

ADOBE: BUILDING MOMENTUM BY ABANDONING ANNUAL PERFORMANCE REVIEWS FOR “CHECK-INS”

In March 2012, Senior Vice President of People Resources at Adobe, Donna Morris, took a trip to India to spend time at the Adobe offices. While there, she was interviewed for an article for the *Economic Times*, India’s leading business newspaper. The reporter, who questioned the overall value of human resources (HR), had asked Morris: “What could you do that would be disruptive in HR?” Morris blurted out, “We plan to abolish the annual performance review format.” Morris, who has since admitted to being a “little sleep-deprived,”¹ had not foreseen the implications of her remark. The following day, an article entitled “Adobe Systems set to scrap annual appraisals, to rely on regular feedback to reward staff” appeared on the front page of the *Economic Times* for all the world to see.

At the time, Adobe’s performance management system revolved around annual performance reviews; employees were evaluated once a year according to four categories: “high performer,” “strong performer,” “solid performer,” and “low performer.” These ratings would determine employee compensation. Although Morris had expressed concerns with annual performance reviews in the past, she had not formally consulted President and CEO Shantanu Narayen about eliminating annual performance reviews, and Adobe had no official plans to change the system. Yet Morris knew there was no turning back, and that she needed to follow through. Morris was confident that this was the right direction for the company. The wheels had been set in motion.

Now, two years after that pivotal trip, Morris realized her unplanned remark had been a blessing in disguise. It had been a catalyst for change, motivating Morris to accelerate a company-wide transition from annual performance reviews to an approach called “Check-in.” The approach (implemented in Fall 2012) encouraged employees and managers to establish expectations, and share feedback on an ongoing basis. The results to date seemed promising; employees and

¹ Quotations are from interviews with the author in May 2014, unless otherwise specified.

Rebecca Hinds (M.S. Management Science and Engineering 2014) and Professors Robert Sutton and Hayagreeva Rao prepared this case as the basis for class discussion rather than to illustrate either effective or ineffective handling of an administrative situation.

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managers alike were more willing to share, and be open to receiving, feedback and now had a better understanding of their performance on an ongoing basis. Although Morris knew some features of the Check-in approach could be improved, she was proud of the fact that she had followed through with her public proposal and, more important, that it was generating favorable outcomes and positive feedback from the employee base.

TRANSITIONING TO THE CLOUD

Three years earlier, Adobe was in the throes of a significant technological change. On October 3, 2011, at its MAX technology conference, Adobe had announced the launch of Adobe Creative Cloud. Creative Cloud was Digital Media’s first cloud-based service. It gave users online access to Adobe’s graphic design, video editing, and web development products (e.g., Photoshop, InDesign, Illustrator, etc.). Users could download applications, tools, and services from Adobe’s website, and all storing, syncing, and sharing was facilitated via the cloud. The launch of Creative Cloud signaled the company’s reinventive shift towards delivering cloud-based software. Since 1987, when Adobe first began selling its software in retail stores, it had focused on selling boxed software for desktop computers. Adobe viewed the cloud as an area with rich potential for innovation and growth. According to Narayan, “the company needed a fundamental transformation.”

Creative Cloud consisted of four core components:

- **Desktop Applications:** Included some or all the tools in the Adobe Creative Suite Master Collection (most notably flagship products such as Photoshop®, Illustrator®, and Dreamweaver®).
- **Touch Apps:** Included a collection of six applications (apps) for purposes of content creation on tablet devices.
- **Services:** Included a version of Adobe’s Digital Publishing Suite (for delivering interactive publications on tablets), a version of Adobe Business Catalyst (for building and managing websites), and access to cloud-based fonts for purposes of website design.
- **Community:** Included collaborative capabilities, whereby members could present and share creative work with other Creative Cloud members, as well as gain access to a discussion forum to share ideas and discuss opportunities.

Adobe’s decision to shift towards the cloud was not without risk. Creative Cloud was based on a subscription model, whereby customers could download the service from the Internet, install it, and access it until the subscription terminated. The company hoped that the subscription model would increase market penetration and profitability over the long run. At the same time, Adobe recognized that the majority of its revenue at the time came from licensed and packaged software. Adobe would need to convince its customers, primarily creative professionals, that there was justification in switching to a cloud-based subscription service (rather than purchasing a license outright). Adobe’s new business model also presupposed users would be willing to access the software via the Internet.

