

MASTER

Human resource management practices in geographically dispersed organisations

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**Human Resource Management
Practices in Geographically
Dispersed Organisations**

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Abstract

In this master thesis, corporate HRM practices at three geographically dispersed organisations are analysed. The HRM practices of interest are Performance Management, performance-based compensation and career planning & development. The link between these practices is elaborated upon as well as the central role of Performance Management. Then, the desired effects of introducing and using them are revealed just like various success mechanisms. Finally, guidelines for using and introducing corporate HRM practices in geographically dispersed organisations are designed.

Summary

This research project is about Human Resource Management practices in geographically dispersed organisations. Human Resource Management (HRM) practices get a lot of attention in today's scientific literature, because many authors believe that these practices can be an important source of sustained competitive advantage for companies. The three HRM practices of interest in this research project are Performance Management, performance-based compensation, and career planning & development. Often, the former serves as a point of departure for the other two and, therefore, has a central role. Geographically dispersed organisations consist of a headquarters and a number of subsidiaries. Subsidiaries of geographically dispersed organisations have dual roles and face dual pressures. On the one hand, they are part of the organisation as a whole and, therefore, face pressures to conform to corporate standards. On the other hand, subsidiaries are active as organisational units in a particular socio-cultural context with their own company culture and other subsidiary characteristics and, therefore, face pressures to conform to local standards. The emergence of geographically dispersed organisations has increased interest in the question of how human resources can best be managed in this type of organisations. Therefore, the general debate about the dual pressures faced by subsidiaries can be specified towards the transfer of HRM practices. On the one hand, pressures to conform to corporate standards are present if local subsidiaries must adopt corporate HRM practices. On the other hand, pressures to conform to local standards are present if HRM practices must fit subsidiary specific characteristics.

If introducing and using HRM practices in small or medium sized organisations is difficult then doing so in big geographically dispersed organisations is an enormous challenge. This has everything to do with the very nature of these organisations. First, introducing corporate HRM practices is complicated by the geographically dispersed character of these organisations. Second, cultural differences may hinder the transfer of corporate HRM practices, simply because the basic assumptions underlying certain aspects of these practices may differ from one corporate culture to another. Third, explicitly linking these HRM practices is far from evident. Especially the link between Performance Management and performance-based compensation is delicate. It can, therefore, be concluded that the problem statement consists of two parts. First, introducing and using corporate Performance Management (linked to one or two of the other HRM practices or not) in the various organisational units of a geographically dispersed organisation in such a way that structural and cultural aspects are taken into account is extremely difficult. Second, it is far from evident whether and, if so, how the three HRM practices can best be linked. Therefore, the main objective of this research project is to analyse and evaluate the introduction and use of corporate Performance Management (linked to one or two of the other HRM practices or not) in organisations that are geographically dispersed within the borders of one country in order to design guidelines for both the introduction and use of corporate Performance Management (linked to one or two of the other HRM practices or not) in this type of organisations.

Three geographically dispersed organisations were involved in this research project. Nutreco is a global participant on the markets for animal nutrition and fish feed. In this research project, the company's headquarters and the subsidiaries Trouw Nutrition and Hendrix will be taken into account. IKEA is a retailer for home products. In this research project, the focus will be on IKEA in the Netherlands: IKEA NL. More specifically, the focus will be on the stores in Amsterdam and Amersfoort and the local Dutch headquarters in Amsterdam. The MNC Heineken produces beer and other drinks. The focus of this research project is on Heineken NL. This organisation consists of the local Dutch headquarters and various organisational units in The Netherlands. The participating organisations share some characteristics. First, all they all possess the basic characteristics of geographically dispersed organisations within the borders of one country. Second, this year, all participating organisations are introducing Performance Management, although '*Introducing Performance Management*' has a different meaning for each organisation. IKEA NL is introducing a new Performance Management process and a new supporting instrument for all its employees. Nutreco is introducing a new digital tool to support the Performance Management process. At Heineken NL a new group of non-managerial employees is starting to make use of a Performance Management process and supporting instruments that already existed for certain managerial employees and professionals.

The research methodology is a combination of three research cycles: the Action Research Cycle, the Reflective Cycle and the Regulative Cycle. At each participating organisation, the five steps of the Action Research Cycle will be gone through several times. This results into several iterations. In this approach, the participation of various organisational actors is very important because one of the main goals of the approach is to discuss and learn together with them by means of mental experiments. These mental experiments will be triggered by a certain input. The input for a session will be obtained from earlier phases of the project. After the Action Research Cycle is completed at each participating organisation, the Reflective Cycle will be triggered. This implies that the results of the three participating organisations will be combined and further analysed. Clearly, other inputs, like for example scientific literature, can be used to support these analyses. These iterations are preceded by the last step of the Regulative Cycle: 'evaluation'. In the Regulative Cycle this final step aims to evaluate the effects of a concrete intervention. Therefore, the most important aim of this step is to understand what has already been done in the participating organisations and to understand the effects of these actions. This first iteration, that will be conducted at all three participating organisations, will trigger the Reflective Cycle for the first time.

More concrete, the approach entails desk research (in which documents are studied), interviews and discussion sessions. Desk research and interviews are most important in the first iteration (the final step of the Regulative Research Cycle) while interviews and discussion session are most important during the remaining iterations (the Action Research Cycle). As mentioned above, the information and data that result from these activities are further analysed and combined (the Reflective Research Cycle) using theory.

First, a general model was developed. This general model includes Performance Management, performance-based compensation and career planning & development and will, for the sake of readability, from now on be referred to as a 'general model of Performance Management'. In this general model of Performance Management, three roles can be distinguished. The first role is the role of 'employee'. The employee is the one whose performance is being managed. The second role is the role of 'manager'. The manager is responsible for managing the performance of his or her employees. The third role is the role of the HR department. In general, local and corporate HR departments are responsible for supporting, facilitating and monitoring the process. The general model of Performance Management consists of the following steps:

1. Performance Planning: At the beginning of the annual cycle, the employee and his or her manager look forward during a one-to-one meeting. During this meeting the employee and his or her manager agree upon a set of performance goals and desired behaviours or competencies for the coming year. In addition, the employee's development needs and career aspirations for the coming year will be discussed. Often next year's performance, development needs and career aspirations are discussed in the context of past performance. The organisational actors are supported in performing these steps by a supporting instrument.

