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Hudson is worldwide one of the five largest players offering highly specialised professional recruitment, recruitment outsourcing, talent management and related staffing services and solutions.

An integrated approach within an international network enables Hudson to offer its clients total solutions. With a global presence of more than 2,000 employees the Hudson Group Inc. worldwide has offices in Europe, The United States, Canada, Australia and Asia. Our European Division counts 1300 staff in the following countries: Belgium, the Czech Republic, Denmark, France, Hungary, Ireland, Netherlands, Norway, Poland, Slovakia, Spain, Sweden, UK and Ukraine.

Hudson Belgium, founded in Belgium as De Witte & Morel in 1982, is present since 30 years in Belgium in providing recruitment and talent management advisory services. Hudson Belgium employs some 210 employees and has nearly 30 years of successful experience in consultancy, advising and supporting the process of recruitment and selection and making the match between employers and employees, and the talent management. Thanks to a strong innovation, supported by our own R&D department and the strength of an international group, our 210 employees manage to offer a real added value to our customers.

Organizational Talent Management is a branch of Hudson, focused on analysing and designing organisations in terms of structure, processes, company culture, management style, decision-making processes, coordination / communication processes and the HRM policy. Experts advise and guide organisations in important HRM processes as job grading, reward management, competence- and performance management and talent review / succession planning.

Small, medium-sized, large local and multinational businesses, in public as well as in the private sector, use Hudson’s services to assist them with the attraction and management of their human potential.
ABOUT THE CENTRE FOR EXCELLENCE IN STRATEGIC TALENT MANAGEMENT

Vlerick’s Centre for Excellence in Strategic Talent Management (STM) has built up more than 20 years of expertise in the field of talent management and HRM at large. The Centre’s mission is to put Strategic Talent Management on the map as a strategic ‘decision science’ in today’s organizations. In line with the idea expressed by Boudreau and Ramstad, we believe that ‘Talent Management is to HR what finance is to accounting and what marketing is to sales’.

The Centre focuses on managing employee performance and development in both the short and long-term. It conducts business-relevant research and offers its member organizations access to a unique knowledge platform. Specific attention is paid to developing practical relevant insights and tools that support organizations in enhancing their talent management practices and becoming high performance organizations.

In sum, the Centre for Excellence in Strategic Talent Management creates an effective breeding ground for individual and organizational learning and development by:

- Exchanging visions and practices
- Conducting rigorous research that is relevant to practice
- Developing and testing new management concepts
- Updating, improving and adapting existing tools to respond to changes in the environment
- Sharing and transferring knowledge among the Centre’s members (workshops, HR day, residential seminar, round tables, …)
- Networking amongst colleagues

More than 20 companies are part of this leading network in Strategic Talent Management. Interested in joining as well? Feel free to contact us!
Nowadays, performance management is very much in the limelight. More and more organisations are looking to change and update their approach to performance management in order to improve its effectiveness. The question remains, however, what companies should do exactly. This report is designed to outline some current evolutions and describe key components that lead to effective performance management. The report includes several research findings from the Vlerick Centre for Excellence in Strategic Talent Management on the effectiveness of performance management systems and its link with engagement. Six key components for effective performance management are presented: 1) continuous feedback, 2) focus on development, 3) role of the people manager, 4) appreciative climate, 5) collective ambition and 6) recognizing contribution.

Specific examples from companies are highlighted to illustrate how each of these components can be implemented. Although there’s no one size fits all approach, these examples might give some inspiration.

We hope this report helps organisations to create an effective performance management process, which is foundational to achieve high levels of performance and engagement.

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In many companies, performance management is restricted to annual performance conversations. A recent study on the effectiveness of performance management revealed that for the majority of employees setting objectives (72.2%), discussing progress (73%) and evaluating performance (84.7%) together with their manager occurs once a year or less. Moreover, 79.8% of the employees indicated receiving informal feedback monthly or less often. Strikingly, 27.9% of these respondents even report receiving informal feedback from their manager only once a year.

This is remarkable, since today’s organisations are operating in a world characterized by Volatility, Uncertainty, Complexity and Ambiguity (VUCA). This VUCA environment reflects an increasingly unstable and rapidly changing business world which often makes it difficult to make plans for the long-term future. To thrive in a VUCA world, organisations must be able to adapt and respond to change. This has implications for performance management. The context in which organisations operate rarely follows an annual performance cycle. Instead, expectations and goals change as business direction changes.

