Tech Companies Tilt Power in Their Favor With Performance Reviews



Illustration by Laurent Hrybyk.

By Mark Matousek and Malique Morris

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Comments by Alan Trerise, Syed Ashrafulla, and 5 others

Nearly six months ago, Shopify promised staffers it would raise everyone's salary, hoping to keep people from jumping ship as their share-based pay slumped along with the company's stock price. Instead, after a hastily assembled performance review process, the e-commerce software giant decided to give only a select number of employees a pay raise.

It also decided to quietly cut about 50 workers in June, a person familiar with the

matter told The Information, which became a prelude to broader layoffs at Shopify undertaken in July. The switch reflects just how much the employment dynamic has changed at tech firms amid mounting economic worries and a renewed investor focus on profitability.

While widespread layoffs have captured headlines, tech executives behind the scenes have been turning up the heat on employees by giving performance reviews more teeth—setting the stage for a steady stream of worker exits in the coming months. For staff used to being coddled with softball reviews, the new approach represents a stark change in tone.

The Takeaway

- Shopify quietly cut workers based on performance ahead of layoffs
- Gemini put in place new performance criteria and reporting lines
- SpaceX tracks employee swipe cards to monitor attendance

Shopify rethought its plan to raise everyone's base pay just a few weeks after announcing it in March. By April, senior leaders told lower-level team leads they needed to fast-track reviews over two to three weeks instead of the usual six to determine who would actually receive a salary bump, a former employee told The Information.

Only employees ranked "positive" or "high positive" on performance turned out to be eligible for the increase, the former employee said. And the company let go dozens of people in June for performance-related issues—weeks before it announced layoffs that slashed 10% of its 10,000-person workforce and admitted that it had overhired during the pandemic-driven online-shopping boom.

"Our new system is designed to ensure compensation increases are directed towards employees who are consistently contributing to our mission and demonstrating positive impact in their roles," a Shopify spokesperson said, adding that employees who aren't currently eligible for the new higher base pay can become eligible if their performance improves.

As more than a decade of easy money comes to an abrupt end amid an economic downturn, it's not just Shopify executives who are leaning on performance management to cull a bloated head count. Leaders across the tech industry have been setting a new, more stringent tone with their employees—and in some cases formalizing new performance goals and review processes.

Akash Bhatia, a managing director at Boston Consulting Group who works with tech companies, said he has advised clients in recent months they should make operational improvements that are deeper than a one-time layoff.

"You actually have to go and see how work is being done, who's doing what, analyze it and then design the next iteration of that," Bhatia told The Information. One step some of his clients have taken is making performance reviews more rigorous, a major reversal after a period when they feared employees might leave if they

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received negative feedback or even insufficient praise.

Crypto exchange Gemini wasn't shy about putting workers on high alert when it cut 10% of its roughly 1,000-person workforce in June. Gemini co-founders Cameron and Tyler Winklevoss told employees during an all-hands meeting that their departed colleagues were low performers, according to two people familiar with their remarks. They also described a challenging road ahead for workers remaining at the company, likening it to climbing Mount Everest, the two people said. Just seven weeks later, Gemini reportedly did another round of job cuts.

In the months leading up to the layoffs, Gemini had revamped its org chart to assign one manager complete responsibility for each line of revenue, the two people said. It also gave those managers colorful new benchmarks for evaluating their workers, like how many "mountains" their employees had moved or whether they had a "champion's heart."

Gemini didn't respond to a request for comment.

Makers of performance management software have a unique line of sight into the transformation. Jenny Herald, vice president of product evangelism at Gtmhub, which makes goal-tracking software and counts more than 1,000 customers, told The Information she's been hearing startup founders talk about efficiency and goal setting with a new sense of urgency in recent months.

And Gtmhub, which was founded in 2015, has been no different from the customers it works with. Recently, the company has focused on making its sales process more effective by improving the training process for its salespeople and making it easier to create demos for potential customers. "This hyperfocus on working on the things that really matter for the business has been accentuated, even for us," Herald said.

Bellwethers like Google parent Alphabet and Meta Platforms have likewise made their stance on their performance clear to employees in recent months. Both have frozen hiring but so far have stopped short of mass layoffs. In July, Maher Sab, Meta's vice president of remote presence and engineering, wrote on an internal messaging board that managers should "move to exit" poor performers, noting that anyone who was "coasting" was "failing the company." Alphabet CEO Sundar Pichai, meanwhile, told employees in a July email to work with "greater urgency, sharper focus, and more hunger," CNBC reported.

