

Performance Management Trends

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Performance management trends

–reflections on the redesigns big companies havebeen doing lately

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Abstract

Purpose – Since several high-profile companies announced that they were radically redesigning their performance management systems and processes (PMSPs), commentators and scholars argue that these changes represent a trend that many companies are following, and even more are considering pursuing. The present paper aims to provide an overview of these redesigns and their rationales from the companies' point of view and theoretically reflect on their organisational value.

Design/methodology/approach – The analysis is based on a review of articles from journals, professional magazines and the business press that describe how nine high-profile companies from the debate changed their PMSP design.

Findings – The PMSP redesigns are directed towards what in the literature has been referred to as people PMSPs. The authors identify five organisational challenges to which the people PMSPs are exposed and specify the design elements that the companies have changed to meet these challenges. Finally, the authors outline a set of theoretical propositions that demonstrate some of the trade-offs involved with the redesigns.

Originality/value – The paper contributes to researchers and practitioners by providing more insight into why and how companies have redesigned their people PMSPs. Answers to these questions are vital in understanding the trends and redesigns that practitioners are currently considering. Furthermore, since the empirical research of the effects of these redesigns is still limited, we outline a set of theory-based propositions helpful for future empirical investigations.

Keywords: Performance management, Performance appraisal, Human resource management, Organisational change

Paper type General review

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1. Introduction

When a broad range of high-profile companies announced radical redesigns of their performance management systems and processes (PMSPs), it led to much debate about performance management design (Baldassarre and Finken, 2015; Buckingham and Goodall, 2015; George and Holbein, 2016; Margolis et al., 2015; Morris, 2016; Nisen, 2015a; Ritchie, 2016; Zillman, 2016). Including, conspicuous critique of the “conventional wisdom” and an increasing number of companies joining the “performance management revolution”, seeking to improve their PMSPs (Chowdhury et al., 2018; Sloan et al., 2017). The debate is still very much alive and expected to continue as we await empirical research concerning the announced PMSP redesign, which promises great improvement potential (Ahmed, 2021; Bersin, 2019; ClearReview, 2021).

The present paper focusses on nine companies with a prominent presence in the debate: Accenture, Adobe, Cardinal Health, Deloitte, Gap Inc., General Electric, IBM, Microsoft and Netflix. They are all big companies with significant resources for analysing, assessing and improving their PMSPs. Furthermore, they were amongst the first companies to announce radical redesigns and are often argued to represent a trend in performance management (Adler et al., 2016; Cappelli and Travis, 2016; Hearn, 2016; Ledford and Lawler, 2015; Murphy, 2020). To this date, participants in the debate still refer to these companies and the story of their performance management practices (Fuhl, 2020; Greenwood, 2021; Kiron and Spindel, 2019; PerformYard, 2019; Sam, 2020).

While we await empirical investigations of the redesigns, this paper provides an overview of the specific changes announced by the nine companies and clarify the rationales behind them. This will contribute to greater knowledge of the PMSP design elements under attack and the rationales behind alternatives that are suggested to improve PMSPs. Furthermore, we provide theoretical

reflections on the benefits and the costs of the redesigns and highlight the trade-offs involved with implementing them.

Thus, the research questions of this paper are as follows: 1) what are the organisational challenges that drive the need for PMSP redesign in the companies and which design elements are problematized? And 2) what are the new PMSP design elements that have been proposed to deal with the challenges and improve the companies' PMSP design? Subsequently, we discuss our findings by drawing on well-established theories that represent a behavioural perspective on the consequences of performance management design (Franco-Santos et al., 2012).

We investigate the research questions by reviewing articles from journals, professional magazines and the business press that describe how the nine examined companies have changed their PMSP design. We also identify five types of organisational challenges that create the proposed need for PMSP design changes from these texts. Finally, the texts enable us to identify the specific design elements that are argued to be inadequate to cope with the challenges and the new design elements implemented instead to overcome the challenges and improve PMSP design.

This paper contributes to research in at least two ways. Scholars have already underlined that performance management is changing and that a new trend is emerging (e.g. Cappelli and Travis, 2016; Ledford et al., 2016a, b). However, the present research adds to the literature by identifying the connections between the specific organisational challenges that drive the need for change, the design elements deemed obsolete and the design alternatives announced to meet the challenges. Second, the paper provides theoretical reflections on the redesigns by outlining five propositions, which summarise the fundamental principles of the redesigns and express theoretical reflections on the benefits and the costs of the redesigns. In doing so, we demonstrate that the redesigns are no panaceas that would fit into all organisations. This insight may inspire researchers to investigate

how influential the trend is on a broader scale of organisations or to explore the actual effects of the redesigns in individual organisational settings. Practitioners may also use the insight to challenge their current design and assess whether similar redesigns would be valuable in their organisation.

The remainder of this paper is divided into five sections. In Section 2, we briefly provide some reflections on our research approach. In Section 3, we categorise the challenges that, according to the debate, have created the need to change the way PMSPs are designed. Furthermore, we list the PMSP design elements under attack concerning each of these challenges. In Section 4, we describe the redesigns presented in the debate as ways to handle the challenges. In Section 5, we draw on performance management research with a behavioural perspective to provide theoretical reflections on the redesigns and formulate five propositions that summarise some of the significant trade-offs related to the design alternatives. Finally, Section 6 concludes the paper.