2. Continuous feedback: Throughout the year, the managers will provide feedback to their employees. This feedback is provided dynamically on the job.

3. Mid Year Review: At least once a year, feedback should be given in a formal way: the Mid Year Review. During this one to one meeting between an employee and his or her manager, the manager provides feedback in a formal way and the performance goals, development goals, behaviours and competencies, that have been agreed upon six months ago, can be discussed.

4. Performance Review: At the end of the year, the employee and his or her manager look back on past year's performance. Clearly, this evaluation is based on the performance goals, behaviours and competencies that were agreed upon at the beginning of the cycle. Then, an overall rating on results and an overall rating on behaviour or competencies can be established. Since the rating process is based on standardised rating scales, the participating organisations are able to compare the performance of certain groups of employees. In addition, it is possible to rank employees. Clearly, the results of this meeting can be used for taking certain decisions with regard to rewarding, career planning and/or development.

Second, the desired effects of introducing and using Performance Management are elaborated upon. The first desired effect appeared to be changing the mindset of the organisation's workforce. This new mindset consists of 'communication' (the introduction and use of Performance Management must stimulate employees and managers to communicate openly and honestly), 'awareness' (both

managers and employees must become more aware of organisational goals, departmental goals and the employee's performance goals, actual performance, development needs, and career aspirations) and 'attitude' (both managers and employees must change their attitude when it comes to, for example, monitoring performance and giving / asking for feedback). The second desired effect is to enhance employees' performance, to strengthen their development and to support the planning of their careers. The third desired effect is to increase the level of synergy in the organisation by means of cascading down business goals and by increasing the levels of transparency and consistency. As a fourth desired effect, the participating organisations aim to use Performance Management as a source of information.

Third, mechanisms behind successful Performance Management are revealed. Clearly, Performance Management is 'successful' if the desired effects on the organisation can be reached. The five most important mechanisms will be presented in this summary. First, by explicitly planning performance the employee is able to work towards concrete results. On the other side of the coin, the employee is also made aware of the fact that, at the end of the year, he or she *will* be evaluated on the agreed upon performance goals and behaviours / competencies. This may lead to an attitude of responsibility and accountability. Second, the way performance can best be planned depends strongly on the desired impact of the performance planning meeting on future performance. If the desired impact is goal commitment or goal relevance, it is wise to plan performance participatively. If, however, the desired impact is the implementation of the company's strategy, top down performance planning seems more appropriate. Third, it seems wise to define performance as a combination of performance goals and desired behaviours or as a combination of performance goals and necessary competencies. Fourth, continuous feedback and the Mid Year Review meeting provide the employee with information about how well he or she is performing, and, thus, about the eventual gap between actual and desired performance. Consequently, providing feedback may result in efforts to close this gap. In addition, the Mid Year Review meeting may serve as a catalyst for continuous feedback. Fifth, combining the performance review meeting and the performance planning meeting has several advantages: next year's performance goals can be set with last year's performance in mind, next year's development needs can be agreed upon with last year's performance in mind and the employee's career aspirations for the coming period can be discussed with past performance in mind. In addition, past performance may be an important indicator for determining which development steps are necessary for realising certain career aspirations.

Fourth, three design needs are revealed. The first design need originates from the observation that the presence of a Performance Management process and a supporting instrument, does not mean that they will be used optimally by the various actors. More specifically, five barriers in the use of Performance Management can be identified. For each barrier, guidelines to overcome it are designed. These barriers and guidelines are presented below.

- 1. Setting performance goals is not as easy as it may seem.** It is, therefore, important to find a balance between setting goals participatively and top down, to properly deal with team goals when the performance of individuals is managed, to cope properly with changing circumstances, to realise that Performance Management is a continuous effort, to strike a balance between consistency and specificity and to actually make employees responsible and accountable.
- 2. Predefined behavioural standards / competency levels are not always clear and / or specific enough.** If these standards are not concrete or clear enough to the actors involved or if they do not sufficiently reflect what is important in the individual employee's job, the performance planning meeting must be used to further discuss behaviours and competencies and, finally, to make the right agreements.
- 3. Review and feedback meetings tend not to be interactive.** It is, therefore, important to make employees conduct a self-assessment prior to such meetings, even if such assessments are not part of the formal Performance Management process.
- 4. Managers do not always evaluate employees properly.** It is important that (local) HR does monitor the performance evaluations. Both forced ranking and the grandfather principle can be valuable quality checks. Both, however, bring along important disadvantages.
- 5. Although it often does not always fit company cultures, performance-based compensation would be fair.** Although performance-based compensation has important disadvantages, it is also perceived as fair. If one chooses to link pay to performance, it is important to avoid the pitfall of

overly optimistic expectations. In addition, it appeared that it was not clear to all participants that performance is linked to pay in their organisation. Consequently, a need for further clarification, explanation and / or training was revealed.

The second design need originates from the observation that tools do not always support organisational actors sufficiently. It is therefore important that all organisational actors are empowered to play their role in the Performance Management process. This implies, for example, that they easily have access to the information that is relevant to them. The third design need originates from the observation that two important barriers have to be overcome when Performance Management is introduced: both the process and the supporting tool need to be understood and accepted by the concerned organisational actors. It is, therefore, important to, first, use various media to inform employees and to let managers explain the new process and tool to their employees during, for example, team meetings. Second, it is important to use various media to inform managers, to train managers in carrying out the various steps and in using the supporting tool and to select a group of managers that will be asked to share experiences with regard to Performance Management with HR. Third, it is important to inform and train (local) HR specialists. Fourth, for acceptance, it is important that technical problems with supporting instruments are minimised and that all aspects of the cycle are in place prior to the introduction. Finally, also for acceptance, it is important to involve the unions in time in the introduction.

Looking back on this research project, it can be stated that the guidelines for successfully using and introducing Performance Management that were designed should not be considered the only guidelines and maybe not even the most important guidelines. The limitations of this research project are simply too severe to conclude otherwise. On the other hand, it is very likely that the developed guidelines can assist actors in geographically dispersed organisations in introducing and using Performance Management. As became clear during this research project, properly using and introducing Performance Management appears not to be evident. The developed guidelines may offer assistance in overcoming various barriers to successful use and introduction. In addition, the simple fact that the guidelines emphasise the importance of proper use and introduction may trigger organisational actors to think about other barriers and ways to overcome them.