ABOLISHING ANNUAL PERFORMANCE REVIEWS

The 2011 MAX conference proved to be a major milestone in Adobe’s history. It marked its transition to a platform focused on cloud-based digital media and collaboration. Yet although the company was significantly redefining its business model in 2011, its HR processes were not aligned with the shift. According to Morris, the methods and tactics that Adobe used to support its employees were still “stuck in a time warp.” It seemed almost hypocritical that Adobe had made it a priority to develop state-of-the-art cloud-based tools that fueled digital creativity and were synonymous with increased agility, speed, and increased collaboration, yet, at the same time, neglected to advance its systems for managing and leading its people. Morris and her team pinpointed one specific process—annual performance reviews—that required attention and change. The longstanding process of addressing performance was not generating positive results. Morris and her team identified several problems with the performance reviews.

Limitations of Annual Performance Reviews

Stack Ranking

Adobe’s annual performance review process involved a grading system known as stack ranking. According to a 2012 *Vanity Fair* report,² stack ranking was what crippled Microsoft’s ability to innovate; product developers became so fixated on outperforming colleagues that they diverted their attention away from what really mattered—getting products to market faster than the competition. With stack ranking, Adobe employees felt compelled to strategically ensure they ranked among the top 15 percent (the “high performer” ranking could not be assigned to more than 15 percent of employees). Employees attempted to maximize individual success, often at the expense of the team. While Adobe prided itself on creating a team-based work environment, stack ranking threatened effective teamwork and collaboration because it pitted employees against one another.

Performance Review Frequency

The infrequency of performance review conversations was problematic on many fronts. The annual review process was not real-time and did not help identify and address issues on a timely basis. Oftentimes, reviews evaluated past performance rather than focusing on future growth. The infrequency also impacted employee morale. Morris likened the annual performance review season to the dreaded tax season. Employees dreaded the review process because they never really knew what type of feedback they would receive. They could only speculate, which gave rise to a lot of anxiety. Not surprisingly, Adobe saw voluntary attrition rates escalate in the months of February and March (the aftermath of the January reviews). Ratings below employees’ expectations were a primary cause of this rising attrition every year. There was also a “recency” effect associated with the performance review process. Managers tended to focus on what their employees had done in the few weeks or months leading up to the evaluation, rather than on what had been done over the duration of the year.

² “Microsoft’s Downfall: Inside the Executive E-mails and Cannibalistic Culture That Felled a Tech Giant,” *Vanity Fair*, July 3, 2012, <http://www.vanityfair.com/online/daily/2012/07/microsoft-downfall-emails-steve-ballmer> (accessed May 8, 2014).

Performance Labels

Employees were far more focused on how they had been ranked than on the nature of the feedback they had received. The medium was the message. Nobody appreciated a ranking that fell short of “exceeds expectations.” Employees especially dreaded the “meets expectations” label. According to Narayen, “There is no one in the company that I’ve ever met that likes to be told they meet expectations.” The “meets expectations” label is similar to the silver medalist effect in sporting events. In a 1995 study by Thomas Gilovich, Scott Madey, and Victoria Medvec, researchers coded videotapes of Olympic athletes from the 1982 Barcelona Olympic Games immediately after they learned of their performance outcome.³ They coded the athletes’ emotions again when they were awarded the medals on the podium. The researchers found that while gold medalists were happiest about their accomplishments, bronze medalists were consistently happier than silver medalists. The silver medalist is the first loser, and so too were Adobe employees who only earned the “meets expectations” ranking. In reality, employee performance was far more nuanced than the annual performance reviews presumed; it was not as simple as pigeonholing people into three categories. According to Narayen, “people may exceed expectations in one area and meet expectations in another.”