Given this, it’s not surprising that employees who have more informal feedback conversations with their supervisor consider the performance management process to be more effective and they are more engaged than those who receive little informal feedback. Instead of merely conducting a yearly performance appraisal and review, timely and accurate feedback through regular, informal performance conversations should be a key element in every performance management process.
COMPANY SPOTLIGHT:
EVERYDAY PERFORMANCE MANAGEMENT AT CARGILL

One company that has pioneered in transforming their performance management into a continuous feedback process is Cargill. Cargill is an international producer and marketer of food, agricultural, financial, and industrial products and services. It is a global company with 140,000 employees in 65 countries, about 80% operating in production environments.

In 2010, Cargill’s complex external environment was changing rapidly, requiring the company to become more agile, reduce complexity, and simplify processes in order to focus on creating value to their customers. In response to these business priorities, Cargill abolished its traditional approach and implemented a new process, called Everyday Performance Management, instead. The new process was designed to focus directly on driving key behaviours that matter every day. The Everyday Performance Management approach was built on the following core principles:

- Effective Performance Management is an ongoing process, not an annual meeting and a form to complete.
- Day-to-day manager and employee practices predict the quality of performance management, rather than forms and scales.
- Employee-manager relationships are at the heart of effective performance management.
- Performance management systems need to be flexible to address different business needs.

Cargill strongly simplified the requirements. Not only to save time and labour costs, but also to reduce the extent to which performance management is viewed as an annual administratively-complex event that contributes very little to individual and organizational performance. The primary focus of Everyday Performance Management is more frequent manager-employee one-on-one discussions throughout the year. The simplified process has less system requirements in order to dedicate more time for collaboration between the manager and employee to strengthen the relationship, build trust, and increase employee engagement. At Cargill, these changes have resulted in increases in both manager and employee satisfaction and engagement.

In order to enable Everyday Performance Management, Cargill invested in strengthening related capabilities of both managers and employees. This included building trust, effective communication and effectively delivering and receiving feedback.

Our research shows that discussing an employee's professional development and career expectations increases the motivating impact of performance management conversations significantly. Unfortunately, of all topics addressed during these conversations, professional development and career expectations are the ones that are discussed the least. The topics which managers especially take up with their employees are performance feedback, the way the job is done (i.e. employee behaviour) and individual targets. Although these are important, employees clearly value having conversations that support them to improve their performance in the future and tailor their career paths.

This shows the importance of shifting the emphasis from assessing past performance to fuelling performance in the future. The ultimate goal of every performance management process is to continuously stimulate employee performance. This can only be realized if employees are provided with developmental feedback and opportunities for growth. There's no point in letting employees know they didn't meet expectations if there isn't also a future-oriented discussion on how exactly performance can be improved. In this view, it's important that attention is paid to possible actions that employees can take, as well as the resources and support that is needed to achieve goals. Crucial questions are: What do employees want to achieve? And what help do they need to achieve this?
COMPANY SPOTLIGHT:
FOCUS ON GROWTH AND DEVELOPMENT AT TRIFINANCE

TriFinance, a finance service provider with approximately 400 employees in finance and control, strongly believes in the importance of the growth and development of its employees. TriFinance believes that employees grow when they get the freedom to make their own choices, combined with mentoring and coaching. They refer to their employees as ‘Me Inc’-ers, which stands for ‘Me Incorporated™’. This means that every employee is considered as a small company on their own who has plans to develop their career and prepare for the future.

To support employees in structuring and visualizing their own growth and development, TriFinance developed an online platform called ‘Living Me Inc’. The Living Me Inc. platform captures a process which starts with a self-analysis, leading to a development plan and resulting in specific actions to take, after which the process can start all over again. This online development tool helps employees find their destination and determine the next steps in their career. Ultimately, it’s the employee who decides which direction he or she wants to take.

The first step within ‘Living me Inc’ supports employees to reflect upon their own accomplishments and to map out 1) what they can (what are my competencies?), 2) what they like (What are my preferences?, 3) What gives me energy? (What are my values?) and 4) what they want (What is my context? What do I want to achieve both professionally and personally?).

