
A Flexi-Work World Needs New Performance Appraisals



By [Chengyi Lin, INSEAD](#)

Adopting the right metrics could help align objectives and encourage more companies to embrace flexible work arrangements.

Although the days of full remote work may be over, many employees have expressed a desire for flexible work arrangements. But with Covid-19 **no longer a global health emergency**, more organisations could demand that people return to the office – setting the scene for an inevitable tug-of-war.

Some organisations including Google, Meta and EY have continued to allow teleworking in some capacity, but others have followed the lead of Twitter’s new boss Elon Musk and insisted on calling employees back to the office full-time. Some of the downsides of flexi-work that often come up are onboarding difficulties, the logistical challenges of asynchronous work, the erosion of team cohesion, culture and collaboration, and the risk that employees may become demotivated.

There have always been inherent tensions and misalignments between employer and employee goals. Many of them are now amplified by flexi-

work. Managers may prefer an in-person work environment for reasons of control and ease of coordination. Employees tend to prioritise convenience and efficiency, as well as meaningful collaboration. Organisations value performance, culture and talent development.

An unlikely solution lies in tweaking the performance appraisal system. Doing so could help align priorities, build common ground and create an organisational culture in which flexible work arrangements help people and businesses thrive.

Managing the tensions

Performance appraisals have long been a critical aspect of business performance and talent management. Besides marrying individual and organisational goals, they help move the organisation forward collectively during periods of change.

Traditional performance measurements tend to focus on concrete, easy-to-quantify metrics, such as closing deals, hitting sales targets and attracting new users. But in recent years, digital transformation, the sustainability push and growing social consciousness have called for firms to look beyond financial output. In this broader context, the shift to flexi-work is a prime opportunity for firms to balance their performance appraisals with additional measurements on collaboration, engagement and contributions to organisational culture.

Without appropriate measures, misalignments are bound to occur. For instance, the **Microsoft New Future of Work Report 2022** showed that employees and managers often define productivity differently. The **Microsoft 2022 Work Trend Index** revealed that while 80 percent of employees self-reported short-term productivity gains since going remote, 54 percent of business leaders expressed concerns about the negative impacts.

A better performance appraisal system could be a useful tool to align these diverse views and complement flexi-work policies, while improving how organisations assess their employees. It can also serve the often-overlooked function of nudging appropriate behaviours and help companies be more successful.

Moving to an outcome-driven system

Managers concerned about asynchronous work often champion a return to the office. However, this could give the wrong impression to their teams that they value presenteeism and the performative aspects of work. But an employee's presence in the office doesn't necessarily equate to them being productive. People busy polishing their resumes or responding to LinkedIn posts are hardly productive even if they appear hard at work while sitting next to the manager's office.

Adopting an outcome-based appraisal system – rather than one that emphasises productivity KPIs such as the number of hours worked or the time spent on each customer call, which are less applicable to a flexi-work environment – can help prevent this. It can also move the conversation towards collective problem-solving and build trust between managers and their reports.

The best organisations will embrace KPIs measuring outcomes the team must accomplish, such as customer satisfaction and retention, operational improvements and user acquisition costs. This could help employees understand organisational-level objectives, define their corresponding role, and allow them to decide how to make the best use of their time to achieve those goals. By guiding behaviours towards more long-term oriented solutions, outcome-driven appraisals can do a much better job than conventional models of ensuring continued success for the company.

The Lego Group, for example, uses **customer pulse**, a key metric that measures the engagement of its end users across functions. This continuous measurement is directly and periodically collected from their consumers and focuses the entire company on the key value driver: customer engagement with their product.

This shared measurement creates a common language for alignment among the company's Billund global headquarters, digital office in Copenhagen, online channels and physical stores. It breaks down functional silos, product line barriers, geographic boundaries and time zone discrepancies, and unites everyone around a common objective. Meanwhile, financial metrics such as EBIT (earnings before interest and taxes) account for less than 30 percent in the company's senior executive appraisal system.