Annual performance reviews did not align with the new organizational realities of the business. Before the launch of Creative Cloud, Adobe relied on a perpetual license model for its creative software business. Its revenues were cyclical and informed by major launches or upgrades, which typically occurred once every year or once every other year. With the launch of Creative Cloud, the company was evolving from producing software that took at least a year to develop to producing fluid, real-time cloud-based software. According to Morris, “We’re not a twelve-month company anymore.” It no longer made sense to evaluate employees on an annual basis. Morris acknowledged, “As an HR team, we have to transform and simplify those practices that are not currently setting us up to achieve our objectives.” And so Morris considered how Adobe could change to more real-time feedback. In her view, “There was more risk associated with not making a change because the entire company was evolving and our people practices needed to keep up with the pace.”

CHECK-IN AT ADOBE

Morris, like many HR leaders, had longstanding concerns about annual performance reviews and had made attempts to improve the process for many years. She, for example, established a team to revamp it completely in January 2012. However, her interview with The Economic Times in India was the catalyst that bolstered her decision to take decisive action. It also provided the opportunity to engage employees with a social crowd sourcing strategy. Within days of her return, Morris liaised with Adobe’s communication department to write a blog that was released on March 27, 2012, via Adobe’s intranet site (see **Exhibit 1**). The blog, titled “It’s Time to Radically Rethink The Annual Performance Review,” introduced the idea of abolishing annual performance reviews. In addition, it solicited employee feedback on the proposed changes. The blog post encouraged employees to:

³ Thomas Gilovich, Scott Madey, and Victoria Medvec, “When less is more: Counterfactual thinking and satisfaction among Olympic medalists,” *Journal of Personality and Social Psychology* (October 1995): 603-610.

Imagine a work environment where feedback flows freely between managers and employees and across teams in a more real-time, consistent manner. Everyone knows where they stand and what and how they can improve every day—not once a year. We would still do annual salary reviews, but this could be de-coupled from feedback discussions.

Morris explicitly asked for input. Her blog post queried, “If we did away with our ‘annual review,’ what would you like to see in its place? What would it look like to inspire, motivate, and value contributions more effectively?” Unbeknownst to Morris, the blog quickly became the most widely read blog in the history of Adobe’s intranet. Employees engaged in lively discussions regarding their dissatisfaction with the review process. It was very apparent from the discussions that employees were ripe and ready for change.

Within a few weeks of the blog being circulated, Morris and her team had drafted a framework for the new performance approach; it was fully implemented in Fall 2012. The primary objective of the Check-in approach was to ensure that employees received feedback on an ongoing and frequent basis. It was a consistent means of monitoring performance—it aimed to create an environment where expectations were clearly set and effective feedback was the norm, rather than the exception to the rule.

“Pit Stops” for Optimal Performance

The Check-in approach was similar to the practice of making pit stops in racecar competitions. Pit stops afford a race team the opportunity to refuel and/or make mechanical adjustments to a vehicle. Pit stops are an opportunity to ensure a vehicle is in peak racing condition. In much the same way, the Check-in approach offered employees constant and constructive performance feedback so they could address issues early and frequently. The Check-in approach involved a series of “pit stops” (i.e., informal ongoing conversations between managers and employees). These “check-ins” occurred in real-time, with employees and their managers relaying feedback on a constant basis. This ongoing dynamic was designed to constantly provide employees with pulse-points of their performance standing. Much like a race driver maintains constant contact with his/her pit crew, the employee and manager maintained constant communication. This becomes increasingly important in a company undergoing a significant transformation.

Check-in Framework

The Check-in approach revolved around a three-tiered framework:

- **Expectations:** Set, track, and review clear expectations/goals (what and how) and clarify roles, responsibilities, and success criteria frequently throughout the year.
- **Feedback:** Give and receive ongoing feedback and coaching on a frequent and timely basis to recognize and address and/or improve performance against expectations.
- **Growth:** Provide opportunities to develop and increase skills, knowledge, and experience in employee’s current role in alignment with business needs and individual aspirations.

