

THE WALL STREET JOURNAL.

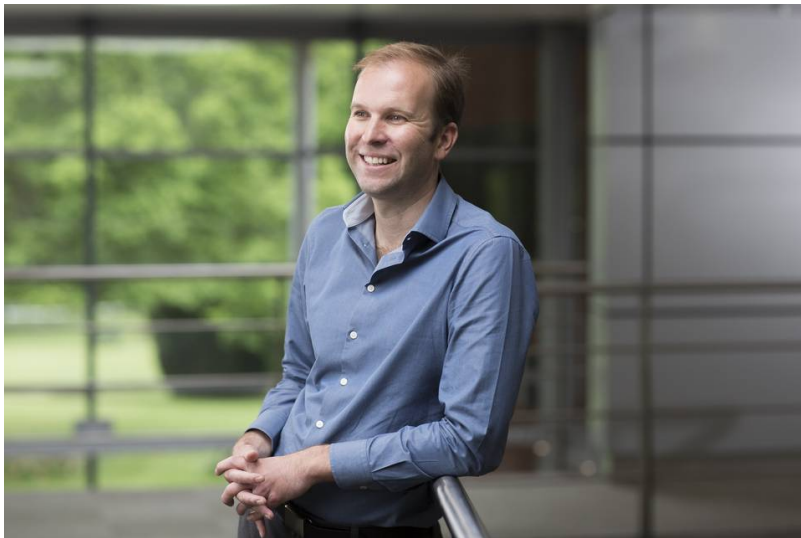
This copy is for your personal, non-commercial use only. To order presentation-ready copies for distribution to your colleagues, clients or customers visit <http://www.djreprints.com>.

<http://www.wsj.com/articles/ge-re-engineers-performance-reviews-pay-practices-1465358463>

BUSINESS | MANAGEMENT | MANAGEMENT & CAREERS

GE Re-Engineers Performance Reviews, Pay Practices

New approach is aimed at building a nimbler workforce that isn't cowed by risk, uncertainty



General Electric employees can ask colleagues for input on their performance, but 'you don't want to look too needy,' says Matthew Morrison, a GE Healthcare product manager based in the U.K. *PHOTO: JASON ALDEN FOR THE WALL STREET JOURNAL*

By **RACHEL EMMA SILVERMAN**

June 8, 2016 12:01 a.m. ET

One of the biggest engineering projects under way at General Electric Co. these days isn't a turbine or locomotive. It is reinventing the way the company's employees are assessed, reviewed and even paid.

For decades, an ideal GE worker was one adept at squeezing out product defects and almost allergic to admitting uncertainty.

Now, as the 124-year-old company refocuses itself on industrial businesses, executives say top performers are those willing to take risks, test new ideas with customers and

even make mistakes.

Leaders say GE's multiyear effort to remake itself into a leaner, innovation-driven company requires a nimble workforce that can develop products faster and more cheaply. The shift is significant for GE, whose corporate ethos had long been embodied by Six Sigma, a manufacturing system designed to eliminate error, enshrining certainty and consistency.

"It's not realistic to expect perfection anymore," says Janice Semper, a GE human-resources executive who has been behind the management overhaul at the 315,000-employee company.

MORE

Later
this

- Boss Talk: YouTube's Susan Wojcicki on Transforming the Video Service (<http://www.wsj.com/articles/youtubes-susan-wojcicki-on-transforming-the-video-service-1465358465>)
- GlassDoor Ranks Top-Rated CEOs (<http://www.wsj.com/articles/employees-give-these-ceos-top-reviews-1465358462>)

month, executives will decide whether to dispense with the practice of rating employees in five categories—from "role model" to "unsatisfactory"—as part of their annual review. The company also is considering doing away with strictly scheduled annual raises, instead doling out pay raises and incentives at different times throughout the year, and giving managers other tools to reward and motivate employees, such as time off.

Ms. Semper says GE expects to begin testing different pay strategies later this year.