The second step, is to compose a development plan, with concrete actions on how to achieve their goals. Every employee who uses ‘Living Me Inc.’ also has a career coach, who regularly holds up a mirror and follows up on the development of their employees.

A third step is the alignment with the organisation. This means that the employees discuss their insights and future plans with their supervisor in order to match the current projects they are working on to the development plan of the employee. This way a link is created between the growth of employee and the ambitions of the business unit.

TriFinance strongly believes in helping employees find their own destination, both within and outside the company.

Source: this case was presented by Maddy Lauwers and Marjan Schollaert, director and HUB manager of TriFinance, during a workshop of the Vlerick Centre for Excellence in Strategic Talent Management (2015).
A recent study within the Centre for Excellence in Strategic Talent Management revealed that the manager’s leadership behaviour is the most important factor influencing the effectiveness of performance management and the engagement of employees. Employees working for a manager who adopts an empowering leadership style are motivated and engaged and view the performance management process as effective. However, employees whose supervisors score low on empowering leadership are not satisfied with the performance management process and have lower engagement levels. In the study, the impact of 5 ‘empowering leadership’ dimensions was investigated: leading by example, participative decision making, coaching, informing and showing concern. The supervisors scored the highest for leading by example (3,56 out of 5), followed by participative decision making (3,42 out of 5), informing (3,35 out of 5), showing concern (3,18 out of 5) and finally coaching (2,83 out of 5). With average scores between 2.83 and 3.56, employees indicate that their supervisors could perform much better on these dimensions. Interestingly, of all dimensions, the dimensions ‘coaching’ and ‘showing concern’ showed to have the largest impact on employee engagement, whereas it are the dimensions on which supervisors are rated the lowest by employees.

Clearly, having great people managers is essential to the success of the performance management process in any organisation. No matter how the process is designed – if managers don’t have conversations with their employees in an empowering manner, the process isn’t motivating and effective. Organisations need to invest in their managers and provide them with the necessary resources and support to refine and cultivate their people management skills.
Facebook strongly believes that the manager trumps the brand. In 2011, when Facebook was growing quickly, the company noticed that the gap between their managers that were doing a great job and those who weren’t was increasing. Hence, developing great managers who supported the company culture and values became a priority for Facebook. To this end, they put together a programme called ‘manager effectiveness’, which has become a way of working within Facebook. The programme consists of 3 main pillars:

1. **CLEAR EXPECTATIONS**
   The first thing Facebook considered was clarifying exactly what they expect from their managers. Instead of developing a competency model, Facebook wrote a ‘manager philosophy’ to help managers understand what’s expected from them. According to this philosophy, managers should be:

   - **Setting the context:** Helping employees understand how the work of their team and each individual fits within the bigger picture. It’s also about helping people making sense of change and why that change might affect their role;
   - **Creating focus:** Focusing on the things that really matter, rather than getting distracted by many things that can come along the way. Ensuring clarity of expectations and setting the bar high. Establishing goals at regular intervals that make sense for the team. Evaluating progress and providing real-time feedback;
   - **Driving impact:** Coaching & guiding people to results, without controlling the process. Supporting bold moves, giving more responsibility rather than less and recognizing great performance;
   - **Cultivating growth:** Organizing their team so that people can discover and play to their strengths. Being an effective coach for their people. Finding opportunities for their team members to learn new experiences and to develop themselves.

2. **SUPPORT & DEVELOPMENT**
   Every manager needs to take part in a one-day workshop, during which they go through the manager philosophy and how they can bring this in real daily life. The workshop also introduces core foundational skills that managers need in order to be successful, such as situational leadership skills, having difficult conversations, managing to strengths. Facebook strongly believes however, that the real learning happens in real-life, when managers are trying to put these skills in practice. Hence after the workshop, development of managers is individual. All managers are given the opportunity to work with an external coach. Development opportunities are not only directed by the managers themselves, but also by their peers.

   Development within Facebook is built on strengths and passions: strengths are considered as something which employees love to do, instead of just something they are good at. Facebook believes people can only flourish when they are developing their strengths.

3. **ACCOUNTABILITY**
   The third pillar is about accountability. Facebook wants their people managers to have a passion for people management. If an employee wants to become a manager, they really have to want to do (or try) it and not be forced into it. To support this, Facebook provides dual career tracks in which employees are either individual contributors or managers. This entails that employees are allowed to reach senior positions without managing people. Becoming a people manager in Facebook is thus a lateral movement, without a salary increase or added benefits. Facebook regularly checks with their managers whether they still want to be a manager, to move them back where their strengths are.