2. Methodology

The nine big companies that we study in the present paper are all highly profiled. They have all conducted radical changes of their PMSPs, which are argued to represent trends in performance management (Adler et al., 2016; Cappelli and Travis, 2016). Our focus is to describe and discuss the actual PMSP redesigns that the nine companies have undertaken.

We follow Hansen (2021) and define PMSP as “a formalised system or process of performance information exchange in an organisation, designed and used with the aim of creating value for the organisation – that is, contributing to organisational goal achievement.” (p. 1265).

We have acquired our knowledge about why and how the companies have redesigned their PMSP by studying and reviewing the broad range of texts produced when the companies announced the changes and when commentators have characterised them subsequently. The texts that we use as

our data sources are derived from our collections, reviews and analyses of articles in journals, reports, blog posts, discussions and cases in newspapers, etc. Only a few conversations about the effects of the redesigns have found their way into the debate (e.g. ClearReview, 2021; Jones and Pradhan, 2016; Maier, 2017; Sloan et al., 2017). However, as the descriptions and debate about the changes are relatively new, papers in scientific journals addressing the redesigns and their actual effects are, to the best of our knowledge, yet to be published.

We build our descriptions and analyses of the announced PMSP changes solely on what is also referred to as secondary data sources (Denzin and Lincoln, 1994). Naturally, this method has its limitations, but it certainly also has advantages in capturing the scope and content of recently announced changes. The types of texts we draw upon are news-oriented, making them well suited for capturing the debate. Hence, the initial reason for choosing these secondary data sources are that explanations, reflections and discussions around the new performance management trend are present. Another advantage of these data sources is that it is relatively easy to access through digital search engines, online discussion forums, etc.

A crucial methodological reflection relates to the validity of the PMSP redesigns that we study. As previously described, we concentrate on studying the intended effects of the changes in contrast to the actual effects. We suggest that there is much value in exploring and providing an overview of the intentions presented by the companies, as they provide significant insight into what is at stake in performance management as a field. Not at least, this is useful for formulating propositions of performance management change and its actual effects that can be explored in future research.

Another reflection is on the reliability of our data sources. We are utterly dependent on the chosen data sources, providing accurate depictions of what is happening in the companies applied as examples. Our data collection approach does not enable us to verify the information directly. We

have coped with this issue by using recognised managerial journals and media from the business world and crosschecking information on the redesigns obtained within the individual case companies from multiple sources.

3. The challenges of people PMSPs

The purpose of this section is to develop an understanding of the five organisational challenges that the nine companies highlight as crucial drivers of the criticism of their former PMSPs: adaptation, development, cooperation, trustworthiness and cost-effectiveness. In addition, we outline the specific PMSP design elements accused of being unable to handle the challenges and therefore subject to redesign. Our analysis demonstrates that each of these design elements is part of what in the literature is referred to as people PMSPs (Hansen, 2021). People PMSPs are typically designed and implemented by the human resource (HR) departments in organisations. They are “intended to support managers throughout the organisation in managing employees in their job roles and ensuring that human resources are attracted, retained and developed in the organisation” (Hansen, 2021, p. 1255). Typically, people PMSPs involve goal setting, performance evaluation and reward of the individual employee, often organising a yearly performance management cycle. Table 1 summarises the five primary challenges, related design elements and company examples from the performance management debate that illustrate these issues.

Table 1. Challenges, challenged people PMSP design elements and illustrative cases from the debate

Challenges	Challenged design elements	Case examples
1. The adaptation challenge	<ul style="list-style-type: none"> • Formal annual goal setting and goal cascading • Formal, annual performance appraisal 	Accenture, Adobe, Gap, General Electric, IBM, Netflix, Microsoft.
2. The employee development challenge	<ul style="list-style-type: none"> • Annual performance appraisal • Rating and ranking • Same backward-oriented process for both development and reward 	Accenture, Adobe, Gap, General Electric, Microsoft.
3. The cooperation challenge	<ul style="list-style-type: none"> • Focus on individual performance rather than team performance • Relative performance evaluation 	Adobe, Gap, General Electric, Microsoft
4. The trustworthiness challenge	<ul style="list-style-type: none"> • Subjective evaluations • Rating and ranking 	Cardinal Health, Deloitte, Gap, General Electric, Microsoft
5. The cost effectiveness challenge	<ul style="list-style-type: none"> • Administrative tasks in relation to goal setting, evaluation and reward 	Accenture, Adobe, Cardinal Health, Deloitte, Netflix

3.1 Adaptation

Within the companies, the need to adapt constantly is considered vital to maintain success.

Accordingly, the individual company's people PMSP should facilitate adaptability and cope with the uncertainty and pressure of innovation to which the company is subject to (Cappelli and Tavis, 2016).

People PMSPs, however, are often criticised for involving processes that are too heavy, rigid and mechanical to meet these demands. For example, the debate pointed out that the former people PMSPs in Accenture, Adobe, General Electric, IBM, Gap Inc. and Microsoft were too time-consuming and slow to contribute to the desired degree of flexibility, innovation and adaptation. In particular, it is argued that the processes were too formalised, including annual and centralised top-

down goal setting and performance appraisal processes (Baldassarre and Finken, 2015; Cunningham, 2015a; Margolis et al., 2015; Morris, 2016; Ritchie, 2016; Zillman, 2016).

Regarding the goal setting process, Zillman (2016) argues that annual goals are problematic in IBM because they are inconsistent with the actual pace of business and the time perspective around which employees structure their work. Similarly, this has implications for the top-down cascading of overall business goals. Like the long-planning horizon (entailed in annual goals), goal cascading creates rigidity when companies experience a need for change and adaptation. Additionally, goal cascading becomes cumbersome and inefficient because it does not utilise decentralised knowledge located in the company (Cappelli and Tavis, 2016; Ritchie, 2016; Zillman, 2016).