GE's annual performance reviews—a cumbersome series of self-evaluations, formal write-ups and ratings by managers, plus approvals of those rating by bosses—could take as much as five months in total to complete.

While companies such as Accenture PLC and Adobe Systems Inc. have done away with annual reviews, GE wants managers to check in with employees more often, in addition to giving them a brief annual summary.

The old system of performance reviews, a series of self-evaluations, formal write-ups and other processes that sometimes took as many as five months, is on its way out. The idea is to help workers improve faster and shift gears quicker if they mess up.

Most of GE's roughly 200,000 salaried employees can now give and get feedback via PD@GE, a mobile app. Thousands of employees have tested ratings-free annual reviews, and the company found that bosses were still able to dole out merit pay and promotions

Find more management coverage at [WSJ.com/Management](http://www.wsj.com/Management)

- [Ralph Lauren Hires CFO From Rival Coach \(http://www.wsj.com/articles/ralph-lauren-to-hire-cfo-from-rival-coach-1465433460\)](http://www.wsj.com/articles/ralph-lauren-to-hire-cfo-from-rival-coach-1465433460) June 9, 2016
- [Glassdoor Ranks Top-Rated CEOs \(http://www.wsj.com/articles/employees-give-these-ceos-top-reviews-1465358462\)](http://www.wsj.com/articles/employees-give-these-ceos-top-reviews-1465358462) June 8, 2016
- [Corporate Succession Planning Is Key to Smooth Transitions \(http://www.wsj.com/articles/succession-planning-is-key-to-smooth-transitions-1465410506\)](http://www.wsj.com/articles/succession-planning-is-key-to-smooth-transitions-1465410506) June 8, 2016
- [Firms, Workers Boost Their Giving \(http://www.wsj.com/articles/firms-workers-boost-their-giving-1465358461\)](http://www.wsj.com/articles/firms-workers-boost-their-giving-1465358461) June 8, 2016
- [Where Men and Women Like to Compete \(http://www.wsj.com/articles/where-men-and-women-like-to-compete-1465358462\)](http://www.wsj.com/articles/where-men-and-women-like-to-compete-1465358462) June 8, 2016
- [Put Meetings in 'Airplane Mode' to Stop Distractions \(http://www.wsj.com/articles/putting-meetings-in-airplane-mode-1465358460\)](http://www.wsj.com/articles/putting-meetings-in-airplane-mode-1465358460) June 7, 2016

effectively.

The new style of measuring employees has roots in FastWorks, a companywide initiative intended to hasten product development and ensure that customers want new products before GE spends millions building them. It is based on Lean Startup, a management system popularized by Eric Ries, a 37-year-old author and consultant GE brought in with the blessing of Chief Executive Jeff Immelt to help employees get comfortable with trial, error and experimentation.

FastWorks contrasts sharply with Six Sigma, which GE still uses for manufacturing. “Six Sigma is about perfection. FastWorks is about wallowing in uncertainty and gaining understanding about what you are trying to solve for,” says Viv Goldstein, GE’s global director of innovation acceleration, and one of the executives leading the transition to FastWorks.

Embracing uncertainty hasn’t come easily to GE employees, though. Human-resources executive Paul Davies was among the group that tested reviews without ratings.

When direct reports asked how the new review system would affect pay and promotions, “I had to say ‘I don’t know, and we will work it out,’ ” he says. “For someone in the culture of GE, that is very unnatural.”

Top executives have revised the company’s five core values to reinforce that point, swapping out “expertise” and “clear thinker” with tech maxims such as “stay lean to go fast” and “learn and adapt to win.”

How GE measures employees, then and now

OLD

- Employees had a formal performance review at the end of the year.
- Managers placed staff in categories ranging from “role model” to “unsatisfactory,” with raises tied to ratings and reviews.
- From goal-setting to manager approvals, reviews could take as long as five months to complete.