Preface

This research project has been carried out in the context of the so-called Dual Degree study programme. This is a combined programme in which I am participating since September 2006. In this Dual Degree programme, the Master programme '*Operations Management and Logistics*' at the Eindhoven University of Technology is combined with the French engineering degree '*Génie Industriel*' and the French Master Programme '*Master Recherche de Génie Industriel*' at the Institut National Polytechnique in Grenoble.

As a consequence, this project has been supervised by a tutor from the Eindhoven University of Technology and a tutor from the Institut National Polytechnique in Grenoble: Frans van Eijnatten and Sandrine Caroly. Here, I would like to thank them both for their support. Clearly, without their help, input and feedback, this research project would not have been possible.

The consultancy firm FCTB gave me the opportunity to carry out this research project. With the help of FCTB, the participating organisations were involved. Here, I would like to thank FCTB for giving me this opportunity and for letting me integrate in their office for seven months. More specifically, I would like to thank Rob Schutte. His support and input have been very valuable throughout this research project.

Clearly, I would also like to thank the three participating organisations: Nutreco, Heineken NL and IKEA NL. More specifically, I would like to thank Peter van Asten, Annette van Duijnhoven (both Nutreco), Ingrid Ardonne (Heineken NL) and Eva de Boer (IKEA NL) for introducing me in their respective organisations and for making it possible for me to conduct this research project. In addition, I would like to thank everybody that gave his or her input during discussion sessions and interviews.

Niek Pieters
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1. Context, problem statement and research objectives

In this first chapter, the research project will be introduced. This implies that, in the various subsections of this chapter, the context of this research project will be elaborated upon, the problem statement will be presented and the research objectives will be depicted.

1.1 Context

Human Resource Management (HRM) practices get a lot of attention in today's scientific literature, because many authors believe that these practices can be an important source of sustained competitive advantage for companies. The main reason for this is that HRM practices are very difficult to imitate. It is, therefore, not surprising that the literature reveals a link between HRM practices and company performance. There is no consensus yet about a list of most effective HRM practices. However, Performance Management, performance-based compensation and career planning & development are mentioned frequently.

Geographically dispersed organisations consist of a headquarters and a number of geographically dispersed subsidiaries. If the various organisational units are based and active in different countries, the organisation is called a MultiNational Corporation (MNC). It is, however, very well possible that an organisation is geographically dispersed within the borders of one country. Clearly, it is also possible that an MNC has a local headquarters and a number of subsidiaries in a specific country. In that case, the MNC is geographically dispersed across and within national borders.

Subsidiaries of geographically dispersed organisations have dual roles and face dual pressures. On the one hand, they are part of the organisation as a whole and, therefore, face pressures to conform to corporate standards. In the MNC literature, these pressures are called pressures for global consistency. On the other hand, subsidiaries are active as organisational units in a particular socio-cultural context with their own company culture and other specific subsidiary characteristics. As a consequence, subsidiaries face pressures to conform to local standards. In the MNC literature, these pressures are called pressures for local isomorphism. Clearly, pressures for local isomorphism tend to be strongest if an organisation's subsidiaries are geographically dispersed across national borders.

The emergence of complex, geographically dispersed organisations has increased interest in the question of how human resources can best be managed in this type of organisations. Therefore, the general debate about global consistency and local isomorphism can be specified towards the transfer of HRM practices. On the one hand, pressures for local isomorphism are present if local subsidiaries face pressures to adopt HRM practices that fit specific subsidiary characteristics. On the other hand, pressures for global consistency are present if local subsidiaries face pressures to adopt corporate HRM practices.

1.2 Problem statement

If introducing and using HRM practices in small or medium sized organisations is difficult then doing so in big geographically dispersed organisations is an enormous challenge. This has everything to do with the very nature of these organisations. Not seldom, this type of organisations employ thousands of people. These individuals perform various tasks related to their various jobs, functions and responsibilities. Taken this into account, introducing corporate processes and supporting instruments that aim to manage the performance, attribute rewards or plan development programs for all these individuals is an enormous task. In addition, introducing corporate HRM practices is complicated by the geographically dispersed character of these organisations. On the one hand, together, these units form one big organisation. On the other hand, they are active as organisational units in a particular context and will inevitably possess specific subsidiary characteristics. In addition, each organisational unit performs a certain role within the organisation as a whole. While, for example, some subsidiaries play a central role with regard to production, others are important for the organisation's research and development. As a consequence, the employees do not only perform different tasks as individuals but they are also active in one (or maybe even more) of the geographically dispersed organisational units that has its own role within the organisation. Clearly, these structural aspects complicate the

introduction and use of corporate HRM practices. In addition, cultural differences may play an important role. Clearly, cultural differences tend to be largest in the case of MNCs. However, cultural differences may also exist between the subsidiaries of an organisation that is geographically dispersed within the borders of one country. In that case, the differences between the various company cultures at the various subsidiaries can play an important role. These differences may hinder the transfer of corporate HRM practices, simply because the basic assumptions underlying certain aspects of these practices may differ from one corporate culture to another. As a consequence, corporate HRM practices will be perceived differently by subsidiaries that are embedded in different local national cultures or local company cultures.

The three HRM practices of interest in this research project are Performance Management, performance-based compensation, and career planning & development. Often, the former serves as a point of departure for the other two and, therefore, has a central role. Consequently, four combinations of HRM practices are possible in the context of this research project. These combinations are depicted in textbox 1.1 below.

Textbox 1.1 Possible combinations of HRM practices

- 1. Performance Management**
- 2. Performance Management linked to performance-based compensation**
- 3. Performance Management linked to career planning & development**
- 4. Performance Management linked to performance-based compensation and career planning & development**

However, explicitly linking these HRM practices is far from evident. Especially the link between Performance Management and performance-based compensation is delicate. Whether the two should be linked and, if so, how they should be linked is still subject to debate among scholars and practitioners alike. Linking Performance Management to career planning & development is less controversial but, overall, linking the three HRM practices is far from evident.