Similarly, the annual structure of performance appraisal processes is subject to criticism in the debate because it entails that employees only receive formal performance feedback once per year. The argument is that this creates a situation where the feedback does not provide a proper and timely impact on the employees' behaviour and decisions because it is too far removed from their actual performance (Buckingham and Goodall, 2015; Goler et al., 2016). Netflix's former chief talent officer, Patty McCord (2014), substantiates this issue by arguing that formal annual appraisals seem pointless as they do not occur frequently enough and merely appear to be rituals rather than processes with relevant content.

3.2 Employee development

Another challenge that companies face is continuous employee development (Baldassarre and Finken, 2015; Margolis et al., 2015). Similar to the adaptation challenge, this employee development challenge departs from discussions on the time-related aspects of performance information in terms of frequency and temporal orientation.

Amongst others, Adobe's former senior vice president of customer and employee experience, Donna Morris (2016), argued that because of the infrequency, it could take several months (potentially an entire year) before employees received performance information and thereby the possibility to use it to improve and develop decreased. Additionally, Microsoft's former corporate vice president of total rewards, Ritchie (2016), argued that the annual structure does not meet employees' individual feedback needs decisive for employee development. Likewise, Accenture's former CEO, Pierre Nanterme, highlighted the importance of frequent feedback for employee development: "People want to know on an ongoing basis, am I doing right? Am I moving in the right direction? Do you think I am progressing? Nobody's going to wait for an annual cycle to get that feedback. Now it's all about instant performance management." (Cunningham, 2015a). In an employee survey, Adobe's employees even stated that annual appraisals negatively affected their commitment and employee development. One of the postulated reasons is that the employees were often negatively surprised by evaluations since they had not received any negative feedback from their manager during the year (Morris, 2016). In general, the annual appraisal process is argued to be something that both employees and managers dread, rather than a welcomed positive opportunity for improvement and development (Kampkötter, 2014; Margolis et al., 2015; Rock et al., 2014).

Another design element challenged in the debate concerns the purposes of people PMSPs. More precisely, companies tend to use the same appraisal process to develop and reward employees (bonus allocation, salary increases, etc.). This blend of purposes in one process causes problems. First, employees may not participate as openly and honestly in the appraisal process as they would if the only purpose of the process was to support their development than when they are aware that it also forms the basis of their reward. Secondly, the appraisal process tends to get stuck in a backwards-oriented focus when assessing and determining rewards; hence, it does not become

forward-oriented, which employee development often requires (Buckingham, 2013a; Buckingham and Goodall, 2015; Cappelli and Tavis, 2016; Margolis et al., 2015).

3.3 Cooperation

People PMSPs' inability to facilitate cooperation amongst employees is also highlighted as problematic in the debate. Adobe, Gap Inc. and Microsoft are said to experience a need for collaboration that increased to such an extent that their previous people PMSPs became inadequate (Buckingham, 2013a; Cappelli and Tavis, 2016; Margolis et al., 2015; Morris, 2016). As an example, Ritchie (2016) described how Microsoft experienced a greater need for integration and collaboration across their various products and service teams because they have become a cross-platform provider of services. In recognition of this, Microsoft's former people PMSPs were no longer sufficient to support the company's increasingly critical need to promote the individual employee's contribution to the success of their team, other teams and the company as a whole.

Thus, a design element illustrating the cooperation challenge is that people PMSPs typically focusses too much on individual performance because individual employee rewards and development are at the centre. In addition, some companies use employee ranking in the appraisal process. Referring to companies such as Adobe, General Electric and Microsoft, this cocktail of design choices (individual and relative evaluation) is criticised for creating internal competition and undermining or even damaging employees' incentives to cooperate (Baldassarre and Finken, 2015; Buckingham, 2013a; Cappelli and Tavis, 2016; Impraise, 2016b).

Supporting this problematisation, many of Microsoft's so-called superstars are said to have done everything in their power to avoid working with the company's top-performing developers, fearing it would hurt their personal rankings (Eichenwald, 2012). Moreover, an employee survey conducted

at Microsoft showed that almost every employee believed that their former PMSPs hurt cooperation (Ritchie, 2016). Others argued that Microsoft's former ranking process was an obstacle to innovation and the development of "high-performance teams" (Cohan, 2012; Eichenwald, 2012).

3.4 Trustworthiness

The role of managers' subjective judgement in performance appraisals, ratings and ranking has been discussed in performance management literature for decades (e.g. Adler et al., 2016).

Therefore, it is no surprise that the trustworthiness related to the performance appraisals in people PMSPs is yet another challenge highlighted by many of the companies, including Deloitte, Cardinal Health, General Electric and Microsoft (Buckingham and Goodall, 2015; George and Holbein, 2016; Impraise, 2016a, b; Ritchie, 2016).

This challenge is also reflected in a study conducted by CEB showing that almost 90% of HR managers participating in the survey do not believe that their company's appraisal process provides accurate and reliable performance information (Cunningham, 2015b; Rock et al., 2014). Managers' judgements in performance appraisals are often underlined to play a significant role in this respect and criticised for creating biased and incomplete reflections of employees' performance (Buckingham and Goodall, 2015; Cappelli and Tavis, 2016; Goler et al., 2016). Using Deloitte's former rating process as an example, the rating is argued to create bias in terms of the idiosyncratic rater effect, which means that the rating reveals more about the manager's (i.e. the rater's) personal opinion and assumptions rather than the actual performance of the rated employee (Buckingham and Goodall, 2015). In addition, leniency and centrality bias often permeate rating and ranking in companies (Adler et al., 2016; Prendergast and Topel, 1993).

