

Accelerated Performance Reviews may improve Retention

Most Organizations have traditionally conducted performance appraisals for everyone on a routine schedule, either once a year near the anniversary of each employee's hiring date or during one common period when everyone was evaluated. A schedule was especially true for new employees, who were told at the start of their employment when their first review would be. Part of the logic underlying this system was that newcomers were considered to be on probation until their first review. In addition, organizations felt that new employees might need an extended period of time in which to establish their capabilities.

From the standpoint of the newcomers themselves, they often saw value in the recognition that they had ample time to learn their jobs before they would be evaluated. On the other hand, they also know that because increased compensation or promotions are usually tied to performance appraisals, they had little opportunity to seek a pay raise or to be given greater job responsibilities until that first review had been completed. Thus, the standard review cycle had both pluses and minuses for new employees.

In recent years, though, this cycle has been gradually altered in some firms. And this change has come about in large part because of the tight labor market in certain areas, especially rapidly growing high-tech firms. Because the highly skilled works these firms need are well aware of their value to prospective employers, some of the more enterprising and self-assured candidates have started requesting—in some cases, demanding—promises of earlier reviews to have an opportunity to ratchet up their salaries more quickly. The practice of early reviews has also started spreading outside the high-tech environmental to include areas such as banks, accounting firms, and insurance companies.

These firms are finding that offering earlier reviews gives them a better chance of landing the top prospects. A guaranteed review after 6 months is rapidly becoming an expectation in the eyes of some of the most promising recruits. For example, one recent survey of executive search firms found that more than 27 percent of new management positions currently being filled come with the assurance of an initial 6-month review. But one factor that is often overlooked in this trend is that recruits still have to ask for the earlier performance reviews. If they do not ask, then the company is likely to stick with its normal one-year cycle.

So can the cycle take place any faster? Absolutely. For example, consider the case of software programmer David Parvin, A recent college graduate courted by the Cougar Mountain Software Company of Boise, Idaho. Parvin learned that COUGAR Mountain provided performance reviews of its new hires after 30 days. But Parvin wanted it even faster, so he demanded a 2-week review. And sure enough, during his first 2 weeks on

the job, he so impressed his bosses that they gave him a 7.1-percent pay raise. During his first 18 months on the job, he continued to request frequent reviews, earning a total of six raises and one major promotion.

Although this cycle may seem extreme, it has worked because Cougar Mountain has a history of rapid reviews. Indeed, about 10 percent of its new hires get a raise after 30 days, and almost all get a raise within 3 months. The firm's managers also believe that this practice helps Cougar Mountain retain its most valuable employees. In an industry with extremely high turnover, Cougar Mountain's turnover among all its employees is only about 10 percent; among its best employees, it is an incredible 1 percent.

Of course this approach can also create some problems. In addition to the extra administrative time and expense need to manage a performance appraisal and salary adjustment system, potential morale problems can occur with other employees. To address this concern, some companies require those who will be getting frequent reviews to keep their arrangement a secret in the hope of avoiding problems with other employees. Word is still likely to get around, however especially if more than just a few new employees are getting this special attention.

There seems to be a difference of opinion about whether or not this practice will continue in the future. Some experts predict that as soon as the tight labor market begins to loosen, organizations will quickly move to drop the frequent review process. Others believe just the opposite will occur, and that firms may well come to value the flexibility that this system affords and will want to apply it to everyone; that is, as long as they review and regard their highly valued workers on an accelerated schedule, they may be able to slow the process for less-valued workers. Thus, a well-established worker with a history of being judged as adequate may be evaluated even less frequently- and get fewer raises_ than is the case today.

Questions:

1. What do you see as the advantages and disadvantages of frequent performance appraisals?
2. Under what circumstances would you envision wanting more frequent reviews? Under what circumstances would you prefer just the opposite?
3. What is your prediction about the future of performance-appraisal cycles.