Expectations

Managers and employees were encouraged to review the team’s objectives and to outline a few key priorities for the employee to work towards for a set period of time (this could be a quarter, a product sprint, a month, etc.). As a minimum, all employees were expected to begin each fiscal year with a one-page document outlining written expectations. This document was to be kept current and updated/revised as business needs changed throughout the year. To ensure sustainable high performance, managers were frequently reminded to review expectations and provide feedback to employees regarding their performance. This communications and marketing campaign took many forms, including short one minute videos, digital monitor displays, quick tips posted on calendars, and feature stories or reminders on the company intranet home page. Every employee was encouraged to have a clear understanding of what was expected of him/her and review how success would be evaluated with his/her manager. Although managers were accountable to ensure discussions were happening, employees were encouraged to ask for feedback as needed, and to ensure they communicated with his/her manager how the manager could support them in achieving the expectations. Employee performance would be evaluated according to how well employees contributed to the mutually agreed upon expectations, what impact those contributions had on the business, and how the employee teamed with others to achieve those expectations. Importantly, when Check-ins occurred, managers were expected to call it a “Check-in” to ensure employees understood that the manager was committed to the approach versus simply holding a one-on-one discussion. This distinction was helpful in measuring results through engagement surveys.

Feedback

Managers and employees shared accountability for giving and receiving feedback to each other on an ongoing basis. Managers provided employees feedback related to their performance, as well as their aspirations, potential, and development. To ensure that feedback was constructive, Adobe created several one page documents to help managers execute on this approach. The primary document, titled “Making Check-in Successful,” provided both managers and employees with practical tips as to how they could establish a regular cadence of Check-ins and have effective meetings (see **Exhibit 2**). Tips for managers included: “Provide insights to [the employee’s] role and value to the ‘big picture’,” and “Don’t do all the talking—Listen and ask questions for clarity.” Managers were also encouraged to focus on what was working effectively, and what could be improved. This process mirrors a format for debriefing processes introduced by the Hasso Plattner Institute of Design (“d.School”) at Stanford University called the “I like, I wish, What if” (IL/IW/WI) process.⁴ IL/IW/WI encourages debriefs structured around identifying matters that worked well (“I like”), and matters to improve (“I wish”). At Adobe, managers were asked to give feedback in this format by asking two central questions of employees: “What does this person do well, that makes them effective?” (“I like”), and “What is one thing, looking forward, they could change or do more of that would make them more effective?” (“I wish”). The application of this format fostered a constructive feedback session that provided actionable and relevant advice that was focused and not overwhelming for employees.

⁴ Hasso Plattner Institute of Design at Stanford, “Method: I Like, I Wish, What If,” <http://dschool.stanford.edu/wp-content/themes/dschool/method-cards/i-like-i-wish-what-if.pdf> (June 9, 2014).

To ensure the feedback approach was collaborative and two-way, employees were encouraged to give managers feedback on their managerial practice in a similar fashion. This included the level of support they had been providing, and any improvements that could be made to optimize their performance. Tips for employees (as outlined in “Making Check-in Successful” document) included: “Share your development needs with your manager and aspirations for the future,” and “Don’t be a victim—if your manager isn’t driving discussions on expectations or providing you feedback, ask for it.”

Growth and Development

Adobe had always prided itself on the caliber of its people. As a software company, it considered its employees its greatest asset. Whereas the annual performance reviews were akin to a rear-view mirror (in that they had nothing to do with an employee’s growth and development moving forward), the newly implemented Check-in approach explicitly focused on employee development. According to Morris, “At a company that has talent as its currency essentially, the Check-in approach is the way for that talent to continuously optimize itself.” A member of the Information Technology organization at Adobe, confirmed, “If you Check-in as you go along the way, you get to see your progress, and that builds the momentum to go just one step further, and one step further, until that goal is achieved.” The Check-in approach was intended to provide each employee with ownership over his/her growth and development—employees were responsible for driving the conversation around growth and development. Employees were first asked to identify what they could do to perform well and grow in their current role. Employees earned conversations for future growth by demonstrating success in their current role, and demonstrating that they had grown their skillsets. Managers were also encouraged to ensure they understood their employees’ aspirations and long-term goals for growth in the future in order to help align opportunities with interest.

EASING THE TRANSITION

The abolishment of annual performance reviews was coupled with a broader transformation in HR practices at Adobe. According to Morris, the company needed to enter an entirely new generation of HR, which Adobe re-branded in 2012 as “People Resources.” This new generation of HR was intended to go hand-in-hand with Adobe’s shift to digital and cloud-based marketing; it mandated agility and constant adaptation to ensure employees reached their full potential. Employees were encouraged to adopt the mindset of “failing forward” and “failing fast.” Adobe was shifting its focus to products that could be released in real-time, so it made sense to implement a similarly iterative, real-time process for evaluating employee performance.