Moreover, subjective ratings and rankings are often argued to provide incomplete performance information. These types of evaluations are based on performance categories that are too general and broad for the employees to capture and visualise what is adding value for the company. For example, annual ratings are criticised for summing too many of the employees' actions and decisions. The problem with this is that the ratings then do not provide informative performance information in terms of which actions are considered value-creating and which activities are not—that is left to the user of the information to interpret (Baldassarre and Finken, 2015; Buckingham and Goodall, 2015; Cappelli and Tavis, 2016; Eichenwald, 2012; Rock et al., 2014).

3.5 Cost-effectiveness

The final challenge, called attention to by companies such as Accenture, Adobe, Cardinal Health, Deloitte and Netflix, is the cost-effectiveness of people PMSPs. Their previous practices are criticised for being too time-consuming and too costly to implement and maintain. Especially, the resources used to set goals and subsequently measure, evaluate and reward employee performance based on these goals are criticised for being too extensive. For example, Adobe's managers used 80,000 working hours (equivalent to eight hours per employee) on administrative tasks included in their previous annual reviews—excluding the actual end-of-year feedback sessions (Impraise, 2016b; Morris, 2016). Also, it is underlined that some HR functions have had to allocate entire quarters to manage their people PMSPs, which were considered too much (Rock et al., 2014).

Specifically, the resources associated with rating and ranking in the evaluation process are criticised for being inappropriately high. For example, Deloitte spent approximately two million hours per year on the administrative tasks related to rating its 65,000p employees (Buckingham and Goodall, 2015). Furthermore, it is argued that such tasks take up too much of the managers' time relative to

their actual contribution to employee performance (Buckingham and Goodall, 2015; Cunningham, 2015b; George and Holbein, 2016).

By extension, Cappelli and Tavis (2016) argue that “traditional” performance appraisal processes lock the companies’ resources to a considerable amount of paperwork and thereby limit creativity, innovation and collaboration. Once again, McCord (2014) takes the criticism a step further, arguing that in Netflix, it is not necessary to invest resources in what she refers to as bureaucratic and elaborate formal processes around performance measurement. McCord (2014) contends that in many business functions, such as sales, innovation and product development, it is already quite obvious how the employees are doing and how well they perform, even without people PMSPs formally designed to create and use performance information.

4. Meeting the challenges through redesigns

In response to the challenges outlined above, the debate also concerns how companies cope with these challenges by designing people PMSPs in new ways (Cappelli and Tavis, 2016; Deloitte Consulting, 2014). This section aims to create an overview of the design solutions that emerged in the attempts to solve these five challenges and became critical components in the performance management trend. Table 2 summarises the design elements identified as solutions to each of the five challenges and examples of companies that illustrate the solutions.

4.1 Meeting the adaptation challenge

The debate indicates a tendency amongst companies to cope with the adaptation challenges by increasing the frequency of performance information exchange and decreasing the level of formalisation, especially of processes regarding goals and feedback.

To approach the challenge, Gap Inc. and General Electric replaced their annual goal setting process with one that involves a shorter review period that typically lasts three months (Cappelli and Tavis, 2016; Margolis et al., 2015). Conversely, Adobe and IBM adopt annual goals; however, they have altered the design of the process by increasing the frequency of (potential) goal revisions during the year (Hassell, 2016; Impraise, 2016a; Zillman, 2016). The frequency of goal revision tends to be customised to the length of the projects or tasks that the goals concern; this takes place every quarter at minimum (Ledford et al., 2016a, b).

By extension, the new goal setting processes occur locally in cooperation between the employee and the immediate manager and are subject to a lower degree of formalisation (Hassell, 2016; Morris, 2016). Hence, the responsibility for ensuring consistency between the employees' individual goals and the company's strategic goals appears to be more decentralised and less committed to an annual, top-down, goal cascading process. This has the potential to increase flexibility and adaptability concerning the use of goals.

Moreover, General Electric, Deloitte, Accenture, Gap Inc. Adobe, Microsoft and IBM have implemented more frequent feedback processes. Overall, these are designed as ongoing conversations between manager and employee about performance, held at weekly to monthly intervals (Baldassarre and Finken, 2015; Buckingham and Goodall, 2015; Cappelli and Tavis, 2016; Cunningham, 2015b; Margolis et al., 2015; Morris, 2016; Ritchie, 2016; Zillman, 2016). The companies refer to the conversations as check-ins, touchpoints or connects; however, for the sake of simplicity, we refer to them as a "1:1s" in what follows. The formality of the 1:1s is relatively low, as decisions regarding their frequency and format are decentralised. As an example, Adobe provides its managers with a guideline that they may apply during the 1:1s. However, the majority choose to hold the 1:1s without the forms in an informal and verbal format, and they are welcome to do so

(Morris, 2016). Similarly, Adobe's, Gap Inc.'s and General Electric's 1:1s are described as short, ongoing and informal two-way dialogues between manager and employee (Baldassarre and Finken, 2015; Margolis et al., 2015; Morris, 2016). The 1:1s hold the potential to mitigate the adaption challenge by enhancing companies' ability to provide continuous and timely feedback. For example, it is argued that 1:1s improve Adobe's ability to handle performance-threatening situations relatively quickly and at all times of the year, unlike the former annual structure (Morris, 2016).