Based on the above, it can be concluded that the problem statement consists of two parts. First, introducing and using corporate Performance Management (as in combination 1, 2, 3 or 4 of textbox 1.1) in the various organisational units of a geographically dispersed organisation in such a way that structural and cultural aspects are taken into account is extremely difficult. Second, it is far from evident whether and, if so, how the three HRM practices can best be linked.

1.3 Research objectives

The main objective of this research project is to analyse and evaluate the introduction and use of corporate Performance Management (as in combination 1, 2, 3 or 4 of textbox 1.1) in organisations that are geographically dispersed within the borders of one country in order to design guidelines for both the introduction and use of corporate Performance Management (as in combination 1, 2, 3 or 4 of textbox 1.1) in this type of organisations. More formally and specifically, the research objectives are:

- 1) Analyse the introduction process and use of corporate Performance Management and, if applicable, the link between corporate Performance Management and corporate performance-based compensation policies and/or the link between corporate Performance Management and corporate career planning & development in geographically dispersed organisations.
- 2) Map the effects of introducing and using corporate Performance Management (linked to one or two of the other HRM practices or not) on organisations in order to evaluate whether the way the HRM practices are linked, introduced and used in these organisations is successful.

Objective one and two are clarified by means of figure 1.1 below.

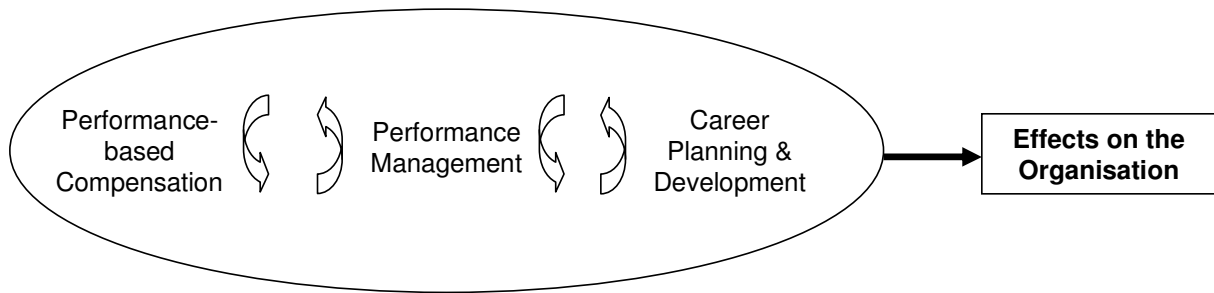


Figure 1.1 Clarifying the first two research objectives

- 3) By learning from this evaluation, reveal the mechanisms behind successful corporate Performance Management (linked to one or two of the other HRM practices or not) in geographically dispersed organisations.
- 4) Design guidelines for successfully introducing and using corporate Performance Management (linked to one or two of the other HRM practices or not) in geographically dispersed organisations.

2. Theoretical background

In this chapter, theoretical background with regard to the research topics will be given. The chapter is divided in three main sections. First, in section 2.1, several contextual factors that are relevant for this research project will be discussed. In section 2.1.1, various characteristics of geographically dispersed organisations that might influence the transfer of corporate HRM practices will be presented. Then, in section 2.1.2, various aspects of organisational culture in geographically dispersed organisations will be elaborated upon. In addition, the characteristics of ‘a culture of high performance’ will be listed and the importance of such an organisational culture will be elaborated upon. Second, in section 2.2, the three HRM practices will be discussed in very much detail. In section 2.2.1, the various aspects of Performance Management will be presented. These aspects are goal setting, behaviours & competencies, feedback, performance appraisal, and rating and (forced) ranking. Performance-based compensation and career planning & development are discussed in section 2.2.2 and 2.2.3 respectively. Finally, in section 2.3, the effects of HRM practices will be elaborated upon.

2.1 Contextual factors

In this section, several contextual factors that are relevant for this research project will be discussed. In section 2.1.1, various characteristics of geographically dispersed organisations that might influence the transfer of corporate HRM practices will be presented. Then, in section 2.1.2, various aspects of organisational culture in geographically dispersed organisations will be elaborated upon. In addition, the characteristics of ‘a culture of high performance’ will be listed and the importance of such an organisational culture will be elaborated upon.

2.1.1 Characteristics of geographically dispersed organisations

Various characteristics of geographically dispersed organisations may influence the introduction and use of corporate HRM practices. These characteristics have been derived from the MNC literature. Clearly, in this section, only those MNC characteristics that are also relevant for organisations that are geographically dispersed within the borders of one country will be discussed.

Subsidiaries have dual roles and face dual pressures. On the one hand, they are part of the geographically dispersed organisation as a whole and, therefore, face pressures to conform to corporate standards. In MNC literature, these pressures are called pressures for global consistency. On the other hand, they are active as organisational units in a particular socio-cultural context, have their own company culture and possess other subsidiary specific characteristics. As a consequence, subsidiaries face pressures to conform to local standards. In MNC literature, these pressures are called pressures for local isomorphism (for example: Rosenzweig and Singh, 1991).

This distinction can be specified towards the transfer of HRM practices. On the one hand, pressures for local isomorphism are present if subsidiaries face pressures to adopt HRM practices that fit the specific socio-cultural environment, local company culture and/or other subsidiary characteristics. On the other hand, pressures for global consistency are present if local subsidiaries face pressures to adopt HRM practices that are seen as best practices within the geographically dispersed organisation as a whole (for example: Bjorkman et al, 2007). Based on Rosenzweig and Singh (1991) and Rosenzweig and Nohria (1994), the following overview of pressures can be presented. Clearly, these characteristics are derived from MNC literature and will, therefore, be adopted / reformulated slightly to fit the type of organisations that will be focused on in this research project: organisations that are geographically dispersed within the borders of one country.

