Are Annual Performance Reviews Still Relevant in 2026? - ISB Executive Education

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Executive Summary

This article, authored by Hemant Kakkar, Associate Professor of Organisational Behaviour at ISB, examines whether annual performance reviews retain utility in 2026. The central argument is that traditional once-a-year review cycles are increasingly misaligned with contemporary workforce expectations, technological realities, and organisational agility demands. The author traces the historical origins of formal performance evaluation to World War I military practices, chronicles the rise of forced ranking models at GE in the 1980s, and documents the subsequent adoption of annual reviews across 90% of US employers. Key evidence presented includes: a 5,500-hour annual time cost for a 100-person firm; a finding that 67% of Generation Z employees prefer ongoing feedback; data indicating 22% of employees have taken sick leave on review day; and a Workleap global study reporting 83% of employees value receiving feedback. The article concludes that continuous performance management models — characterised by frequent check-ins, psychological safety, and development-oriented feedback — better serve today's workforce. The implications drawn favour a systemic transition away from episodic, high-stakes annual reviews toward embedded, technology-supported feedback cultures.

Key Insights

1. Annual performance reviews have roots in World War I military assessment practices and were adopted by approximately 90% of US employers by the latter half of the 20th century, yet nearly 90% of managers report dissatisfaction with the current annual review process.

2. A 100-employee organisation dedicates an estimated 5,500 hours annually to the performance review process alone, raising questions about opportunity cost relative to real-time coaching and capability development.

3. A Workleap study across 150+ countries and 1,000+ organisations found 83% of employees value receiving feedback — including corrective feedback — yet 64% believe the quality of feedback delivered needs to improve, pointing to a skill gap in feedback delivery rather than a rejection of feedback itself.

Practical Takeaways

• Organisations transitioning away from annual reviews — as documented in the cases of Kelly Services, Deloitte, PwC, and GE — have adopted agile, real-time assessment frameworks intended to reduce administrative burden and improve engagement.

• Research cited in the article links psychological safety and supportive, specific, non-judgemental feedback to greater learning behaviour and team performance, suggesting that feedback culture design has measurable implications for organisational outcomes.

Frameworks Mentioned

Forced Ranking — A performance evaluation method, first introduced by GE in the 1980s, in which employees are assessed relative to one another rather than against defined individual standards.

Critical Analysis

Strengths: The article synthesises historical context, workforce trend data, and organisational examples into a coherent narrative. It cites specific statistics (e.g., 5,500 hours, 22% sick leave, 67% Gen Z preference) and references a named external study (Workleap). It includes a direct academic quote from the author providing a theoretically grounded perspective on psychological safety and feedback. Limitations: Several statistics lack precise sourcing within the article body — the 5,500-hour figure and 35% inequity perception are presented without attributed studies. The Workleap study is industry-commissioned research, which introduces potential vendor bias. The article does not present counterarguments or evidence in favour of retaining structured annual reviews under any conditions. The framing is normative throughout, with the 'way forward' section functioning as advocacy rather than neutral analysis. The author's institutional affiliation (ISB Executive Education) suggests a promotional context for CPM-oriented executive education. Geography of evidence is skewed toward US and global aggregates, limiting applicability to diverse regional contexts.

Organizational Practice

The article documents that Kelly Services eliminated annual reviews and that Deloitte, PwC, and GE subsequently adopted agile, real-time assessment frameworks. It describes the conventional annual review process as a once-a-year self-assessment followed by a structured managerial discussion. It also references organisations using continuous check-ins, technology-enabled feedback loops, and ongoing development conversations as emerging practice alternatives.

Strategic Implications

The article positions the decline of annual reviews as part of a broader reconfiguration of performance management toward continuous, technology-mediated, and psychologically safe feedback environments. If the cited adoption trends among large employers (Deloitte, PwC, GE) represent a leading indicator, the structural role of the annual review cycle in reward allocation and talent decisions may be diminishing. The emphasis on feedback quality over frequency — noted in the Workleap data — points to manager capability development as a potential constraint on CPM effectiveness. The resource-cost framing (5,500 hours per 100 employees) introduces an efficiency lens that may be relevant to HR investment prioritisation discussions.

Validation Status: passed
