How Microsoft Refashioned Its Performance Management

About Microsoft

Microsoft is a multinational technology company that develops, manufactures, licenses, supports and sells computer software, consumer electronics and personal computers and services. Its software products include Microsoft Windows operating systems, Microsoft Office, and Internet Explorer, and its hardware products include Xbox game consoles and the Microsoft Surface tablet lineup.

The company is active in areas including Internet search, video games, digital services, tablet computers and mobile phones.

Company Values

- Integrity & Honesty
- Open & Respectful
- Passion
- Accountable
- Big Challenges
- Self Critical

Industry:

Technology, Business Software and Services

Year Founded	# of Employees	Revenue
1975	118,584	$93.58 billion

Microsoft's Performance Management Problem

The Old System

- Performance review: Bi-annual

- Ratings: On a scale from 5 to 1

- Stack ranking

- Calibration

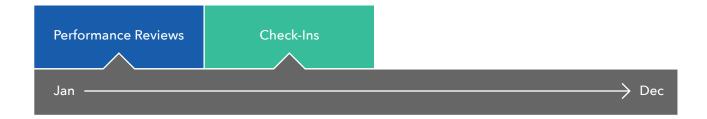- Tie to compensation: Annual bonus tied directly to rating

Incentive for Change

"People planned their days and their years around the review, rather than around products. You really had to focus on the six-month performance, rather than on doing what was right for the company."

— Anonymous employee, Vanity Fair

Reflektive

Microsoft's New Performance Management

Performance Reviews	Check-Ins

Jan ——————————————————————→ Dec

In 2013, Microsoft eliminated stack ranking and ratings following the departure of CEO Steve Ballmer. The company kept annual performance evaluations, adding in check-ins with managers so employees get developmental feedback. A check-in is a structured conversation between managers and direct reports to touch base on goal progress, development or competencies. Managers are given more influence over raises, promotions and bonuses, and some departments still use calibration to make decisions on rewards.

Adapted

- Annual review

- Compensation: Managers given annual budget

- 360 review: Nominate peers to review you

- Calibration: Managers gather to decide promotions and bonuses

Eliminated

- Stack ranking

- Ratings

New

- Check-ins: Bi-monthly with manager

"Our new approach will make it easier for managers and leaders to allocate rewards in a manner that reflects the unique contributions of their employees and teams."

– Lisa Brummel, Microsoft

Want a performance management solution like Microsoft's?
Contact Reflektive to get our intuitive, agile product configured to your needs.