

# Do We Need KPIs and Annual Performance Reviews?

*Shôn Ellerton, July 29, 2024*

*Are KPIs and annual performance reviews really effective or are they simply old-fashioned?*



Back in 2015, one of the biggest professional services firm, Ernst & Young, announced that you don't need a degree to join their organisation. It was a long overdue change in the way that companies ought to think when hiring new candidates.

I was overjoyed to hear such news especially when, in my career history, I had struggled to get into the area of IT having qualified as a civil engineer rather than possessing an IT-focussed degree. And this is despite many years of experience of building databases, wireless networks, and client applications.

Requiring candidates to hold a relevant degree in a specific field even if they have experience in that field is an old-fashioned way of thinking. Notably now in which many of today's institutes of learning are way under par in terms of quality. Heck, you can even *buy* yourself a degree.

What is also inane old-fashioned is the insistence of many corporations to inflict KPIs (key performance indicators) and annual performance reviews on its staff. I've been through the whole KPI and annual performance machine many times in my thirty odd years in the professional world. As have many others who, like me, are utterly tired of mincing out the same material trying to impress others for the sake of getting a little extra money.

Let's start with the often flawed concept of the annual performance review.

For a start, if you are not doing your job, your manager will tell you so, and might issue you a warning that if you don't buckle up, you might see the highway, if

you get the gist. No amount of performance review writing is going to save your backside. You just have to get back on track.

Secondly, the concept of the annual performance review is for the employee to adorn him or herself with self-praise, self-criticism, and reflection. The manager will review all this, most of it being largely fluff and hyperbole, in the hope of making a decision to place that individual in a sort of placeholder ranging from not meeting expectations to exceeding them.

The problem is this.

Managers should know what their employees are doing in the first place. *That* is one of the primary functions of a manager.

Performance reviews are generally useless in my experience, and do you know why?

The format of them change so frequently, that old performance reviews are worthless. That has been my personal experience, although, I am sure there are exceptions to the rule.

Not *one* occasion did a glowing performance review do any good for me. I was neither promoted or given a pay rise. I have written in previous pieces that it is so often the case that external candidates are brought in rather than to promote within the organisation.

I will also mention that performance reviews can take a great deal of time to complete. I am not exaggerating, but performance reviews can take up to three months to complete, which is valuable time that could be used for other activities.

Performance reviews are a very poor substitute for managers to sit down with their employees on a regular basis to advise them, to tutor them, and to point out any improvements they can make and reward work which exceeds expectations.

I will also point out the fact that performance reviews make very little difference in making decisions that affects the employee's well-being. Sure, a glowing report might make an employee feel good for a short period of time, but in many cases, it is only a superficial acknowledgment. If a senior manager gets along particularly well with an employee despite a less than glowing performance review, I guarantee that performance reviews will make not one iota of difference.

This brings me neatly along to the wonderful world of KPIs.

KPIs are a set of criteria that an employee must meet in order to satisfy the requirements of doing the job. Generally speaking, KPIs are irrelevant because if you are meeting the requirements of doing the job, why do you need a scale between one and five or ten or whatever, to prove how well you were doing the job? I was surprised to learn that train drivers within some companies in the western world have KPIs. If a train driver can operate a passenger train safely, I would suggest that that train driver has met the requirements of the job.

But when overzealous executives draft and issue KPIs for their employees, they then scrape the barrel and move on to ancillary skills. For example, the so-called 'soft skills'. The willingness to get up in the morning, have a pasted smile on your face, and drive a train with the correct attitude of the business.

However, if *bonuses* are based on a set of KPIs, then this may be a reasonable tactic, however, I would avoid the phrase KPI and replace it with *targets*. If KPIs are used to measure an expectation or a target that must be met to *keep* a job, then, honestly, perhaps it's time to look for another position.

As a final word on this topic, I uphold the belief that good management does not require the need for KPIs and annual performance reviews. They are, in general, unnecessary, inferring that they are put in place because managers are not fully understanding of what their employees are doing.

It is often a bureaucratic and time-wasting activity which can be replaced with far more industrious activities.

On the flipside, KPIs may be effective as purely a record which you can then take across successive managers or into different departments within the same organisation.

Simply put, know your staff and employees well enough to guide them successfully in their roles.