Finally, crowdsourced feedback supported by mobile applications (apps) is highlighted in the debate as a solution to increase the amount of relevant feedback. Accenture, General Electric and IBM have developed and implemented such apps and expect that they will enable constant provision and exchange of performance information regardless of time and place (Cappelli and Tavis, 2016; Hassell, 2016; Nisen, 2015b). According to representatives from General Electric, they expect their app to support the 1:1s and, in general, facilitate more frequent and meaningful conversations within and across teams because it enables their employees to provide and request feedback at any time and across the entire company through a function called "insights" (Baldassarre and Finken, 2015). Hence, even though the debate indicates a tendency amongst companies to decrease formality and the amount of documentation to increase adaptability and flexibility, digitised feedback enables companies to obtain both verbal and written documentation.

Table 2. Challenges, people PMSP design solutions and illustrative cases from the debate

Challenges	Design solutions	Case examples
1. The adaptation challenge	<ul style="list-style-type: none"> • More frequent goal setting and/or goal revision • Less ambitious goal cascading • Frequent 1:1s between manager and employee • Real-time, crowdsourced feedback apps • Less formal processes 	Accenture, Adobe, Gap, Deloitte, General Electric, IBM, Microsoft.
2. The employee development challenge	<ul style="list-style-type: none"> • Forward-oriented and coaching feedback approach • Real-time, crowdsourced feedback apps • No rating or ranking • Separation of purposes (one system or process per purpose) 	Accenture, Adobe, Deloitte, Gap, General Electric, IBM, Microsoft.
3. The cooperation challenge	<ul style="list-style-type: none"> • Absolute performance evaluation (no ranking) • Focus on collective performance (collective goals and new definitions of performance) 	Accenture, Deloitte, Gap Inc., General Electric, IBM, Microsoft
4. The trustworthiness challenge	<ul style="list-style-type: none"> • Performance rating on multiple dimensions • Frequent 1:1s between manager and employee • Real-time, crowdsourced feedback apps • Action-oriented performance evaluation (action-based items) • Decentralisation of reward allocation decision rights 	Deloitte, Gap Inc., General Electric, IBM, Microsoft, Netflix
5. The cost effectiveness challenge	<ul style="list-style-type: none"> • Fewer goals • Lower degree of formality (e.g. 1:1 considered to be more informal) • Decentralisation of reward allocation decision rights 	Accenture, Adobe, Deloitte, Gap, General Electric, IBM.

4.2 Meeting the employee development challenge

The companies also aim to mitigate the employee development challenge with redesigns of evaluation and feedback processes described in Section 4.1. For example, the debate indicates a greater focus on designing appraisal and feedback processes that strengthen a growth mindset rather than a fixed mindset. It is argued that companies should seek to support a growth mindset by replacing or supplementing the conventional backwards-oriented approach to appraisal and feedback that focusses on weaknesses of the employees with a more forward-oriented and coaching approach, focussing on the employees' development, strengths, potential and future actions (Baldassarre and Finken, 2015; Buckingham, 2013b; Morris, 2016; Ritchie, 2016).

Referring to General Electric, it is argued that the new feedback apps are also relevant to companies' efforts to solve the employee development challenge (Nisen, 2015b). At General Electric, the focus on improving employee development through the app is, amongst others, reflected in the name of the application: "Performance Development at General Electric".

Additionally, it is expressed in the following statement by one of the company's managers, who points out that the app creates a foundation for coaching management and thereby supports a growth mindset: "This (the app) allows me to ensure that I'm in a position to change tomorrow, but this is just the tool. The most important thing is the conversation. The app makes it incumbent on me to be a coach" (Nisen, 2015b). By extension, the apps enable employees to quickly and easily provide and request real-time feedback, which may enhance their ability to use performance information as a means of engaging in ongoing development (Cappelli and Tavis, 2016).

As described in Section 3.2, the debate also stresses ratings and rankings in appraisals as critical to the employee development challenge. In that respect, it is stated in the debate that Accenture, Gap Inc., General Electric, IBM and Microsoft have replaced rankings, which is a relative performance

evaluation, with more absolute performance evaluations as part of their efforts to foster employee development (Buckingham, 2013a; Cappelli and Travis, 2016; Cunningham, 2015a; Margolis et al., 2015; Nisen, 2015b; Zillman, 2016). Furthermore, Adobe and Gap Inc. have chosen to opt out of ratings and eliminate what representatives from the companies argue as the negative effect of ratings on employee development (Margolis et al., 2015; Morris, 2016). However, this redesign simultaneously eliminates ratings to obtain comprehensive insights into the performance of each employee and to support decisions concerning talent management, improvement plans, salary and promotions and the like (Adler et al., 2016).

Finally, Deloitte, Gap Inc., General Electric and Microsoft have created a clear distinction between development processes and reward processes by replacing an annual process involving both components with two separate processes (Buckingham, 2013a; Buckingham and Goodall, 2015; Impraise, 2016b; Margolis et al., 2015). They now conduct a separate year- end reward conversation and individual performance and development conversations during the year (for example, 1:1s). Moreover, to stress that Microsoft intends to increase their focus on development and keep reward and development separate, Buckingham (2013b) points out that the company has chosen to name its new approach “Performance and Development Approach” rather than “Performance Appraisal” or “Performance Management.”