Source: this case was presented by Jeff Turner, L&D manager at Facebook, during a workshop of the Vlerick Centre for Excellence in Strategic Talent Mangement (2014).
In 2008, Google launched its Project Oxygen in order to optimize its management and have it organically fit within Google's unique culture. Google identified 8 key behaviours demonstrated by the company’s most effective managers:

1. Be a good coach
2. Empower the team and do not micromanage
3. Express interest in and concern for team members’ success and personal well-being
4. Be very productive/results-oriented
5. Be a good communicator—listen and share information
6. Help the team with career development
7. Have a clear vision and strategy for the team
8. Have key technical skills that help advise the team

Teams working for the managers who achieved a high score on these behaviours performed better and showed less turnover. Google found that the manager’s quality was the single best predictor of whether employees would stay or leave. Moreover, employees with high-scoring managers consistently reported greater satisfaction in multiple areas, including innovation, work-life balance and career development.

Today, the oxygen project has grown into a comprehensive program that measures the key management behaviours and cultivates them through communication and training. Every 6 months, Google surveys teams anonymously to see how their managers are doing. As a result, each manager gets a report with the percentages of favourable answers, measured against their last report and the global average. Managers are strongly encouraged to share and discuss these results with their team to foster a discussion on how to lead better. These survey results are only used for developmental purposes and they don't influence the manager's performance ratings or compensation.

Google has seen a steady improvement in manager quality. The average overall score for managers across Google rose from 83% in 2010 to 88% in 2012, and the score of the lowest-performing of managers improved from 70% to 77%.

Traditional performance management systems often focus on identifying employees’ weaknesses and ways to counteract or ameliorate these. Such a weakness-based approach, however, often does more harm than good in terms of helping employees improve their performance. A growing body of research shows that building on strengths is more effective than focusing on weaknesses and shortcomings. Employees who have opportunities to put their strengths into play are more likely to show high work performance. They not only adequately fulfil their required tasks, they also better adapt to change and act more proactively in their work environments.

A strengths-based approach to performance management focuses on identifying and recognizing employees’ strengths. This requires an appreciative climate in which managers provide positive feedback on what employees are doing and encourage the continued and further use of their strengths. In this view, especially employees’ strengths are considered as a great potential for growth and development. By highlighting how strengths can generate success on the job, managers can motivate employees to maximize the use of their strengths and perform even better in the future. A strengths-based approach doesn’t mean that a discussion about business-critical weaknesses should be completely abandoned, rather these should concentrate on changeable knowledge and skills rather than talents.
In 2009, SodaStream, an Israeli multi-national corporation, introduced ‘strength-based employee evaluations’ to make their PM more meaningful and useful. These evaluations are based on the feedforward interview (FFI). The FFI protocol is intended to enhance employee performance and improve collaboration between employees and managers by focusing on the positive aspects of employee experiences, instead of focusing on what goes wrong. During the FFI, employees are asked to tell a specific success story (even if it is a story from a previous workplace), with a view to creating the same facilitating conditions for success in the future.

At SodaStream, the strengths-based evaluation process has been separated into two meetings between the employee and manager:

In a **first meeting**, managers interview their employees with FFI. They also tell their employees a short story regarding an aspect of work that made them appreciate, feel enthusiastic and be impressed with the employee. Next, employees are asked to fill out questionnaires about the facilitating conditions they had in their FFI story and about the strengths discovered from both their own story and the one of the supervisor. Both managers and employees evaluate how crucial each of the conditions were and evaluate how prevalent these same conditions are currently expressed within the job.

In a **second meeting**, managers hold a discussion with their employees to expand the expression of the employees’ strengths in the workplace. Both manager and employee think about how to recreate the work conditions that the employee needs to flourish and how to find one or more ways of using existing strengths in a novel way.

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**COMPANY SPOTLIGHT:**

**A STRENGTHS-BASED APPROACH AT SODASTREAM**

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The feedforward survey

1. In the first column below, describe the conditions that facilitated your story.
2. Rate the contribution of each of these conditions to the success in your story using a scale ranging from 5 to 10, where 10 means “crucial and essential contribution” and 5 means “important, but not crucial”.
3. Rate the degree to which each of these conditions currently exists in your work on a scale from 0 to 10, where 10 means “the condition fully exists” and 0 means “the condition is currently not existent”.

