FROM ANNUAL REVIEWS TO CONTINUOUS FEEDBACK:

REINVENTING PERFORMANCE APPRAISALS

EMPLOYEES AND STRATEGY EXECUTION

CAVA

EMILY BOYCHUK, AVERY FRANCQ, VIVIAN HUANG, ALINA KIM & CIARA MANTLE

The Feedback Crisis

"Only 14% of employees strongly agree that performance reviews inspire them to improve."[1]

Organizations need to replace outdated, annual performance reviews with agile, continuous feedback systems that better support employee development and strategy execution.

In a world where agility and innovation are critical for survival, most organizations still rely on performance review systems built for a slower, more hierarchical era. Annual reviews are widely criticized as infrequent, backward-looking, and demotivating, yet they persist. As MIT Sloan Management Review puts it: "The traditional review is an artifact of the industrial age, not suited to today's fast-moving, team-based, and tech-enabled organizations."

Organizations risk disengagement and compromising strategic direction when feedback fails to be effective. According to HBR most people don't find feedback helpful because it is poorly delivered, lacks relevance, and is often more about judgment than growth. Rapid business model innovation and skill obsolescence demand continuous upskilling, making it essential for feedback to be timely and tied directly to evolving strategic objectives.
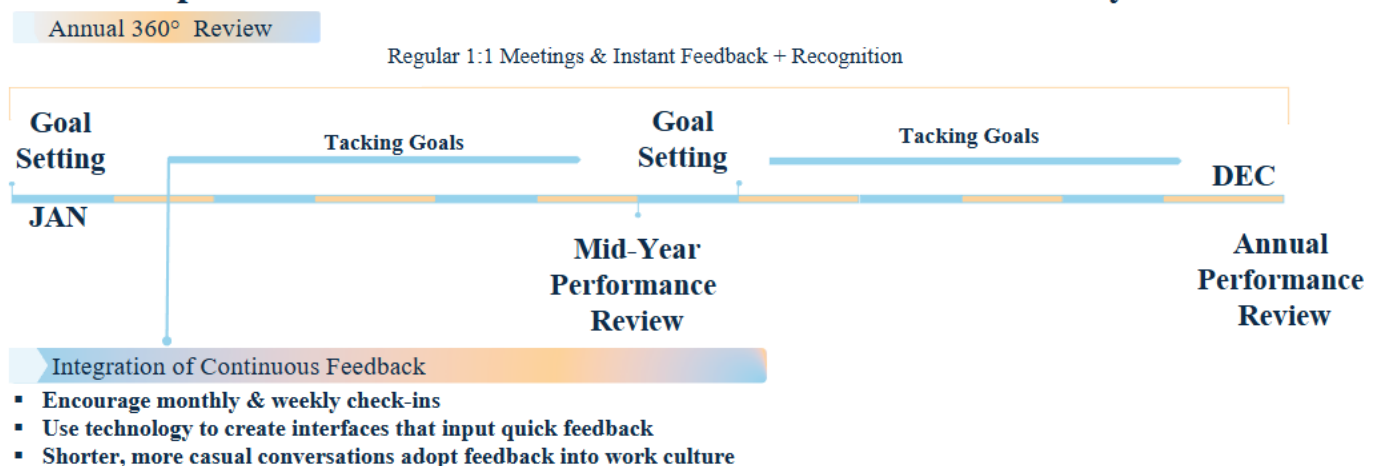
Why Annual Reviews Fail

Annual performance reviews were not designed for today's fast-paced, team-driven, and knowledge-based workplaces. More than just being outdated, they fail to support employees in three key areas: providing direction, maintaining motivation, and addressing personal limitations. Organizations that continue to rely on this rigid structure risk disengaged employees, and overall strategy execution failures.

Timing: Receiving feedback once per year undermines growth. Employees need timely direction to grow, yet annual reviews deliver feedback months after the fact. This leads to confusion, as employees cannot connect reviews to their present work reality[2].

Content: Focusing on weaknesses demoralizes employees. Traditional reviews emphasize gaps and shortcomings more than strengths. While constructive criticism has its place, research shows that strengths-based feedback is far more effective in building confidence and encouraging growth[3]. Employees don't always realize which behaviours are especially valuable to the organization. Naming and reinforcing those strengths not only boosts confidence but also encourages repeat performance in areas aligned with strategic goals. Without that clarity, even high-performing employees may overlook their own impact.

Comparison Of Annual Review And Continuous Feedback Cycles

Annual 360° Review

Regular 1:1 Meetings & Instant Feedback + Recognition

Goal Setting — Tacking Goals — Goal Setting — Tacking Goals — DEC

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Mid-Year Performance Review

Annual Performance Review

Integration of Continuous Feedback
- Encourage monthly & weekly check-ins
- Use technology to create interfaces that input quick feedback
- Shorter, more casual conversations adopt feedback into work culture

[1] Paulise, L. (2022, September 30). Only 14% of employees are inspired by their performance reviews. Forbes. https://www.forbes.com/sites/lucianapaulise/2022/09/29/only-14-of-employees-are-inspired-by-their-performance-reviews/
[2] Wilbanks, L. (n.d.). Performance reviews. Career Focus. Naval Criminal Investigative Service.