And at some firms that had set performance targets before the downturn, pressure is likely mounting on employees to meet goals that now seem overambitious. As of January, TikTok aimed to grow revenue from $4 billion from 2021 to $12 billion this year, The Information previously reported. But social media companies have seen a slowdown in revenue growth as advertisers start to tighten their belts, likely moving some workers' targets out of reach.

After two years of remote work for many tech startup employees, some executives have prodded workers to spend more time in the office in the hope of increasing productivity. In May, CEO Elon Musk told employees at SpaceX and Tesla they would

productivity. In May, CEO Elon Musk told employees at SpaceX and Tesla they would need to spend at least 40 hours in the office each week if they wanted to keep their jobs, and he later suggested on Twitter that some remote workers merely "pretend" to work. Since then, some employees at both companies have received warnings if they or their reports haven't used their badges to enter the office frequently enough, according to people familiar with the warnings. The badge audit at Tesla was previously reported by Insider. SpaceX didn't respond to a request for comment.

Some are arguing for a different approach from simply turning up the heat on workers. Benjamin Tauber, an executive coach who works with startup founders, teaches his clients mindfulness techniques including meditation, visualization and focused breathing to help them work more effectively.

He said in the past three months he's received more interest from potential clients and noticed that his current clients have become more dedicated to following his advice. "All of us have had the experience of someone—a teacher, a coach, a parent—yelling at us to work harder and work longer," Tauber said. "And no one likes it."

—Becky Peterson contributed reporting.

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Conversation 7 comments



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How quickly we go from "quiet quitting" to "quiet layoffs".

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There is a thread to pull on here in the comment from the managing director Akash Bhatia. The director said "you actually have to go and see how work is being done." I wonder how much underperformance is due to systems and not people. For example, releases may be slowing at larger companies who spend more time on reliability and security audits that are confusing to navigate.

Sometimes real velocity comes not from cutting underperformers but rather from streamlining and codifying processes.

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Underperformance has also been due to over hiring and tagging them to roles they have not done previously before and have no knowledge of it. Decreases the team morale and decreases the overall productivity of the team.

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Dave Hendricks
CEO and Founder
Vertalo

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How quickly the ‘Great Resignation’ morphs into the ‘Great Performance Review’ to provide cover for the ‘Great RIFF’. At least the pandemic pets will have their masters back!

What happens to ‘Remote-First’?

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Peter Bell
Founder/CTO
Geeks Who Lead

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> What happens to 'Remote-First'?

Dave Hendricks I think it continues to be a way for smart companies to access better talent at a more affordable rate and to ship high quality software without wasting time commuting :)

Seriously, while work from home, pandemics and quiet quitting all seem to have been conflated recently, remote first is an awesome basis for a company - it just requires more precision from managers.

I think like in-person it breaks down at scale (it's just hard to put 10,000 people in a single office where they can all effectively mingle, and it's equally hard to find a team of 10,000 none of which want to be able to work in offices) which is why most companies at scale are distributed with a combination of onsite and remote work, but I've seen a lot of capable companies doing very well with remote-first workforces.

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Dave Hendricks
CEO and Founder
Vertalo

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IMO once a company reaches 10k ppl, it’s not in a single office so you can be cute and call that

remote.

But I would bet on 500 person office-based company over a 10k all-remote company every time.

Sure, SOME customer success and some programming can be done remotely. Sales has historically been a mix.

Believe it or not, some people like working in offices. Some don't. We do in-office for staff development and info sec. We can develop faster, but it's not cheaper.

Peter Bell

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Peter Bell
Founder/CTO
Geeks Who Lead

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Dave Hendricks Agreed - much beyond 500 people and it's basically distributed (even if there is a single campus it's unusual for all the people to meet each other in person - just within teams).

I'd take your bet on in-office vs remote though. There are some real issues with remote first - especially in terms of career development and mentoring for juniors, but people are running some good experiments and finding patterns that work pretty well, and I'll take a team of senior devs at home where they don't have to put headphones on to actually focus on coding over the same devs stuck trying to do deep work in an open floorplan hellscape any time :)

I think it's more of a wash if every dev gets their own office and door and there are minimal interruptions from the rest of the company, but open plan offices are just horrible for deep work (but funnily enough they're awesome for managing - and it's the managers who determine the office policy :)).

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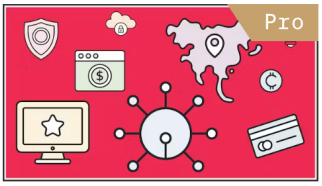
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