<table>
<thead>
<tr>
<th>Conditions (in myself and in others) that facilitated my story</th>
<th>Contribution to my story</th>
<th>Currently existing at my work</th>
</tr>
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<tbody>
<tr>
<td></td>
<td>5 6 7 8 9 10</td>
<td>0 1 2 3 4 5 6 7 8 9 10</td>
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<tr>
<td>7.</td>
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</tr>
</tbody>
</table>

Circle the condition in which you find the most significant gap between the degree of “contribution to my story” and the degree of “existence at my work”. What can you do to reduce this gap?

Answer the following questions: (a) What will prevent you from reducing the gap? (b) How will you overcome this obstacle? (c) In light of (b), what should you actually do to bring back the condition that helped you to be at your best?

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**In a second meeting**, managers hold a discussion with their employees to expand the expression of the employees’ strengths in the workplace. Both manager and employee think about how to recreate the work conditions that the employee needs to flourish and how to find one or more ways of using existing strengths in a novel way.

An important function of performance management is to clarify expectations towards employees and help them understand how their individual and team performance contributes to achieving the organisation's mission and goals. This not only empowers employees to perform more effectively but also provides meaningful connections between individual work and the organization's greater purpose, hereby stimulating a collective ambition. A recent study showed that having a clear goal orientation at the team level (e.g., clear team objectives) contributes more to employee engagement than focusing on individual goals. This is not surprising, since work is mostly done in a team context making teamwork and collaboration essential to achieve goals. Nonetheless, many organisations exclusively focus their performance management process on individual performance. To stimulate excellent team performance, both the individual and team level should be integrated. Especially the combination of a clear goal orientation on team level with a focus on professional development at the individual level is powerful to enhance engagement and performance.
In the early 2000s, Google adopted the use of an agile goal setting approach called “Objectives and Key Results” (OKRs), which was originally developed at Intel. The process of OKR entails that everyone within the company sets objectives and defines ‘key results’ that are quantifiable and will help to achieve those objectives. The key results must be specific, measurable and verifiable: if all key results are achieved, the objective is obtained.

OKRs are set quarterly for the individual (what an individual is working on), team (specific priorities for the team, not the bucket of all personal OKRs) and company (the big picture and top-level focus for the entire company) level. Google’s CEO sets OKRs for the company at the beginning of each quarter, triggering all employees within Google to make sure their own personal and team OKRs roughly sync with Google’s. The firm deliberately sets ambitious goals, believing that if they achieve all of them, the goals are not put aggressively enough.

At Google, all individual and team OKRs are visible on Google’s intranet. This way, employees can find out what their co-workers and other teams are doing. By making goals visible, employees and teams are more responsible about the goals they set and managers can expect teams to be thoughtful contributors to the community. The main goal of OKR is to connect company, team and individual goals and make people move together in the right direction. Hence, OKRs provide focus and unite teams behind a single strategy.

COMPANY SPOTLIGHT: TEAM PERFORMANCE MANAGEMENT AT BUURTZORG

The Dutch non-profit organisation Buurtzorg (‘Neighbourhood care’) has attracted widespread attention for its innovative use of self-organised teams. The organisation started in 2007 with one team of 4 nurses and has grown into the largest neighbourhood nursing organisation in the Netherlands. It now employs 8000 nurses who all operate in independent, self-organised teams of maximum 12 nurses.

Each team receives the autonomy to decide how they organize their work. Teams are responsible for the whole process: they schedule their own work, recruit new colleagues for their team and determine the best approach without involvement of a manager or supervisor. Teams have regular team meetings to discuss specific issues encountered during the job and learn from each other. Next to this, teams are supported by regional coaches who act as facilitators to the teams. They support teams as questions, clinical concerns or other issues arise. Performance management occurs entirely in a peer-based manner. Every year, each team holds individual peer-based reviews within the team, based on a competency model that the team has developed. Each team can decide which format it will use for their conversations. In one specific example, a team decided to give each other feedback in subgroups of three colleagues. Everyone prepares a self-evaluation as well as an evaluation for the other two team members.