4.3 Meeting the cooperation challenge

Accenture and Microsoft have eliminated rankings from their evaluation process, not least to prepare the ground for internal collaboration amongst peers and avoid a scenario where employees consider one another as competitors fighting for the same limited number of top- rankings

(Impraise, 2016a; Ritchie, 2016; Rock et al., 2014). For example, Accenture highlights the importance of focussing on their employees' absolute performance and contribution to the value creation of their team and the company as a whole rather than making relative comparisons and rankings amongst peers (Cunningham, 2015b). In general, it is argued that companies' decisions to deselect rankings in several cases is derived from a desire to communicate to their employees that the value of their individual performance is not dependent on their colleagues performing worse than they do—rather, quite the opposite.

Furthermore, emphasis on collective (team-, department- or division-based performance), rather than individual performance, is also specified in the debate as a means to increase collaboration. As an example, Microsoft has changed its definition of employee performance to one that, unlike the old report, not only focusses on the individual employee's isolated performance but also on the employee's contribution to colleagues' performance and the overall results of the company (Ritchie, 2016).

As an additional action directed towards dealing with the cooperation challenge, General Electric has chosen to change the design of their goal setting process by supplementing individual goals with more collective goals, such as department goals that include several teams. Similarly, Cappelli and Tavis (2016) find that going forward, companies like Gap Inc. want to create a broader awareness and focus on team performance.

4.4 Meeting the trustworthiness challenge

The solutions to the trustworthiness challenge mobilised amongst the companies are multiple. Put together, we believe it is helpful to distinguish between two general strategies that the companies seem to apply. The first strategy is to eliminate annual performance reviews and ratings. The second

strategy is to maintain rating and review processes but in a redesigned format. We briefly describe both strategies below.

As mentioned in Section 4.2, some companies have completely abandoned annual performance reviews and ratings. By discontinuing these processes, the companies eliminated the part of the trustworthiness challenge that these processes created. However, one can argue that the management decisions that such processes inform, such as decisions about salary increases, promotions, competence development and dismissals, do not disappear. A key question remains in terms of whether companies are better off with more informal information exchanges and provisions concerning these decisions. Some companies, such as Netflix, argue that the costs of their former formal review and rating processes were so high that they decided to alleviate it and rely on managers' capabilities to make these decisions in a more informal manner (McCord, 2014). Others, such as Facebook, have decided to keep their formal review and rating processes in place, despite costs, to improve visibility and fairness around critical decisions (Goler et al., 2016). Nevertheless, the decision to abandon formal ratings and reviews does not reduce the significance of the challenge of creating trust between managers and employees.

The second strategy, which concerns repairing performance evaluation and rating processes, includes multiple redesign initiatives. Amongst the most important ones are (1) replacing abstract and general performance dimensions with more action-oriented performance dimensions, (2) using fewer and more objective performance dimensions in the individual performance evaluation to keep it simple, (3) providing more information on the employees' performance via apps or from multiple sources/raters (i.e. 360 feedback) and (4) relabelling the processes (Bracken et al., 2016; Buckingham and Goodall, 2015; DeNisi and Kluger, 2000; Murphy, 2020). Of course, the proposed solutions are not quick fixes and do not automatically give employees trust in the managers'

evaluation. They are remedies that can move companies in the right direction if used appropriately (for critical perspectives, see Murphy, 2020).

4.5 Meeting the cost-effectiveness challenge

To optimise resource consumption, the companies focus on simplification of their people PMSPs. The simplification trend appears across people PMSPs, including goal setting and revision, appraisal, feedback and reward processes. A key element is a tendency to replace centrally defined and much-specified processes with more informal and general guidelines within which employees and managers have relatively great freedom to navigate.

Regarding the individual goal setting process, simplification is, for example, reflected in a reduction in the number of goals (Cunningham, 2015a; Margolis et al., 2015). A representative from Gap Inc. states that they no longer work with goals as a “to do” list of tasks that have to be done. Instead, they use a process that focusses on setting fewer goals—a maximum of eight per person—and assuring that these goals are result-oriented and challenging rather than merely task-oriented (Margolis et al., 2015).

This type of simplification is also reflected in the design of evaluation processes. One example illustrating this is that Deloitte, as described in Section 4.4, has sought to simplify evaluation by designing a process that only demands managers to answer four future- oriented questions, hereby reducing the number of questions (Impraise, 2016a). Furthermore, representatives from Deloitte argue that their new rating process remedies the cost- effectiveness challenge, as it is less time-consuming for managers (Buckingham and Goodall, 2015). According to Cappelli and Travis (2016), the simplification trend is also seen with 1:1s, as decisions regarding the frequency and

format are decentralised. For example, Gap Inc.'s and General Electric's 1:1s are described as short, informal sessions (Baldassarre and Finken, 2015; Margolis et al., 2015).

Finally, the shift towards simplification also concerns the design of reward processes. Adobe and Deloitte have chosen to decentralise decisions regarding reward allocation rather than using a formal predetermined allocation formula. As a result, decisions regarding the allocation of rewards take a more informal character in these companies, as they are now based on the individual managers' assessment rather than a centrally defined formula (Impraise, 2016a; Morris, 2016).

5. Discussion of the proposed redesigns and their effect

This section discusses the redesigns of the people PMSPs studied in the present paper. We do this in two steps. Based on theoretical reflections, we use Section 5.1 to formulate five propositions that express the benefits and costs of the critical design elements that constitute the new people PMSPs. In Section 5.2, we discuss the implications that our findings have for practitioners and researchers.