Corporate Strategy: In MNC literature, three types of corporate strategies are elaborated upon. First, geographically dispersed organisations with a so-called global strategy compete at a global level. A key element of their strategy is to build cost advantages by producing standardised products (e.g. cars) in an efficient way. Organisations with a global strategy usually have centralised structures. Since efficiency is an important strategic element, production in global firms is usually concentrated in a few locations. As a consequence, the main role of the subsidiaries is to sell standardised products on local markets and to implement the headquarters’ strategy. In these organisations, subsidiaries are relatively dependent on their headquarters. Clearly, as a consequence, the pressures for global

consistency are relatively strong. Second, organisations with a so-called multidomestic strategy compete on local markets. Their main strategy is to respond to local market needs (e.g. food industry). They will, therefore, sell products that are adapted to local needs. Generally, organisations with a multidomestic strategy have a decentralised, loosely coupled structure in which local production and research & development are very common. Consequently, subsidiaries are relatively independent from their headquarters and from each other. Clearly, as a consequence, the pressures for local isomorphism are relatively strong. Third, like organisations with a global strategy, organisations with a so-called transnational strategy compete at a global level. At the same time, however, they try to respond to local needs. These firms, therefore, have to balance between global integration (standardisation, efficiency, economies of scale etcetera) and local responsiveness (satisfying local demands by respecting differences).

Degree of Unionisation: Unions have strong influences on HRM practices in companies. It is, therefore, not hard to understand that the higher the degree of union representation at a subsidiary, the harder it may be for the organisation's headquarters to implement corporate HRM practices.

Initial Set-up of the Subsidiary: If a local subsidiary is designed and realised from scratch by the organisation, many means to replicate organisational structures and processes that worked well in other subsidiaries and/or at the headquarters are available. Often, however, local subsidiaries result from acquisition. In that case, many organisational structures and processes are already in place. As a consequence, HRM practices in subsidiaries that are founded in a so-called greenfield environment (opposed to acquired subsidiaries) are more likely to resemble corporate HRM practices.

Composition of the Work Force: An important factor within geographically dispersed organisations is the extent to which a headquarters staffs its subsidiaries with employees from the headquarters. Transferring employees from the headquarters to local subsidiaries might result in a transfer of organisational structures and processes. Therefore, a high presence of expatriate managers may result in the implementation of corporate HRM practices because these managers are likely to be willing to implement corporate practices.

The balance between global consistency and local isomorphism does, however, not only depend on this set of pressures. Also the relative power in the subsidiary-headquarters relationship and the role of the various subsidiaries is important. A first source of relative power is the level of resources possessed by an organisational unit (Ghoshal and Bartlett, 1990). Clearly, a subsidiary that possesses a lot of resources is less dependent on its headquarters and is more important for the overall functioning and performance of the organisation. A second source of relative power is the subsidiary's position in the organisational network (Ghoshal and Bartlett, 1990). An organisational actor derives its structural power from the number of interactions and the intensity of those interactions with other actors in the network. Therefore, subsidiaries that have a central position in the network have a higher level of structural power. The same reasoning holds for the intensity of these interactions. A third source of relative power is the role of the subsidiary. It is easy to imagine that a local subsidiary whose main task is just to implement a certain strategy has less influence when it comes to the balance between global consistency and local isomorphism than a subsidiary that is important for the organisation's research and development.

2.1.2 Organisational culture in geographically dispersed organisations

Hofstede (1980) explains that people who have been conditioned by certain experiences will perceive the same reality in different ways. He, therefore, defines culture as: *'.. the collective mental programming of the people in an environment. Culture is not a characteristic of individuals; it encompasses a number of people who were conditioned by the same education and life experience. When we speak of the culture of a group, a tribe, a geographical region, a national minority, or a nation, culture refers to the collective mental programming that these people have in common; the programming that is different from that of other groups, tribes, regions, minorities or majorities, or nations.'* (Hofstede, 1980, p. 43). Therefore, culture does not only exist in the mind of individuals but is shared by a certain number of people. As a consequence, these people have something in common, like, for example, certain assumptions, norms or values (Hatch, 1997).

Hatch (1997) states that organisational culture is probably the most difficult organisational concept to define. She, therefore, presents a list of definitions. Two definitions are depicted below.

‘.. organizational culture can be thought of as the glue that holds an organization together through a sharing of patterns of meaning. The culture focuses on the values, beliefs, and expectations that members come to share’ (Hatch, 1997, p 205).

‘The pattern of basic assumptions that a given group has invented, discovered, or developed in learning to cope with its problems of external adaptation and internal integration, and that have worked well enough to be considered valid, and, therefore, to be taught to new members as the correct way to perceive, think and feel in relation to these problems’ (Hatch, 1997, p 205).

It is, however, very likely that, within a certain organisational culture, various subcultures are present. Especially in organisations that are geographically dispersed, it is very likely that the organisational culture at subsidiary 1 differs from the organisational culture at subsidiary 2. In addition, it is possible that the organisational culture at one of the subsidiaries differs from the organisational culture at the headquarters. Clearly, these differences are likely to be largest in the case of MNCs. However, although they may be weaker, subcultures may also exist in organisations that are geographically dispersed within the borders of one country. Especially when a subsidiary is the result of an acquisition, the organisational culture at this subsidiary may differ significantly from the organisational culture within the other organisational units (Hatch, 1997). Clearly, the extent to which these subcultures differ from each other may differ from one organisation to another. In figure 2.1 below, a continuum is depicted where, on the left hand side, the organisational culture can best be described as unitary and, on the right hand side, the organisational culture is completely disorganised.

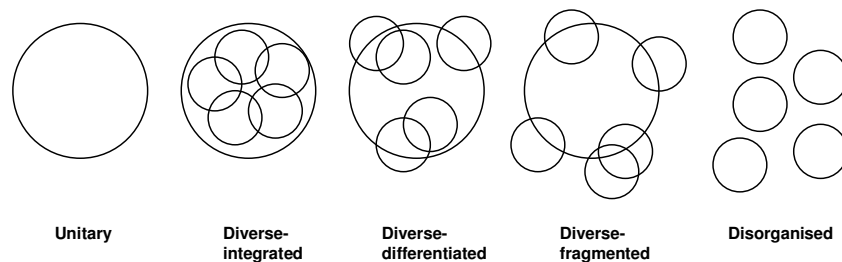


Figure 2.1 A continuum for describing a culture’s state of integration-differentiation (Hatch, 1997, p 226)

How organisational culture is approached by members of that culture, strongly depends on their philosophical point of departure. Hatch (1997) explains that, from a modernistic point of view, culture can be seen as a tool of management, because it can be ‘observed’ objectively and can serve as a variable that can be changed in order to, for example, achieve desired levels of performance.