To enable coordination and knowledge sharing, Buurtzorg uses a virtual platform. Each team has the possibility to apply the Team Compass, an assessment tool on the virtual platform for their team performance. The following types of information are presented and can be traced by teams: average productivity (called the Housekeeping book), productivity development during the year, development of number of client hours per week, development of number of client hours per month, number of clients, types of target groups and its numbers, transit time of clients, average number of employees per client, client satisfaction, exit interview survey, and average score on team climate. For some indicators the team is presented with a benchmark from the whole organization which makes it possible for teams to compare themselves with the average in the organization. They can use the Team Compass and discuss the findings on a regular basis. Since results between teams are easy to compare, a healthy form of peer pressure is created.

Recognizing Contribution

All employees like to be recognized and appreciated for the work they do. Giving recognition to someone shows clear appreciation of that person's efforts and can support business strategy by encouraging those types of behaviour that contribute to the success of the organisation. Hence, recognizing contribution is an important part of performance management and this not only in monetary terms. Although a good pay check is important to most employees, money is not the most important driver of motivation and performance. People may be paid well and receive attractive benefits, but if they feel they are not valued, they will not be engaged. Indeed, a recent study showed that bonuses have a positive impact on employee engagement – only when the supervisor shows an empowering leadership style and the development of employees is addressed during performance management conversations. For this reason, organisations should look beyond straightforward monetary rewards and focus on intangible ways to give praise and appreciation. This can be done in many different forms, such as an award, simple thank you note from a colleague or supervisor, a pat on the back, a small gift, a favourable mention in company publications, training & development opportunities …
COMPANY SPOTLIGHT: VALTECH’S ORDER OF THE ELEPHANT

The Danish division of the French software company Valtech is very committed to creating a happy workplace. They developed an “Order of the Elephant” award, which is given to co-workers who are positive in attitude or action.

The ground rules of the award are:

I A stuffed elephant is given to a co-worker for a good reason (i.e., having a good attitude or doing something helpful).
I The recipient must be told why he/she has been awarded the elephant.
I The elephant can only be kept for one week, and it must be displayed for all to see.
I Someone is in charge of the overall elephant tracking.

Source: http://deliveringhappiness.com/good-co-workers-get-elephants/

SOME OTHER EXAMPLES:

I The voucher. In a Flanders-based IT consultancy organisation, dinner vouchers and an accompanying letter are sent to the organisation’s most important clients. Whenever those clients feel that an employee of the IT organisation deserves it, they can give him/her a voucher.

I The wheel of fortune. In a Scandinavian IT company, employees receive a ticket from their team leader when they deliver a project on time, when they excel in any kind of way, when they show collegial behaviour, etc. They can exchange this ticket for a round at the wheel of fortune where they can win all kinds of prices, varying from a candy bar to a paid trip to Paris.

I The Ferrari. In an Asian management service company, the management team selected one manager who deserved an extra reward. When he left the company that evening, a shiny red Ferrari, which was his for that weekend, was waiting at the front door.

Performance related pay, or pay-for-performance (PFP), is a controversial topic. Both advantages and disadvantages of PFP have been highlighted. Some of the advantages are that PFP supports a performance culture, leads to increased employee motivation, satisfaction and commitment and that it helps to attract and retain star performers\textsuperscript{15}. On the downside, critics of PFP argue that it can be demotivating the majority of employees at the expense of a few high performers and favours competition rather than collaboration. Clearly, there is no right answer on whether organisations should adopt PFP. Whether PFP works or not depends on the culture of a company, the nature of its employees and the tasks that need to be carried out. Nonetheless, research shows that PFP can have a positive impact in many settings, when it’s legitimately based on differences in performance, and on justifiable and transparent policies. Indeed, procedural justice – the process to determine the outcome - is a key moderator of the relationship between PFP and performance. Employees who perceive a high degree of procedural justice are more likely to respond to PFP with high task and contextual performance. This is in line with a study revealing that financial incentives only have a motivating impact on the motivation and engagement of employees, when managers show an empowering leadership style and pay sufficient attention to employee development issues during performance management conversations\textsuperscript{1}. Hence, an important prerequisite for implementing an effective PFP system is to have a good performance management system today. Performance is often captured in a single number or rating in order to determine which employee gets a pay raise or bonus. However, crystallizing the work of a whole year in a single rating often doesn’t motivate people. More and more companies nowadays are adopting new ways of linking performance management to pay. Some are completely cutting the link with pay and are focussing solely on development opportunities and helping people to attain their career aspirations. Others stretch teams and link bonuses to team outcomes, while the approach to individual team members emphasizes much more the development and support side. Still others have maintained an overall and more holistic evaluation score, to be linked to variable pay, but are moving away from too long lists of specific competencies and/or objectives that all need to be scored separately. Another approach is to empower line management to take pay-decisions, typically with an envelope system, often combined with giving them a clear insight in current pay levels, pay evolution history of team members and benchmark information. In this approach alignment across teams gets fostered by organising peer calibration meetings. Finally, and probably the most innovative approach is to empower team members themselves to collectively decide on pay changes and bonus granting.
Headquartered in Woodland, California, Morning Star is the world’s largest tomato processor, handling between 25% and 30% of the tomatoes processed each year in the United States. The company was founded in 1970 as a tomato trucking operation by Chris Rufer. Morning Star is a self-managed company with no centrally defined roles, titles, or career paths.