To help facilitate the transition from annual performance reviews to Check-ins, Adobe hosted sessions to help increase employees’ awareness of the change. The sessions were conducted using Adobe’s own technology, Adobe Connect, a web conferencing platform for web meetings and videoconferences. At these sessions, employees were informed as to why Adobe was making the change from annual performance reviews to Check-ins. The company also implemented Check-in training sessions for managers. These sessions involved coaching managers on how to manage each step of the Check-in approach, as well as how to assign compensation. An impressive 90 percent of Adobe managers participated in the sessions. Finally, Adobe launched an easy-to-navigate website that contained important information and go-to resources about Check-in.

In conjunction with Adobe’s move to abolish the annual review process, the team implemented the Employee Resource Center (ERC) for fielding questions on a range of issues, including performance management, career coaching, and building managerial capabilities. The ERC provided team leaders and employees with the tools, resources, and proactive and reactive support needed to help make Check-in effective. ERC representatives fielded questions from both managers and employees, who had the ability to seek counsel at any time. For managers, questions tended to center on topics such as how salary decisions should be made, and how tough discussions should be approached. For employees, the ERC provided guidance in terms of how to prepare for discussions around personal growth and how to ensure expectations were clearly set. As Adobe’s footprint continued to grow, the ERC provided a scalable solution for long-term success.

MATURING TO ADULTHOOD

Morris liked to think of an organization as a person—as a living and breathing entity. This metaphor shed light on the motivation behind, and effectiveness of, Check-ins. When the Check-in approach was implemented, Adobe was 30 years old. In terms of product development and its business model, Adobe was “acting its age” by shifting to digital and cloud media. Yet, from an HR perspective, the company had not yet shifted socially from adolescence to adulthood.

SVP and CMO Ann Lewnes had been instrumental in spearheading Adobe’s growth spurt to a new era of marketing. Lewnes joined Adobe from Intel, where she served as vice president of sales and marketing. Lewnes had spent 21 years at Intel, a company she described as “one of the most outspoken and ‘in your face’ companies around.” Her bias towards bluntness and open discussion had also been undeniably shaped by working under Andy Grove, former CEO of Intel. Grove was described in the biography, *Andy Grove: The Life and Times of an American Business Icon*, as “the extrovert, a combative man who was unabashedly ambitious.”

When Lewnes joined Adobe in November 2006, she was immediately struck by Adobe’s corporate culture. The company, as compared to Intel, was at the opposite end of the introvert/extrovert spectrum. According to Lewnes, “Nobody ever said anything to anyone in a very direct way.” It was difficult for her to acclimatize to the more indirect nature of communications. In her first few weeks at Adobe, Lewnes conducted a survey to evaluate Adobe’s brand. The survey revealed that (unlike Intel in its early days), Adobe’s brand was well established and respected. But Lewnes discovered that Adobe’s introverted employee culture was directly reflected in its brand identity. Although the Adobe brand was well respected, it lacked visibility. Lewnes described the Adobe brand as being one of latent love—everyone loved Adobe, but no one noticed it, or thought about it. It was known in the industry as “the nice software company.” Adobe needed to find its voice. And so Lewnes set out to become a champion of Adobe’s brand to both employees and to the community.

Morris and Lewnes used the Check-ins as a leverage point to change the developmental anatomy of the company and help it transition to adulthood. They made it a priority to help Adobe’s people become more assertive and take a front and center stance. Lewnes hoped this would result in a “louder and prouder” brand. To accomplish this, she strategically marketed Check-ins

as a conduit for employees to find and exercise their voice. As part of an internal promotional video created by the People Resources team, a member of the Worldwide Field Operations organization, remarked, “Because you’re in the moment and talking about things that are relevant and appropriate right then and there, it gives you the opportunity to have a much more honest and candid conversation.”

RESULTS

At the beginning of 2014, the implementation of the Check-in approach had been deemed a success by both Adobe and onlookers. There were noticeable changes at the employee level, manager level, and the overall organizational level.