[3] Noguera Lasa, A., Pedroni, A., Komm, A., & Gallot Lavallée, S. (2024, May). In the spotlight: Performance management that puts people first. McKinsey & Company. https://www.mckinsey.com/capabilities/people-and-organizational-performance/our-insights/in-the-spotlight-performance-management-that-puts-people-first

Frequency: Static reviews can't keep up with shifting strategy. Most reviews are backed in outdated performance goals that no longer reflect the organization's strategic direction. In today's environment, where priorities shift frequently, employees need ongoing feedback that evolves with the business[3]

Measurement: Reviews that measure performance against irrelevant benchmarks create confusion, not clarity, and leave employees unsure how to align with company objectives. Traditional HR practices assume development is linear and scheduled, when in reality it's messy and continuous[4].

Modern Models of Feedback

"60% of companies still follow the "status quo" performance rating process, or annual reviews."[5]

Despite this statistic, some companies are doing things right by replacing annual performance reviews with other models of feedback.

Continuous Feedback Model

Frequent and informal check-ins focus on goals, progress, and development, which offer support in real time rather than after the fact. This reduces employee anxiety, boosts engagement, and helps organizations respond to fast-changing environments.

Adobe eliminated annual reviews in 2012, introducing "Check-In" conversations that emphasize real-time feedback and career development. This led to a 30% reduction in voluntary turnover and significant gains in engagement and productivity[6].

General Electric (GE) replaced its traditional forced ranking system with a new approach called "Performance Development," which emphasizes frequent, informal feedback conversations instead of annual reviews. This continuous feedback model encourages managers and employees to co-create goals, focus on coaching, and use simplified tools for real-time dialogue. As a result, GE fostered a culture of transparency and continuous improvement, leading to stronger employee development and greater agility in decision-making.

Two-Way Feedback Conversations
Unlike top-down feedback models, two-way feedback emphasizes dialogue, shared goal setting, and mutual accountability. Employees gain more autonomy and psychological safety, which research shows is essential for high-performing teams[7].

Under CEO Satya Nadella, *Microsoft* transformed its culture by promoting a growth mindset. Managers are trained to deliver behavioral, specific feedback in two-way conversations, often using 360-degree and peer input. This approach has significantly improved learning, innovation, and employee satisfaction

Data-Driven Feedback Systems
Technology platforms track goals, contributions, and engagement, enabling employees to self-monitor and receive consistent, objective feedback that

[4] Vermeren, P. (2019, April 16). The (uncomfortable) truth of HR and leadership development | Patrick Vermeren | TEDxKMA [Video]. YouTube. https://www.youtube.com/watch?v=0C5UQbWzwg8
[5] McGlauflin, P., & Abrams, J. (2023, December 4). The annual performance review is outdated and opaque. that's hurting both companies and their employees. Fortune. https://fortune.com/2023/12/04/annual-performance-reviews-outdated-bias-hurting-employees-company/

[6] Cappelli, P., & Tavis, A. (2016, October). The performance management revolution. Harvard Business Review. https://hbr.org/2016/10/the-performance-management-revolution
[7] Hirsch, J. (2020, June 1). Good feedback is a two-way conversation. Harvard Business Review. https://hbr.org/2020/06/good-feedback-is-a-two-way-conversation

minimizes recency bias. The use of digital platforms for performance tracking facilitates ongoing evaluation. These systems reduce the reliance on intuition and flawed metrics and support fairness through standardized processes[8].

In a public survey *Deloitte* conducted, 58% of the executives questioned believe that their current performance management approach drives neither employee engagement nor high performance[9] . *Deloitte* replaced annual appraisals with a "Performance Snapshot," a mobile app that supports real-time feedback, goal tracking, and data analytics to enhance continuous coaching and development. Manager input and analytics help reflect the shift toward empowerment over oversight, especially relevant in remote and hybrid contexts where direct observation is limited.

The Psychology of Feedback

Delivering feedback effectively is a critical leadership skill, yet most people are generally not very good at it.

Psychologist LeeAnn Renninger has a practical method for giving feedback that promotes psychological safety and minimizes emotional threats by following a structured sequence[10]. This four-part framework provides an alternative to the two most common but ineffective feedback styles: vague "hint-and-hope" strategies and blunt criticism that can trigger defensive responses.

1. Start with a "micro-yes". Begin with a short yes or no request to signal the forthcoming of feedback to reduce surprises and give the receiver a sense of control. For example, "can we chat about that report?".

2. Follow with a specific observation to eliminate ambiguity. Give an objective, concrete data point and avoid using vague words like "being unprepared", "acting like a team player" or "being unprofessional". For example, "you sent the report one day late last week".

3. Explain the impact of the behavior or action to provide emotional context. Explain why it matters to make the emotional stakes clear. For example, "I had to change the whole schedule to meet leadership's deadline".