At morning star, every employee is responsible for writing a ‘Colleague Letter of Understanding’ (i.e., CLOU), an operating plan in which each employee specifies how his or her personal mission relates to the company’s mission, work commitments, key activities and success metrics. A CLOU can cover 20 to 30 roles and spells out all the relevant performance metrics. Once written down, an employee holds a series of one-on-one discussions with the colleagues who he or she interacts with most to discuss their personal CLOU. An employee may talk to 10 or more colleagues during the negotiations, with each discussion lasting 20 to 60 minutes. The CLOUs are available online to everyone in the company, they can be updated continuously, and are embedded in a social network that includes a real-time feed of real-time performance data, CLOU colleague activities, and peer feedback.

To link pay with performance, the company developed a self-set pay process with feedback from elected salary committees. At the end of each year, every employee writes a self-assessment document outlining how he or she performed against CLOU goals, ROI targets and other metrics. In that document, employees explain the salary raise they believe to be fair for themselves and why. Employees are asked to back up their letter with the peer-based feedback they received from their CLOU colleagues and any relevant data on performance indicators they are responsible for. Employees then share their letter with a handful of colleagues that were elected into a compensation committee. The committee’s job is to review all the letters it receives, calibrate them, and provide feedback. The committee has only advisory power.

Morning Star’s experience is that people prove to be remarkable skilful at assessing a fair compensation for themselves. In any given year, roughly a quarter of people choose salary increases above the cost-of-living adjustment. Only a handful of people throughout the company receive feedback that they might have aimed too high.

Since the introduction of their new Check-in approach to performance management (see p 24 for more details), Adobe also introduced a new way to make decisions about employee compensation. They deliberately chose to separate performance check-ins from compensation discussions and to abolish a stack-ranking process. Adobe's new reward process gives managers the authority to freely (within their allocated budget) differentiate on pay. At an annual 'rewards check-in', managers decide who gets a raise or bonus based on labour market conditions and their own assessment of employee performance.

There are no fixed guidelines for these reward conversations, though Adobe provided managers with some key factors to consider when making decisions on rewards. Specifically, the following factors are suggested to consider when making decisions on base salary: attainment of expectations and goals, relationship with others (teamwork), salary range position/pay in relation to peers, as well as the impact of their work both on the team and the organisation. For the longer term retention factors, it’s suggested to focus much more on criticality of the employee to the business, thought leadership, as well as potential and aspiration for growth.

Adobe spent a lot of time educating managers on having reward check-ins during training sessions. They created some simple tools to support managers, such as a two-sided ‘Rewards Learning Reference Card’ to give managers a quick-reference guide for making reward decisions as well as a few tips on how to conduct rewards conversations with employees.

HR has an important role in redesigning performance management systems. However, it should not be about HR developing yet another sophisticated process to add or replace existing processes\textsuperscript{17}. Rather than being owned by HR, the process should be owned by those directly involved (employees and managers). This entails that HR needs to start an open dialogue with employees and managers to determine the necessary components of an effective performance management system. Developing a new approach in co-creation with employees and managers allows to build a shared mind-set about effective performance management and how it can add value. This prevents that the new process is disconnected from day-to-day work and stakeholders’ needs. Employees and managers are more satisfied with the process when they had the chance to participate in its design.