NEW

- Managers and employees check in frequently throughout the year, holding a brief annual summary, rather than a review.
- Employees use a mobile app, PD@GE, to give one another feedback at any time.
- Pilot groups are trying reviews without ratings; some may change the timing of raises, too.

Managers are encouraged to evaluate employees on their understanding of customer needs, and how quickly they test and validate their assumptions about potential products and solutions. The point, says Ms. Semper, is to reward employees for asking questions, rather than for simply “being right.”

GE’s Healthcare division has started giving out awards honoring teams who have “dared to try new things and learned from failure,” says a posting on GE’s internal website.

Recently, some employees held a two-hour gathering called Failcon, at which workers shared stories about failing and lessons learned, says GE spokeswoman Laura Paredes.

Some current and former GE employees say their bosses accept imperfection—up to a point. Experimenting with an idea that turns out not to be viable is fine, but GE culture still frowns on those who make serious mistakes, they say.

Mr. Davies says he has observed more openness to testing ideas. He has recently been trying a new orientation process for fresh recruits, and isn’t sure what to expect. “In the old GE culture, we would have wanted to know exactly what the right solution was, and then rolled it out to 12,000 people right away,” he says.

GE wants employees to send each other—and their bosses—praise and pointers via a custom-designed mobile app, in person or on the phone; constructive messages are under the header “consider” and kudos under “continue.” (The word “feedback” was nixed, however, after company tests found that users responded more positively to “insights.”)

Whatever the term, many workers have tended to be shy about criticizing higher-ups, internal surveys found.

Some employees have attended group sessions with a facilitator to give so-called “upward insights” to managers, Ms. Semper says. Afterward, the group is expected to hold the manager accountable for changing his or her behavior, through regular check-ins, but it is a work in progress, she says.

“If you send a ‘consider’ to your boss or your boss’s boss, then how will this play out?” says Matthew Morrison, a GE Healthcare product manager based in the U.K.

Employees also can ask colleagues for input on their performance, but “you don’t want to look too needy,” says Mr. Morrison, who blocks out time on Friday afternoons to send feedback to people he worked with that week.

GE executives say they are figuring out how to tinker with internal processes to get employees to adopt new behaviors, whether it is reviewing the boss or testing raw prototypes with customers.

“Absolutely the challenge is how do you unlearn some things and how do you create new habits,” says Ms. Semper. “We are trying to build the muscle.”

—*Ted Mann contributed to this article.*

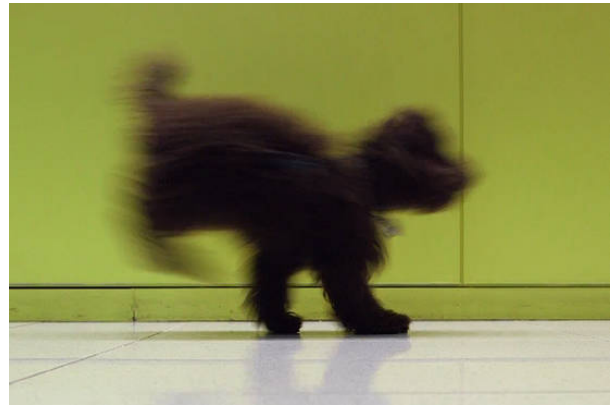
Write to Rachel Emma Silverman at rachel.silverman@wsj.com

WHAT TO READ NEXT...



U.S. NEWS

Influx of Younger, Wealthier Residents Transforms U.S. Cities



A-HED

Want to Cheat Your Fitbit? Try a Puppy or a Power Drill



AUTOS

Tesla Motors to Restart Sales of Lower-Range Model S Sedan



TODAY'S MARKETS

Stocks Decline Along With Bond Yields

Copyright 2014 Dow Jones & Company, Inc. All Rights Reserved

This copy is for your personal, non-commercial use only. Distribution and use of this material are governed by our Subscriber Agreement and by copyright law. For non-personal use or to order multiple copies, please contact Dow Jones Reprints at 1-800-843-0008 or visit www.djreprints.com.