4. Conclude with a question that invites dialogue and collaboration. Foster shared leadership and allow them to reflect on their own performance. For example, "what do you think we could do next time?"

This method aligns with the neurological reality that feedback, when delivered poorly, can trigger the amygdala's threat response which results in fight, flight, or freeze behaviors. By reducing ambiguity and allowing space for reflection, Renninger's model ensures that feedback is absorbed rationally and constructively.

The impact of this approach is amplified when integrated into "Challenge Networks" which are intentional relationships where peers and leaders routinely exchange candid, constructive feedback[11]. Within these networks, feedback becomes expected and normalized rather than anxiety-inducing. When employees know that feedback is frequent, specific, and focused on mutual improvement, they are more likely to speak up, take risks, and contribute creatively. This environment fosters psychological safety, which allows teams to execute strategy successfully.

Generational Changes

The value of frequent, targeted feedback is especially relevant in today's multigenerational workplace. Millennials and Gen Z, now dominant forces in the labor market, express a clear preference for developmental feedback over traditional performance reviews. Gen Z expects real-time, transparent communication and opportunities for continuous learning. Millennials respond best to feedback that includes rationale and developmental guidance[12]. For both generations, managers need to build trust by offering real-time

[8] Likierman, A. (2009). The five traps of performance measurement. Harvard Business Review, 87(10), 96–101.
[9] Buckingham, M., & Goodall, A. (2015, April). Reinventing performance management. Harvard Business Review. https://hbr.org/2015/04/reinventing-performance-management
[10] Renninger, L. (n.d.). Leeann Renninger: The secret to giving great feedback. TED. https://www.ted.com/talks/leeann_renninger_the_secret_to_giving_great_feedback

[11] Grant, A. (2023). Taken for Granted: Daniel Kahneman doesn't trust your intuition. YouTube. https://www.youtube.com/watch?v=Wh1zhRck-Wg
[12] Post, T. W. (2024, June 4). From gen Z to boomers: How to give critical feedback at work. From Gen Z to Boomers: How to Give Critical Feedback at Work. https://www.itprotoday.com/career-tips/from-gen-z-to-boomers-how-to-give-critical-feedback-at-work

coaching and showing vulnerability that younger workers value.

Understanding the cognitive and emotional dynamics of feedback is essential. Renninger's model is effective because it minimizes cognitive strain and maximizes emotional clarity, by being specific and timely in impact, which fosters a culture that supports growth rather than anxiety.

Leaders who adopt structured, empathetic feedback models not only help individuals improve but also build the psychological infrastructure necessary for trust, innovation, and resilience. For organizations striving to engage and retain younger talent, adopting practices rooted in neuroscience and emotional intelligence is a necessity.

Barriers to Change

Even the best-designed feedback systems fail if adoption is blocked by three common human and organizational barriers.

1.Manager discomfort or lack of training. Managers are uncomfortable giving real-time feedback because they've never been taught how. Without a model like Renninger's 4-part framework, managers default to vague or inconsistent approaches that feel risky or emotionally loaded.[13] The result is silence, delay, or judgment-based criticism, none of which drive development.

2. Time constraint. Managers view feedback as an "extra task" rather than a daily tool. But as seen in *Deloitte* and *Adobe's* shift to lightweight check-ins, feedback doesn't need to be formal or lengthy.[14] Integrating feedback into existing workflows, like project debriefs, weekly one-on-one meetings, or sprint reviews, turns it into a habit, not a task.

3. Cultural resistance to change. In organizations where top-down performance reviews have dominated for years, there's skepticism toward

change. This is where leadership modeling becomes essential. Research from HBR and McKinsey emphasizes that when senior leaders participate in two-way feedback, admit their own learning curves, and tie feedback to values, not just output, they send a signal that change is not optional, it's expected.[15]

Adopting a "spacious mindset" can help overcome cultural inertia. Leaders and employees alike must challenge the idea that feedback is inherently threatening and instead view it as collaborative learning. The key is consistency, visibility, and modeling, not perfection. This shift will help feedback feel less like a mandate and more like part of the culture.

Strategy Depends on People

"You can't wait a year to talk about your goals. By then, the business—and your role—has likely changed."[16]

Ultimately, if organizations fail to provide effective feedback and modernize performance evaluations, they risk not addressing the three-management control problems in employees: lack of motivation, lack of direction, and personal limitations. This will make it very difficult for firms to change employee behavior and execute their strategy.

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Adobe. (2016). Check-ins at Adobe. https://www.adobe.com/content/dam/acom/en/people/pdfs/Adobe_Check-In_whitepaper.pdf

15 Ammerman, C., Kellerman, G. R., & Kruh, W. (2023, October 11). A skills-based approach to developing leaders — and building teams. Harvard Business Review. https://hbr.org/2023/10/a-skills-based-approach-to-developing-leaders-and-building-teams
16 Agovino, T. (2024, March 28). Modernizing the employee performance review. Welcome to SHRM. https://www.shrm.org/topics-tools/news/all-things-work/reimagining-performance-review