Effect on Employees

When annual performance reviews were the standard practice at Adobe, employees went months without knowing where they stood in the ranks. Not only did they dislike the concept of stack ranking, they often felt little incentive to maximize productivity. Employees wanted ongoing insight as to how they were performing. According to Lewnes, “it was stultifying not to receive feedback.” It was akin to experiencing radio silence.

The infrequent communication regarding performance demotivated employees and there was a very low level of engagement. This phenomenon was especially prevalent and problematic among employees based in India. In India, a higher percentage of employees were fresh out of school and were especially keen to know where they stood. They wanted a report card of sorts to bring home to their parents and loved ones. Once the Check-ins had been implemented, employees could tell their families in real-time how they were doing. Morris reflected, “The Check-ins are a 180 in terms of giving people the material they need to improve their performance and change course. It completely changes how employees feel about their jobs and opportunities. Feedback is now viewed as a gift.” Even when bad news was given, it was timely and provided another pulse-point into how to improve performance. Because conversations occurred constantly, the bad news was not as traumatic as it had been when it was part of an annual review. Overall, the morale in the company drastically improved. Morris encountered a “halo effect” as a result of the change in performance reviews; she reported: “If people feel like they’re part of the success, they give more to the company.”

In June 2014, two years after the Check-in approach was implemented, voluntary attrition continued to trend downward on a global basis. This trend implied employees felt valued, and that the Check-ins had added elements of fairness and accuracy to Adobe’s performance evaluation system.

Effect on Managers

When Adobe’s evaluation protocol hinged on annual performance reviews, managers were, according to Morris, “not acting as managers.” They had little sense of ownership over the process, despite the fact that they were ultimately responsible for compiling the reviews. Since managers were forced to adhere to a very formal stack ranking system to “objectively” measure performance, they could hide behind the evaluation process. Managers could (and would) use

stack rankings as a crutch to avoid sensitive and tough discussions—they were forced by HR to create the “right” distribution of scores. Check-ins fueled management’s sense of ownership. As Morris explained, managers could no longer rely on the excuse: “you deserve a bigger raise, but HR wouldn’t let me” when explaining salary decisions to employees. For the first time, managers felt like they owned the process and were in control of the Adobe’s productivity and profitability. Check-ins put much more onus on managers. Managers were given a budget and were equipped with increased information about market competitive rates and levers for each role assumed by employees on their team. The philosophy at Adobe was still pay-for-performance, but managers created their own performance curves and rewarded employees with greater differentiation and value than previously allowed by the old system. As a result, they were forced to engage in tough, sensitive discussions with employees and truly own their decisions.

Managers also experienced lower cognitive load as a result of the transition to Check-ins. As an individual’s working memory stores more information, the total amount of working memory involved (called cognitive load) increases. For managers, the toll of remembering information significantly decreased when information on employee performance was shared on a consistent basis, rather than on an annual basis. The higher frequency of discussions involved in the Check-in approach allowed managers to share more timely and relevant information to impact their employees’ performance in a more agile fashion. Managers were encouraged to share actionable feedback related to a specific event immediately after the event occurred, resulting in increased application and impact for employees.

Effect on the Organization

The more flexible Check-in evaluations better aligned with Adobe’s organizational realities. Managers were encouraged to schedule Check-ins according to a rhythm and schedule that made sense for their division. Managers were given autonomy in determining when Check-ins would occur. For example, if an engineering team was participating in an eight-week technical development sprint, the manager had autonomy to schedule Check-ins at the beginning and the end of that cycle, and anytime as needed in between.

In 2014, the cost and resource savings as a result of the Check-in approach had been significant. Annual performance reviews had demanded a significant time investment from managers, each of whom had had an average of five direct reports. It was estimated that, in 2012, annual performance reviews demanded 80,000 hours in aggregate from Adobe’s 2,000 managers. This was equivalent to the annual work expenditure of approximately 40 full-time employees. Yet despite the tremendous time burden, employees felt less inspired and motivated after results were released. One manager described the process as “soul crushing.” Morris reflected on the tedious nature of the process: “A person could have given birth to a baby in the time it took to compile their performance reviews.” In the predecessor system, managers needed to conduct an onerous 360-degree review, collect multiple pieces of feedback, and then decide what to include in the report. According to Lewnes, “such care went into every word of the annual review” because it was the only archived document between managers and employees that evaluated performance.

