

## GE Rethinks Its HR Management Approach

Written by Nick Sanders

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We were recently notified, courtesy of [an article](#) at GovExec.com, that the bluest of the blue chip corporations—General Electric Company—has decided to reassess and fundamentally change its employee performance management approach.

According to the article (written by Max Nisen), GE is in the process of “abandoning formal annual reviews and its legacy performance system for its 300,000-strong workforce” and, instead, will implement “a less regimented system of more frequent feedback via an app.” The article noted that GE “got rid of its formal, forced ranking around 10 years ago.” In other words, GE – the company that made employee “racking and stacking” (or, as it was known at GE: “rank and yank”) popular – has decided that that particular approach no longer works for it. Mr. Nisen wrote: “With the decision, GE joins other high-profile companies—like Microsoft, Accenture, and Adobe—that have started dumping or have already gotten rid of formal annual reviews.”

We have railed before on this blog against such knuckle-headed HR strategies. For example, three years ago in [this article](#) we wrote –

Recently, we have come across articles and discussions which assert that ‘stack ranking’ is a fairly *terrible* approach to workforce management—especially when implemented on a routine basis and especially when a pre-selected ‘grading curve’ is issued by upper management. The pre-selected approach was made famous by Jack Welch and the General Electric Company, where the lower 10% of the workforce is identified annually—and then fired—came in for

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special criticism.

Getting back to Mr. Nisen's article, why did GE finally abandon the Welch employee management philosophy? Nisen wrote –

But [Welch's] style and focus on the annual performance review simply doesn't work for the company or its younger workforce any more, say GE human resources executives. 'The world isn't really on an annual cycle anymore for anything. ... I think some of it to be really honest is millennial based. It's the way millennials are used to working and getting feedback, which is more frequent, faster, mobile-enabled, so there were multiple drivers that said it's time to make this big change.' She's not the only one who thinks so. There's a growing realization that the annual review just isn't a particularly good way to manage people or to boost performance. *It leads to a tendency for HR to focus excessively on process over outcomes.*

(Emphasis added.)

Adobe HR head Donna Morris, who led that company's transition away from annual reviews and ratings [said] 'It's a process that looks in the rear view mirror, that's focused on what you've done a year ago. That just isn't current with how I think we're working and how many of the employees that we're looking to attract or grow have been raised.'

And that's really the thing, isn't it? The annual performance review and the ranking of employees and the doling-out of the merit increase pool aren't about boosting (or even rewarding) employee performance. Instead, it's about HR working its HR process to the detriment of employee morale and employee performance.

Nisen wrote –

The move by more and larger companies away from annual reviews and ratings is well past due, say management theorists. Years of research, from both business school professors and neuroscientists, has found that the practice is ineffective at boosting performance, [actively alienates employees](#)

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, is based on a flawed understanding of human motivation, and is often arbitrary and biased. People simply don't fit neatly on a bell curve. It ends up being an exercise in paperwork and bureaucracy instead of an agent of change.

Despite its proven flaws, there are many companies in the Aerospace & Defense (A&D) sector that continue to perpetuate that HR management approach. Those are many of the same companies that are seeing the focus of Pentagon R&D funding shift to the more nimble and creative Silicon Valley companies. Those companies include Netflix. We've written admiringly about Netflix's HR philosophy [before](#) (as have many others). It's been called the most important innovation to ever come out of Silicon Valley.

While Silicon Valley focuses on employee freedom and "talent density," and while dinosaurs like GE abandon their previous HR management philosophies in favor of a more 21st century approach, your company keeps perpetuating the status quo. You still have annual performance reviews that are used to rack and stack employees, and to dole out the paltry merit increase pool. You still receive direction that no more than a certain percentage of employees can receive the highest ratings, and that a certain percentage of employees must receive the lowest ratings—simply because nobody has yet challenged HR to defend the antiquated and fundamentally flawed approach.

If you want the best and brightest employees, we suggest you start pushing back, and tell HR that they need to rethink the employee performance management process. Because if you don't start to evolve away from the "rack and stack" approach, you may find yourself out of talented employees—and out of business soon thereafter.