Besides the phenomenon of subcultures it is, in the context of this report, very interesting to look at so-called ‘high-performance cultures’. Wriston (2007) defines a high performance culture as *‘a “mind-set” - with accompanying and reinforcing habits, practices and routines – about how to optimally engage one’s human resources in order to optimize long-term team/organisational performance.’* (Wriston, 2007, p 9). The author states that four components are critical to create and sustain a high-performance culture. These components interact in such a way that the presence (or absence) of a certain component may positively (or negatively) influence other components. The first component is a collaborative environment. In a collaborative environment, organisational actors feel that, on the one hand, their ideas are welcomed by others and, on the other hand, feel a sort of obligation to constantly share ideas and to participate actively. The second component is a culture of accountability. According to Wriston (2007) a culture of accountability is a culture in which expectations around performance objectives and desired behaviours are made explicit, high performance is appreciated and rewarded, and problems to meet standards are discussed quickly and fairly between an employee and his or her manager. Another important antecedent for a culture of accountability is a ‘strong HR department’. Ideally, the HR department has the tools and support that are needed to create a culture of accountability. The third component is focus. This refers to the

organisation's ability to focus its attention and limited resources on what is truly important. The fourth component is called 'robust processes'. This refers to efficient ways to perform operations and to satisfy customer needs.

However, a critical note should be made here. National cultures tend to be very strong. Often, they are stronger than organisational cultures. Since significant cultural differences may exist between countries, it is very well possible that certain aspects of national cultures interfere with the antecedents that are listed above. The reason for this is, simply, that the basic assumptions underlying the aforementioned antecedents may differ from one national culture to another (Schneider, 1988).

2.2 The three HRM practices

The three HRM practices will be elaborated upon in the following subsections. First, in section, 2.2.1, the various aspects of Performance Management will be presented. Then, in section 2.2.2, performance-based compensation will be elaborated upon. Finally, in section 2.2.3, various aspects of career planning & development will be presented.

2.2.1 Performance Management

In this section, the main aspects of Performance Management will be elaborated upon. These main elements are goal setting, behaviours and competencies, feedback, appraisal, and rating and ranking.

2.2.1.1 Goal setting

In their 2002 article, Locke and Latham summarise the main findings of 35 years of empirical research on goal setting. They define a goal as *'..the object or aim of an action, for example, to attain a specific standard of proficiency, usually within a specified time limit'* (Locke and Latham, 2002, p. 705). This article is very relevant for a discussion about Performance Management because the authors were interested in explaining and influencing performance by focusing their research on the relation between performance goals and the level of performance. Their main findings are depicted in figure 2.2 below. The elements of figure 2.2 will be elaborated upon briefly. This discussion is completely based on Locke and Latham (2002).

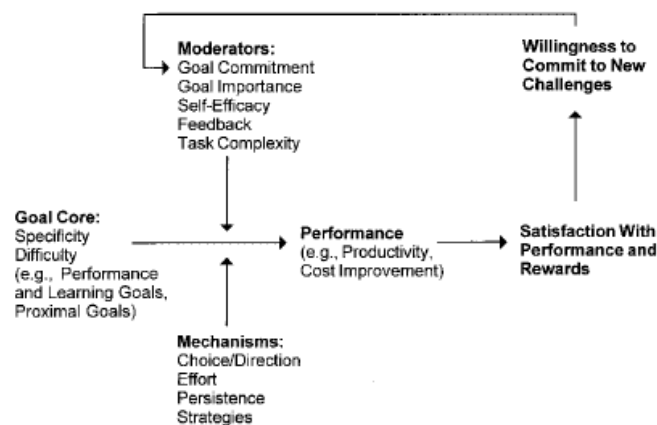


Figure 2.2 Most important elements of goal setting theory (Locke and Latham, 2002, p. 714)

The authors found a positive, linear relationship between goal difficulty and the level of effort and performance. The level of performance does only decrease if the limits of a person's ability are reached or when a person's commitment to the difficult goal declined. In addition, the authors found that specific goals reduce variation in performance. As a consequence, the authors argue that specific difficult goals lead to high performance.

Performance is affected by goals through several mechanisms. The first mechanism is labelled choice/direction because, by making explicit what is expected, they direct attention towards goal-

relevant activities. Second, goals influence performance by generating a certain amount of effort. Difficult goals lead to more effort than easy goals. Third, goals affect performance by leading to a certain level of persistence. Finally, goals affect performance indirectly by leading to a search for and development of goal relevant skills and knowledge.

The relationship between goals and performance is moderated by several factors. First, this relationship is strongest when people are committed to a certain goal. A person's goal commitment is strongest when the attainment of the goal is perceived as important and when the person believes that he or she can attain the goal (self-efficacy). Convincing people about the importance of attaining certain goals can be done in various ways. Well-known possibilities are participative goal setting and communicating rationales behind assigned goals. Feedback is another important moderator. If people do not know how well they are performing, it is not possible for them to, for example, change the amount of effort or the strategy. Feed forward is important as well, because people will set higher goals for the future if they attain the goals that they have been pursuing in the past. The final moderator is task complexity. Although people differ in their capability of doing so, in general, people will use a greater variety of strategies if tasks are complex.

Defining a desirable result is inherent to goal setting. As a consequence, goal attainment leads to satisfaction while not attaining a goal will lead to dissatisfaction. The more the target is exceeded, the higher the level of satisfaction. If this argument is coupled to the argument of goal difficulty, there appears to be a paradox. The authors explain: *'How can people who produce the most, those with difficult goals, be the least satisfied? The answer is implicit in the question. People with high goals produce more because they are dissatisfied with less. The bar for their satisfaction is set at a high level. This is why they are motivated to do more than those with easy goals.'* (Locke and Lackam, 2002, p. 710).

2.2.1.2 Behaviours and competencies

Williams (2002) explains why performance is not only about goals and goal achievement. First, clearly, it may not be realistic to assume that each individual has the same opportunities to perform. Second, not everything people do at work is related to specific goals. Third, results are not necessarily the product of what people do. It is easy to imagine that many factors that are beyond the individual's control play an important role. In these situations, behaviour is much more under the individual's control than the final results. Therefore, besides outputs, the behaviours and competencies that are relevant in the context of performance goals play an important role in Performance Management (Williams, 2002).