Investing in employees

Companies that want to retain talented employees in an intensely competitive landscape should continuously invest in their people's development and ensure that the performance appraisal can motivate workers to hone their skills and spur professional growth. But hybrid work challenges these aims by creating a sense of distance between employees and their managers.

Firms must therefore become more sophisticated about their appraisal policies to better engage workers. One way to do this is to prioritise individual growth on top of existing performance and efficacy goals.

Decades of research by organisational behaviourist [Edward L. Deci and others](#) has shown that extrinsic factors, such as bonuses and salary bumps, can improve productivity and quality for manual labourers. But for work that is more intellectually challenging and requires creative problem-solving skills, intrinsic motivations are generally more effective.

This can be honed through an appraisal process that invests in the professional development of employees, harnesses their intrinsic motivations and ties these to rewards, recognition and attractive new opportunities. For instance, single-contributor specialists who enjoy their work might prefer being recognised through a company award from the CEO instead of a promotion to a people-management role. An experienced supervisor might glean more fulfilment from mentoring younger colleagues rather than being tasked with more projects to oversee.

Additionally, companies could alter the timeline of their appraisal process. Instead of conducting one or two big annual reviews, managers can initiate smaller and more frequent check-ins with team members. For example, Google guides supervisors to have periodic conversations with employees on their career aspirations, development areas and opportunities.

As face time between managers and employees has decreased due to flexi-work, frequent check-ins can facilitate regular engagement and connection despite the physical gap. Effective managers tend to focus on providing immediate and actionable feedback after major events to help employees improve. Such frequent and constructive feedback is in stark contrast to the usual "record-keeping" approach that simply logs the evidence of achievements and mistakes.

Fostering team culture and camaraderie

To nurture team culture amid asynchronous work, new appraisal systems can pay equal attention to an individual's contributions to their team and organisational culture as to the firm's financial performance. This can improve communication and coordination and prevent the development of silos, which can erode a sense of belonging.

Workers are generally not opposed to going to the office. But given the costs of the commute and the time "lost" on many in-person meetings, the in-office experience needs to be reframed as important, quality time for building team culture and strengthening social ties with colleagues. To help achieve this, performance appraisals could measure a person's contributions to others' learning and development, team morale and psychological safety, which are often best achieved through meaningful in-person interactions.

Top consulting firms such as BCG, Bain and McKinsey, as well as Microsoft, measure team satisfaction and client net promoter score as part of their performance appraisals, which can carry as much weight as project delivery and financial performance. They also solicit peer-to-peer and internal stakeholder feedback on individuals' contributions to team, culture and co-workers' development to gauge the impact of collaboration. These measures support community building and help people leverage one another's unique strengths, while ensuring that time spent in the office is purposeful and meaningful.

With reduced face time between managers and employees, performance reviews could supplement manager evaluations with feedback garnered from an employee's team members. This can give a more holistic and accurate picture of how workers are faring and the impact of their performance on a wider range of team members, which may not be directly or immediately visible to managers.

When French multinational Schneider Electric implemented 360-degree feedback for all senior managers, **85 per cent of employees** said they found this approach gave them a more positive working experience and strengthened employee engagement overall. The results are analysed and shared annually to create a sense of leadership effectiveness and culture evolution across the company. This gives employees skin in the game and a stake in the company, even if they all work asynchronously.

To sum up, the ideal performance appraisal system for a flexi-work world must account for a holistic range of factors beyond purely measuring

performance and productivity. It should prioritise caring for the well-being and growth of individuals, cultivating trust and camaraderie within – and across – teams, building psychological safety and creating an organisational culture that encourages innovation.

Simple policies to force workers back to the office may trigger negative emotions. Creating an outcome-driven performance review system could steer companies on an effective path forward for the future of flexi-work.

This article is adapted from a [commentary](#) published in The Straits Times.

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About the author(s)

Chengyi Lin is an Affiliate Professor of Strategy at INSEAD.