The implementation of Check-ins also informed the way Adobe evaluated potential new hires. For example, during the interview process, candidates could be assessed based on how they

responded to real time feedback. A candidate who responded well to feedback and seemed willing to be put on the spot increased the confidence of the interview that he/she would be well suited for the real-time, impromptu Check-in approach and for working at Adobe. Adobe’s most recent engagement survey showed strong results, with a significant eight percent and six percent increase in the number of respondents agreeing with the statements, “The feedback I receive is helpful to my performance,” and “My manager is open to receiving feedback from me,” respectively. However, the survey also showed that a small subset of existing employees thought Check-ins added, rather than decreased, stress because the bar was always set high and performance was constantly evaluated. Morris accepted this reality: Adobe “is not going to be the right environment for everyone.” Specifically, no longer was it the right type of environment for people who like rigid, formal processes. And, in reality, the company did not benefit from attracting this demographic because it was not this type of mindset that aligned with Adobe’s new agile products and technology.

MOVING FORWARD

In 2014, Adobe’s transition to delivering cloud-based software was considered a success. In the first quarter of 2014, revenue from Creative Cloud subscriptions surpassed revenue from perpetual licenses for the first time in the company’s history. The Creative Cloud division, Adobe’s largest business unit, had 2.3 million subscriptions in the second quarter of the 2014 fiscal year, and was expected to reach over 3 million Creative Cloud subscriptions by the end of the 2014 fiscal year. Similarly, the Digital Marketing business unit was experiencing rapid growth, with 23 percent year-over-year growth in the second quarter of the 2014 fiscal year.

The success of the Check-in approach seemed to parallel that of Creative Cloud. Results of a recent bi-annual survey administered to employees appeared promising. Responses revealed that, overall, Adobe employees felt Check-ins provided them with good insight into their performance and actionable feedback for improvement. Also, it seemed the Check-in approach had fueled general employee willingness to provide feedback; the participation rate for this questionnaire, an impressive 93 percent, was the highest the company had experienced to date—some divisions even reported rates as high as 98 percent.

Yet the survey revealed that some features of the Check-in approach needed attention and improvement. Morris reflected on the impact of Check-in in the context of Adobe’s Leadership Capabilities—the five leadership criteria that Adobe used to assess leadership capabilities among its people, at the employee, manager, and director levels (see **Exhibit 3**):

- Selecting talent
- Role-modeling Check-in
- Leading change
- Scaling the business
- Strong emotional intelligence

Selecting Talent

Check-ins provided Adobe with a competitive advantage in terms of hiring. Adobe touted Check-ins as a key differentiator throughout the hiring process. Throughout Adobe’s New Hire

Success Virtual Orientation, new hires consistently reported that the Check-in approach was a driving factor underlying their decision to join Adobe. However, many companies—such as computer and consumer electronics giant Apple and online clothing and shoe company Zappos—had followed Adobe’s suit in abolishing annual performance reviews. Adobe looked at other employee engagement practices—such as executive question and answer (Q&A) sessions and skip-level meetings (meetings that involve bypassing mid-level management so upper management can communicate directly with employees)—that could be introduced or altered to offer recruits assurance that Adobe fostered a culture of open communication.

Role-Modeling Check-In

Survey feedback highlighted the fact that some employees did not fully understand how the Check-in approach worked—they were unclear, for example, as to how to set expectations. In this context, one of the major challenges associated with providing autonomy to leaders was the fact that the application was inconsistent across groups. Adobe could consider how to increase education and consistency among its people in terms of how to effectively establish challenging, yet attainable expectations, while not re-creating the bureaucracy it overthrew to reach this point.

Leading Change

Survey results revealed that some managers were still uncomfortable having difficult conversations with employees. This potentially limited their ability to manage performance and potentially lead change. What could Adobe do to assure managers that, by taking risks and engaging in difficult conversations, they would be maximizing Adobe’s future prospects?