That performance can be directly coupled to certain behaviours, does, of course, not imply that all behaviour is performance. Instead, Williams (2002) explains that only goal-relevant behaviour can be counted as performance. In addition, an interesting distinction can be made between task performance (behaviour that contributes to the achievement of technical tasks) and contextual performance (behaviour that supports social aspects within the organisation, like, for example, cooperating with others).

Difficulties may arise when it comes to mapping and defining behaviours. Citing Campbell, Williams (2002) depicts a list of eight behaviour-related performance components: job-specific task proficiency, non-job-specific task proficiency, written and oral communication task proficiency, demonstrating effort, maintaining personal discipline, facilitating peer and team performance, supervision/leadership, management/administration. Citing Hesketh and Neal, Williams (2002) adds a ninth component: adaptability. It should, however, be noticed that, in literature, no consensus about performance as behaviour has been reached yet. Campbell's list should, therefore, only be used in order to prevent that important aspects of performance are not taken into account (Williams, 2002).

Williams (2002) explains that competencies can be conceptualised as characteristics of a person that are related to performance (defined as results or as behaviours). In other words: competencies are about what people *are* (motives, traits, attitudes, values, knowledge, skills etcetera) and not about what they *do*. A distinction can be made between competencies that everybody in an organisation needs and competencies that are related to superior performance. Cheng et al (2005), for example, reveal the following competencies that distinguish superior managers from average managers: achievement orientation, initiative, information seeking, focus on client's needs, impact and

influence, directiveness, teamwork and cooperation, team leadership, analytical thinking, conceptual thinking, self-control, and flexibility.

2.2.1.3 Feedback

DeNisi and Kluger (2000) explain that for most scholars and practitioners the effectiveness of feedback is given. Feedback provides information about how well people are performing and, thus, about the eventual gap between actual and desired performance. The authors present several factors that influence the effectiveness of feedback. First, it is important to present feedback in a way that is not threatening for the person's ego. Second, information should be included about past performance and about how to improve performance. Third, a formal goal-setting plan should always be included along with the feedback. Fourth, it is important to prevent comparing the person's performance to the performance of others. Fifth, the authors found that providing feedback digitally may increase its effectiveness. The underlying argument is that, when feedback is given in a one-to-one meeting, personal issues may interfere with the feedback process. Williams (2002, p. 156) extends this list by stating that effective feedback 1) explains why behaviours are effective/ineffective, 2) quotes specific examples, 3) allows the person receiving feedback to comment/elaborate, 4) provides alternative positive behaviours, 5) maintains esteem of those involved, 6) is concise, 7) is specific, 8) is relevant, 9) is supportive, 10) is given in moderation, 11) is contracted for, 12) focuses on behaviours that can be changed / have the most impact and 13) focuses on strengths/preferences as well as development needs/non-preferences. Finally, Williams (2002) explains that feedback should be timely. In other words: feedback should be given when good or bad performance occurs. Therefore, daily or regular feedback is more important formal annual appraisal sessions.

Clearly, in most cases, an employee receives feedback from his or her manager. Another form of feedback, however, is self-generated feedback. Of course, people evaluate their actions continuously: it is a natural process. Including explicit self-assessment in the Performance Management process has, however, several advantages (Williams, 2002, p. 161). First, explicit self-assessment enhances the employee's sense of dignity and self-respect. Second, it increases the employee's perception of the fairness of the process. Third, it provides a tool to increase communication in the appraisal interview and highlights discrepancies between the perceptions of performance of the employee and the manager. Making these discrepancies explicit may, at first sight, result in discussion and dispute. In the end, however, it seems to be wise that these differences of perception are made explicit and that they are discussed. Fourth, a self-assessment has the potential to increase the acceptance of feedback by promoting self-reflection about performance.

Even though an employee and his or her manager seem to be good sources of feedback, there may be other important sources of feedback. Below, in table 2.1, various potential sources of feedback are depicted. As can be seen, these sources are complementary because each source can provide feedback with regard to different aspects of performance (based on results and behaviours). The term '360-degree feedback' is employed if various sources of feedback are used.

Table 2.1 Access to information by various potential sources of feedback (Williams, 2002, p. 168)

	Subordinates	Self	Peers	Supervisor	Higher Level
Task					
Behaviours	Rare	Always	Frequent	Occasional	Rare
Results	Occasional	Frequent	Frequent	Frequent	Occasional
Interpersonal					
Behaviours	Frequent	Always	Frequent	Occasional	Rare
Results	Frequent	Frequent	Frequent	Occasional	Rare

2.2.1.4 Performance appraisal: review and evaluation meetings

In the past, the term 'performance appraisal' was used to refer to the process in which a manager annually assesses an employee's performance by writing an appraisal report. Sometimes, the appraisal

report was discussed with the focal employee. Today, as an element of Performance Management, the term performance appraisal encompasses more than this basic process (Fletcher, 2001).

Carefully conducted performance appraisal meetings enable communication between managers and employees about goal setting, feedback, suggestions for improving performance, training needs and career opportunities. In addition, appraisal meetings may result in better work relationships. As a consequence, performance appraisal meetings can be useful in the context of the three HRM practices: Performance Management, performance-based compensation, and career planning & development (Montague, 2007). According to the same author, performance appraisals should be supported by a foundation of job descriptions, measurable goals and objectives, and standards for performance. In addition, it is important that the concerned actors do not perceive it as an administrative necessity but as a strategic tool that can help in the attainment of individual and organisational goals (Torrissi-Mokwa, 2007). Fletcher (2001) distinguishes two aspects of performance appraisal: the content (what is going to be appraised) and the appraisal process (how an employee is going to be appraised). With regard to the content, Fletcher (2001) mentions that appraisal can be based on the achievement of goals and the assessment of competencies. However, also task performance (defined as job-specific behaviours, see section 2.2.1.2) and contextual performance (defined as non-job-specific behaviours, see section 2.2.1.2) are very relevant. Especially if the latter is to be used, 360-degree feedback (as described above in section 2.2.1.3) might lead to valuable insights. Torrissi-Mokwa (2007) elaborates on four key aspects of performance appraisal processes.