5.1 No panacea—propositions of some of the trade-offs involved

The redesigns of people PMSPs highlighted in the present paper are no panacea. This section presents five propositions of the trade-offs related to the redesigns, whose actual effects have yet to be studied. The trade-offs are derived from well-established theories in performance management research that in combination represent a behavioural perspective on the consequences of PMSP design in organisations (Franco-Santos et al., 2012).

The first proposition concerns the decentralisation of procedures for goal setting, evaluation and reward decisions, which is an element that all companies in our study promoted to varying extents

to meet either the challenges of adaptability, cost-effectiveness or employee development. For decades, organisational economics and psychology have highlighted the benefits of decentralisation in terms of more efficient local decision making, employee commitment and motivation, etc. (Hopwood, 1974; Locke and Latham, 2002; Murphy, 2020). However, organisational economics also points to high costs that can be incurred from this design, such as sub-optimal local decision making due to lack of company- wide coordination and opportunistic behaviour (Lazear and Gibbs, 2015). In addition, the theory of organisational justice raises concerns about perceived procedural injustice concerning local decision-making and inequity (Cropanzano et al., 2007; Folger et al., 1992; Goler et al., 2016). In general, the trade-off related to this type of redesign can be formulated as follows:

P1. Decentralisation of goal setting, feedback and reward can create more adaptability, employee development opportunities and cost-effectiveness of people PMSPs. However, it may also incur costs caused by factors such as loss of company-wide coordination, increased opportunism and perceived procedural injustice.

Another critical design element, according to the companies from our study, is the greater weight put on group-based rather than individual incentives. In contrast to individual incentives, group-based incentives stimulate cooperation and knowledge sharing (Guymon et al., 2008) which are beneficial and determined by whether interdependencies exist amongst a group of employees' task performance. However, extant research also points to several costs of group-based performance measures, such as lack of controllability (Bushman et al., 1995), resistance from employees with an individualistic (vs. a collectivistic) orientation (Mendibil and MacBryde, 2006), less separability and information about the individual employee's performance (Rankin and Sayre, 2000) and free-riding (Newhouse, 1973). The research also demonstrates that team, identity and culture may moderate and influence the magnitude of many of these costs (e.g. Mendibil and MacBryde, 2006;

Miller, 2002). The following proposition presents this significant trade-off related to group-based incentives:

P2. In contrast to individual incentives, group-based incentives hold the potential to stimulate cooperation and boost team spirit within the group of employees incentivised collectively. However, group-based incentives can be costly due to increased perceived uncontrollability/risk, non-acceptance from individualistic- oriented employees, less separability and more substantial free-riding incentives.

Even though the studied companies direct plenty of incentives towards group-based rather than individual performance, they still consider individual performance evaluation. This is partly because not all the companies abandon individual incentives and partly because individual performance evaluation has taken another form in the redesigned people PMSPs. Echoing similar observations in performance management research, the nine companies' previous and traditional individual performance evaluations were characterised as being top- down, low frequency, time-consuming, backward-oriented and subjective assessments that incurred high costs in the individual, organisational setting (Adler et al., 2016; Bol, 2008; Budworth et al., 2015; London and Beatty, 1993; Murphy, 2020). According to the studied debate, these costs are too high, and design alternatives are implemented instead of the traditional individual performance evaluation.

The design alternatives suggested by the companies can be divided into three groups. The first concerns more frequent and coaching-like performance dialogues (e.g. Budworth et al., 2015), which provides more updated and positive feedback and is argued to improve employee motivation. The second revolves about informal 360 or multi-source feedback (e.g. McCord, 2014), which is considered to deliver more perspectives on individual performance than a single source of evaluative data provided by traditional performance evaluations (London and Beatty, 1993). Third, simplified and objective or action-oriented performance measures (e.g. Buckingham and Goodall,

2015) are presumed to make employee evaluation easier to understand and allow improved coordination to motivate actions and decisions that are valuable for the organisation.

Despite the apparent appeal of the design alternatives, performance management research also points to several costs. For example, informal 360 feedback remains subjective; in some cases, multiple-source feedback increases rather than reduces bias compared with single-source feedback (Bracken et al., 2016; London and Beatty, 1993; Ng et al., 2011) and the multiple sources may confuse the individual and be ambiguous (Goler et al., 2016). In addition, research demonstrates that objective measures—in contrast to subjective measures—can lead to more incompleteness and more distorted behaviour in performance evaluations (Lazear and Gibbs, 2015). Furthermore, improved rating scales do not necessarily improve individual evaluation (Adler et al., 2016). Frequent performance dialogues (1:1s) may focus too much on the individual employee's immediate motivation and less on organisational coordination, value creation and long-term guidance of the individual employee (Goler et al., 2016). Finally, it has been underlined for decades that the traditional individual performance evaluation serves vital roles in regard to legal defensibility and documentation (e.g. Murphy and Cleveland, 1995), which is at risk of being lost with the introduction of the new more subjective and informal design alternatives such as 1:1s. This leads to the following propositions, expressing yet another trade-off related to these groups of design elements:

P3. Design alternatives to traditional individual performance evaluation, such as (1) fewer and objective or action-oriented performance dimensions, (2) informal 360 feedback or (3) 1:1s, or feed-forward interviews, hold the potential to increase adaptability, employee development and cost-effectiveness. However, these alternatives may also incur costs through distortion, new sources of bias, reduced legal defensibility and more ambiguity.