In this view, HR’s role becomes less about controlling but more about supporting performance management. HR departments are ever more moving away from a too much controlling orientation that typically used to focus on line management involvement into the process (“Did the conversation take place?”). Some make line managers more aware and accountable on key people indicators of their teams, such as engagement, absenteeism and (voluntary) turnover levels. In this way they provide a “solid mirror” to managers about how well they are doing on the human factor in their teams. Others use bottom-up feedback systems to enable managers to become more aware about team member’s appreciation and expectations in terms of their people management style.

Successfully embedding a new performance management process, requires HR to provide resources and support in order to meet the needs of the organisation and its employees. Key skills, such as setting clear expectations, providing regular informal feedback and helping employees develop and succeed are not always easy to acquire. To hardwire these key performance management behaviours, learning opportunities such as training, exchange moments between people managers, bottom-up feedback systems, and individual coaching can be provided\textsuperscript{3}. 

HR’S ROLE IN SHAPING AND RUNNING PERFORMANCE MANAGEMENT
Co-creating a new PM approach

Like many companies, Adobe sought to improve its PM process to increase its value for employees. In 2012, Adobe abolished its traditional PM system and adopted a new performance management process called ‘Check-in’. This new process was designed to ensure employees and managers were having a continuous, fruitful conversation about performance and growth throughout the year. Specifically, check-in consists of three main components:

- **Clear expectations**: A first component is clarifying the expectations. Outlining expectations, keeping them current and revisiting them frequently is seen as something which should be manager-driven.
- **Frequent feedback**: A second component is the bi-directional feedback loop. Adobe invested in a strong feedback culture, where it’s not only about getting feedback but also about asking feedback.
- **Employee growth and development**: The third element is the growth of employees, which Adobe considers as mainly employee-driven. Each employee is CEO of their own career and is encouraged to consider how they can grow in their current and future role.

In establishing this new process, Adobe made the decision to develop a new approach together with their employees, not for them. A crowdsourcing campaign was set up to get all stakeholders involved. Various channels and forums (e.g., focus groups, employee surveys, internal blogs, social media) were leveraged to gather ideas and feedback. During implementation, Adobe provided frequent updates about the design of the program to stakeholders and solicited constant feedback. Adobe continues to reiterate the benefits of Check-in throughout various internal channels and keep it front and center on all internal websites as well as in senior leader communications.

**Support from HR**

The check-in process is designed and owned by the staff – it’s not in the hands of HR. Managers and employees choose how they organize their check-ins. They are not forced anymore to use a pre-defined document for their performance conversations. They can keep track of their conversations by using all kinds of formats and documents.

HR provides managers and employees with the necessary training and tools to use Check-ins successfully (e.g., how to set expectations, how to give/receive feedback, have development discussions, conduct a rewards discussion, etc.). Importantly, the support from HR is not only focussed on training managers, but also on training employees to coach themselves and drive their own growth. A series of simple resources such as 1-page reference guides, short videos, webinars and simple action steps were developed to support check-in. Based on employee feedback and survey data, HR keeps on making improvements to the process, creating new 1-pagers and offering additional training to clarify and reinforce the Check-in Framework and enable the sharing of best practices across the organisation.

Since this new framework has been introduced, Adobe witnessed a positive impact on overall engagement levels, a decrease in voluntary attrition and an increase in involuntary attrition.

Although performance management can leverage human resources in an organisation, few companies succeed in making effective use of their performance management. In this report, we presented some current trends within performance management and described key components that lead to an effective approach. For performance management to be crucial in driving engagement, it should be:

- a dynamic and continuous process,
- putting development of both individuals and teams at the core,
- an opportunity to reflect on past performance as well as providing a forward-focussed perspective,
- striking a balance between creating stretch and clarity on where to go to and providing support
- a system which is co-created by the different stakeholders to ensure buy-in
- meaningful but not to heavy support from HR rather than a control-oriented approach
- acknowledging the role of leadership quality at all levels as a key condition to make it work
- reflecting the company cultures and values

Although not easy to change, we hope the insights together with the practical examples in this report give some inspiration to leverage your performance management approach and help in boosting engagement at all levels in your company!
REFERENCES