Scaling the Business

As Adobe continued to expand geographically, it needed to think how the Check-in approach should be modified to align with different geographic realities. Different cultures, for example, place different levels of emphasis on results and metrics, and, as a result, might be better served by additional structure around Check-in assessments.

Strong Emotional Intelligence

Finally, the survey revealed that some senior leaders were not perceived as being open to receiving feedback. Adobe would benefit from devising strategies that ensured managers be as responsible to feedback as employees were. Leaders needed to embrace feedback, not avoid it.

Morris had taken a bold risk to abolish annual performance reviews at a time when industry peers commiserated, though failed to act. She recognized that leaders must continually examine systems and processes that may have once serve a valuable purpose but, given organizational changes, no longer provide value. Morris had effectively challenged Adobe to break what was built to align with the changing realities of the business and to scale success.

Exhibit 1 Adobe Blog Released Via Its Intranet Site⁵

IT’S TIME TO RADICALLY RETHINK THE ANNUAL PERFORMANCE REVIEW
Donna Morris, Senior Vice President, HR

This week we officially wrap up performance reviews for FY’11, and as I reflect on the overall process I think it’s time for a change. Performance Reviews are intended to inspire and motivate our employees in order to support our objective of cultivating employee success. Yet, the feedback we’ve heard from managers and employees is that the current process falls short of that. It’s several months long, taxes our managers and sets an expectation of giving feedback just one time a year. Our business is moving fast and transforming, and we need to ensure our employees’ growth and development and our supporting mechanisms are keeping pace. That means as an HR team, we have to transform and simplify those practices that are not currently setting us up to achieve our objectives.

Ultimately, we need to accomplish three things: review contributions, reward accomplishments, and give and receive feedback to improve performance. Do they need to be conflated into a cumbersome process? I don’t think so. It’s time to think radically differently, simplify our process and improve our impact. My view is that we need transform from a once-a-year review to an ongoing process of feedback.

Imagine a work environment where feedback flows freely between managers and employees and across teams in a more real-time, consistent manner. Everyone knows where they stand and what and how they can improve every day – not once a year. We would still do annual salary reviews, but this could be de-coupled from feedback discussions. It’s time to make this vision a reality and take steps to get there!

Over the last year we’ve been investing in building managerial capabilities with the global launch of the Management Essentials program. A core part of this program is better equipping managers to provide feedback to support employee growth and development. Given this, I think we’re in a good place to make a radical change. I’ve been having lively discussions about this topic with some managers and employees recently. In our conversations, reactions have ranged from relieved and excited to a little nervous about making changes to the review process. These initial discussions have made me even more committed to having a broader conversation.

I’d value your input and ideas. If we did away with our “annual review,” what would you like to see in its place? What would it look like to inspire, motivate, and value contributions more effectively?

Please send me your ideas and any comments below. Alternatively, feel free to send me an email directly (dcmorris@adobe.com). Making this important change will help us continue to cultivate employee success and build the highest performing workforce in the industry.

Thanks in advance for your thoughts! - Donna

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Exhibit 2 Practical Check-in Tips for Managers and Employees



Making Check-in Successful

Practical Tips for Managers:

1. Schedule dedicated Check-in meetings that are focused on discussing overall performance and development. (as opposed to tactical 1:1 discussions that can be ongoing)
2. Provide insights to their role and value to the "big picture"
3. Ask the employee for feedback on you as a manager, the support you are providing, and what you can do to better support them
4. Don't do all the talking - Listen and ask questions for clarity
5. Gain an understanding of the individual's career aspirations

Practical Tips for Getting Started (Employees):

1. Ensure you are clear on what is expected of you and what success looks like
2. Don't be a victim - if your manager isn't driving discussions on expectations or providing you feedback ask for it
3. Provide feedback to your colleagues and manager frequently on what is working/could be better
4. Share your development needs with your manager and aspirations for the future
5. Prepare for discussions around growth by identifying strengths you can build on, and areas where you'd like to develop in the business
6. Should you receive feedback you don't agree with, talk about it with your manager. If you need coaching, or want to talk with someone regarding the matter, contact the ERC.

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Exhibit 3 Adobe Leadership Capabilities Categories



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