is help people pay attention to their experiences at work—the things that lift them up and the things that push them down." As a launch point for reflection, team members use a self-assessment tool to diagnose their strengths. This mirror-holding exercise gives employees insight into their professional capacities—the core of who they are.

The next step is to uncover who they want to *become*. Team members are encouraged to convene weekly "check-ins" with their team leader to receive near-future communications about upcoming assignments, expectations for the coming week, or comments about recently completed work. The power of these interactions—a team leader's "killer app," according to Goodall—lies in their simplicity: More frequent contact within a team's ranks allows people to nimbly shift priorities and realign expectations based on a steady stream of communication.

But at their core, these check-ins are instruments of development, not evaluation. They are designed to spark conversations between team leaders and members about individual strengths, team goals, and future aspirations.

During a check-in, the team leader might offer guidance to a team member on how to handle client relations differently, creating an opening to discuss other barriers that stand in the way of achieving better end results. The fluid nature of check-ins makes talent development a more natural and ongoing part of the employee experience, one that Deloitte hopes will lead to greater engagement and better performance outcomes. (More on that in chapter 2.)

Deloitte has also replaced its batched system of year-end performance reviews with a more real-time outlook of employee work. Known internally as "performance snapshots," these at-a-glance reports are intended to assemble a current profile of each member's critical skills, behaviors, and dispositions. Managers still compile this data after every project or quarter, but with one radical difference: They aren't assessing past work but *future prospects*.

Again, there's a premium on simplicity. Instead of drawing upon the usual set of cascading targets, managers create performance snapshots around four basic questions about the employee, listed in the table on the next page. Note the language of each question, how it is rated, and the information it is designed to reveal.

By design, only managers with deep knowledge of the employee produce the snapshots—not former supervisors, colleagues from other departments, or even members from the same team. On the question of who is best suited to evaluate performance, Deloitte believes that the people who are closest to the action have the clearest view. In tightening the feedback loop, the company hopes to amplify performance knowledge through one voice, not many.

Radical Redesign: Deloitte's Performance Snapshot

(1) *Given what I know of this person's performance, and if it were my money, I would award this person the highest possible compensation increase and bonus.*	Rated on a five-point scale [from "strongly agree" to "strongly disagree"]	Measures overall performance and unique value to the organization
(2) *Given what I know of this person's performance, I would always want him or her on my team.*	Rated on a five-point scale [from "strongly agree" to "strongly disagree"]	Measures ability to work well with others
(3) *This person is at risk for low performance.*	Yes/No	Identifies problems that might harm the customer or team
(4) *This person is ready for promotion today.*	Yes/No	Identifies employee's potential

But what about the tendency of managers to deliver feedback with blinders on—the "idiosyncratic rater effect" described earlier? Goodall thinks they have the answer. "People may rate other people's skills inconsistently, but they are highly consistent when rating their own feelings and intentions," he said. "In effect, we are asking our team leaders what they would *do* with each team member, rather than what they *think* of that individual."

That's a major departure from traditional feedback systems that, as we've seen, operate backward and leave very little room for employee participation. Not here. In its total form, the Deloitte model upends all the assumptions of traditional feedback—from basic functions like how to gather and share information to more complex foundations like the purpose and potential of talent management. It moves from a parochial focus on numbers and ratings to a panoramic view of people and process.

The company's road to reinvention cuts through the narrowness of traditional feedback. Rather than dwell in the past, managers speak into the future by allowing larger conversations about work and career to unfold—the beginnings of feedforward. From a development standpoint, that's far more appealing and productive than the once-a-year reporting that feels more like a seasonal sport, a backward contest that picks winners and losers on the basis of retrospect, long after the game has ended.

LOOKING FORWARD, NOT BACK

Reimagined performance management can lead employees down a path of self-discovery, professional clarity, and personal growth. It produces the fullest value of every individual. It promotes clarity over intuition. Most important, it brings into the conversation the person most responsible for producing meaningful change: the employee. When that happens, the result is transformative. Instead of managing other people's performance, we develop their talent. We start to turn feedback into feedforward.

Judging by the number of high-profile companies who have joined the movement, Deloitte won't be pressing along alone for much longer. Microsoft made waves when it recently announced that it would abandon its legacy practice of stack rankings, a throwback to the "rank and yank" era. Adobe, Gap, and Medtronic have embraced the notion of a weekly "check-in" between team leaders and members. Accenture, the professional services firm with over three hundred thousand employees worldwide, is abolishing annual reviews altogether. The same goes for Cargill and Juniper Systems. And the list continues to grow.

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This is not just a business objective. Giving better feedback is a *people* objective. It's the way teachers get more from their students, parents get more from their children, and all of us get more from our friends, colleagues, and loved ones. But as we said in the introduction, *getting what we want means giving others what they need.* People don't need feedback that passes judgment, reinforces negativity, takes too much time, and always—*always*—looks back on a past that can't be changed, not a future that can.

What we need is something completely different: a system of feedback that helps people find their inner voice, discover their natural creativity, strengthen their significance, and stand on their own two feet. In other words, we need *feedforward*—the future-leaning feedback that creates consciousness, unleashes creativity, repurposes teams, and builds autonomy and resilience. Each of these qualities will be explored in part II of this book.

But for now, we need to identify the essential elements of feedforward to see how it works in practice. The six-point plan—we call it REPAIR for short—can make a dramatic difference in our interactions at work, school, and life. Each part can help fix the way we conduct everyday conversations with the people closest to us. The next chapter shows us how.