Along with the reservations against individual reward and traditional performance evaluation, the studied debate also raises concerns against forced distribution, which is perhaps best known from Jack Welch's "Rank and Yank" concept he espoused with General Electric (Welch and Byrne, 2003). The benefits of forced distribution are its ability to eliminate centrality and leniency bias from subjective performance evaluations, securing differentiation in the assessment of the individual employees' performance (Berger et al., 2013; Loberg et al., 2021; Prendergast and Topel, 1993), enabling the recognition of high performers and talents (Thomason et al., 2018), and identifying low performers who need competence development. Furthermore, it provides strong incentives for employees to perform because of the competition amongst employees (Berger et al., 2013; Blume et al., 2013). In contrast, its costs are related to the fact that it disincentivizes collaboration and teamwork (Berger et al., 2013; Lazear and Gibbs, 2015; Loberg et al., 2021), crowd-out intrinsic motivation (Gagne and Deci, 2005), reduce organisational citizenship (Organ, 1988; Podsakoff et al., 2009) and potentially hurts employee development (DeNisi and Kluger, 2000).

According to the nine companies, a forced-distribution-free people PMSP design will dismantle the competitive element (e.g. Lazear and Gibbs, 2015), bring back the motivation to share knowledge (Cappelli and Travis, 2016) and stimulate intrinsic motivation and citizenship, which is argued to be critical for meeting the collaboration challenge. Thus, trade-offs related to forced-distribution-free people PMSP design can be expressed in the following way:

P4. Eliminating forced distribution holds the potential to facilitate collaboration and knowledge sharing amongst the group of employees being ranked but can be costly in terms of increased biases (centrality and leniency bias) and hence reduced differentiation in performance evaluations of the group of employees with adverse effects on motivation and competence development and talent management.

Finally, a design principle that many companies also pursue is the non-inclusion of both the reward and development purpose in the same performance management process because it makes it difficult to meet the employee development challenge. Previous literature has explored this problem for decades (Hansen, 2021; McGregor, 1957; Meyer et al., 1965; Murphy and Cleveland, 1995); in general terms, it has been expressed as a problem of design sensitivity that is, when a “PMSP designed to pursue one purpose is reduced in its value when used for another purpose” (Hansen, 2021, p. 1249). However, although the principle of splitting the roles of PMSPs (Meyer et al., 1965) holds the potential to facilitate employee development, it also incurs more costs since two instead of one performance management process must be developed and implemented. Furthermore, it may meet practical problems because the supervisor who coaches and develops employees tends to be the same person to evaluate and reward them (i.e. the immediate manager). This trade-off is formulated in the following proposition:

P5. The development and reward purpose should not be served with the same people PMSP but split into two to better meet the employee development challenge. However, splitting PMSPs into two is costly because of increased development and implementation costs and practical problems, e.g. ensuring that the employee’s coach/developer and rewarder is not the same person (the manager).

5.2 Best fit rather than best practice—implications for practitioners and research

Based on the propositions presented above, the redesigns studied in the present paper are not a new best practice of people PMSPs. Instead, they should be interpreted as a set of redesigns related to goal setting, evaluation and reward of performance discussed intensively in performance management communities and promoted by a broad range of high-profile companies. In this respect, the redesigns represent trends. Still, the decision to implement any of the suggested design elements in a specific organisation should be based on assessing the specific costs and benefits

related to the elements in the individual, organisational setting in focus. Each design element, including the traditional and new elements, has its value proposition. The specific types of benefits and costs they incur and their magnitude depends on the particular conditions (i.e. context) in individual and organisational settings (e.g. Roberts, 2004).

Thus, the five propositions outlined above demonstrate some of the balancing acts involved in reinventing people PMSP design. We believe that the propositions and Tables 1 and 2 above are helpful for practitioners and researchers because they provide an overview of the design elements at stake in the contemporary debate regarding performance management. For practitioners, the propositions also specify certain types of costs and benefits that they must be aware of when making their cost-benefit analyses of the design elements most relevant in their organisational settings. Furthermore, the two tables can inspire practitioners in terms of challenging their people PMSP. For researchers, the propositions and tables can act as a starting point for survey-based research aimed at developing testable hypotheses that can provide more knowledge about the distribution of the specific design elements through large- scale empirical studies. In this respect, research can clarify how influential the trends that the nine companies' redesigns represent are. In addition, the propositions may inspire in-depth case study research to generate more insights into the conditions and mechanisms that reflect the costs and benefits of specific design elements in individual, organisational settings. Furthermore, the discussions of the propositions above also indicate which types of theories would be relevant to include in studies of contemporary design issues.

6. Concluding remarks

Adaptation, employee development, collaboration, trustworthiness and cost-effectiveness are critical challenges that the nine high-profile companies discussed in the present paper refer to when they explain their need to change their people PMSPs. These challenges are by no means new in performance management research and practices. However, the present magnitude of these challenges has probably convinced the companies' PMSP designers of the vital need for redesigns of people PMSPs.

The proposed redesigns are new in the individual organisational settings in which they are introduced, but their principles are well-known in the performance management literature. This implies that the redesigns are no panaceas that would work in all organisations nor represent a best practice. Nevertheless, they represent design elements proposed to meet the organisational challenges that many companies face. Whether the redesigns will be successful or valuable in the eyes of other organisations (i.e. how influential the trend they represent will be) is still an empirical question that future research hopefully will provide answers to.

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