First, it is important to start the appraisal process with a self-assessment. If the appraising manager assesses the employee prior to the meeting as well, the two appraisals can be elaborated upon and compared during the appraisal meeting. This approach has three positive consequences. First, employees will be more aware of goals and results. As a consequence, they may be more motivated to improve their performance in the future. Second, the employee can play a much more active role during the appraisal meeting. This allows the manager to anticipate and elaborate on the feedback that is given by the employee himself. Third, playing a bigger and more pro-active role will give an employee a sense of ownership.

Second, Torrissi-Mokwa (2007) states that using multiple sources of feedback might be a good idea. The main strengths of this approach are that it provides a balanced view of the employee's performance, that it increases the validity of and reduces resistance against feedback and that it allows the employee and manager to reveal patterns in feedback from multiple sources. Of course, using multiple sources of feedback also has disadvantages. It brings along administrative problems and might lead to a decline of objectivity (or even result in peer competition).

Third, the author mentions the importance of exploring long-term career aspirations during appraisal meetings. A performance appraisal meeting can be used as a means of discovering an employee's career aspirations. Afterwards, an actionable plan for the employee's career can be made.

Fourth, many firms that conduct formal appraisal meetings do not do anything with the results of these meetings. Therefore, Torrissi-Mokwa (2007) explains that carefully planned follow-ups are inevitable. The author recommends monthly review meetings between the employee and his or her manager in order to stay on track and to continue focussing on the goals that have been set.

Often an appraisal report is written. Because these appraisal reports will become part of the employee's file (and might be used for taking important decisions in the future), they should be written carefully (Montague, 2007). Today, appraisal meetings can be facilitated by ICTs. One advantage of using ICTs in the appraisal process is that a lot of information can be communicated (easy and fast) to the relevant actors prior to the meeting itself (Fletcher, 2001).

2.2.1.5 Rating and (forced) ranking

Employees are evaluated by their managers based on a comparison between desired and actual performance. Very often, this is done by means of a rating scale. Although many alternatives are possible, rating employees on specific targets is most often done by means of five or seven point Likert scales (Lieberom and Hermans, 1994). If, for example, a five point Likert scale is used for rating employees, it might contain the following 'values': 1) consistently below expectations, 2) below expectations, 3) meets expectations, 4) above expectations, 5) consistently above expectations. An overall rating can be established by calculating the average score. Clearly, it is also possible to assign

weights to the various performance targets and to calculate a weighted average (Lieberom and Hermans, 1994). Since the scores are standardised, it is possible to rank employees after they have been rated.

A potential pitfall of the rating process described above is that managers tend to avoid giving their employees low ratings. This can be avoided by a method that is called 'forced ranking'. Forced ranking can be defined as '*...a differentiation process where managers are required to evaluate an employee's performance, based on predetermined categories, against other employees in the department or peer group. These employee performance rankings are then applied to a bell curve.*' (Hazels and Sasse, 2008, p. 35). This implies that performance categories have been predefined that should be used as a guideline during the rating process. This method has advantages and disadvantages. Hazels and Sasse (2008) provide an overview.

First, clearly, forced ranking helps managers to avoid being too kind with their employees and forces them to be honest with them. Second, forced ranking may assist in making budget decisions. When the specific categories and percentages are, more or less, clear in advance, it becomes easier to estimate a budget for, for example, bonuses, training and recruiting. Third, it provides a means for the organisation to base hiring and firing decisions on. There are, however, several remarks to be made. First, the organisation must be of sufficient size for forced ranking to be effective. Second, the organisational culture has to fit the concept of forced ranking. Result oriented cultures might best be suited for forced ranking while companies that want to promote a 'family-oriented' culture may be reluctant to implement it. Finally, the advantages of force ranking may diminish over time since, after a few years, the majority of the lower performers have been trained or let go. Forced ranking also has several disadvantages. First, especially in team-based organisations, moral may suffer from forced ranking, because team members are constantly concerned about their position in the team. Second, and related to the first disadvantage, employees might become reluctant to help each other. Clearly, spending time and effort in order to help a colleague may not be wise in the light of forced rankings. Third, innovation may suffer from the fact that employees may become reluctant to take risks. Fourth, forced ranking may politicize an organisation because it may result in lobbying, negotiating and making deals. Finally, and maybe most important, introducing forced ranking may result in mistrust, because '*...many employees do not clearly understand the standards against which they are being ranked, claiming the system is arbitrary, subjective, and subject to the temperament of the manager ranking them.*' (Hazels and Sasse, 2008, p. 37).

2.2.2 Performance-based compensation

Whether performance and compensation should be linked and, if so, how they should be linked, is far from evident. Therefore, this link is still subject to debate among scholars and practitioners alike.

Rynes et al. (2004) state that performance-based compensation (i.e. pay that is contingent to performance) is likely to be an important, and maybe even the most important, motivator of performance. Many other authors, however, state the opposite: money can not work as a motivator or even works as a demotivator. Rynes et al. (2004) counter argue research findings that contradict their own position by explaining important shortcomings with regard to the way various research projects have been conducted. One of their main arguments is that people who participate in surveys are likely to underreport the importance of pay as a motivator for performance as a consequence of a phenomenon that is called 'socially responsible responding'. This phenomenon explains survey respondents' tendency to give answers that are socially acceptable. People tend, for example, to answer that 'challenging tasks' or 'contributing to society' are more important motivators than pay, simply because these job elements are perceived to be more noble. As a consequence, if respondents of a survey were asked directly about the relative importance of various motivators, the results show that pay is only of intermediate importance. If, however, the participants' actual behaviours in response to various motivators is monitored, it appears that, in almost any case, pay is the most important determinant for performance. The authors add to the discussion that money can be such an important motivator simply because of the fact that it is needed to obtain many desirable things (food, shelter, education, leisure, status etcetera). However, Rynes et al. (2004) neither argue that pay is the only important motivator (both financial and non-financial rewards can be important motivators) nor that pay is equally important in each situation. With regard to the latter, the authors mention several

contingencies that influence the importance of pay as a motivator. These contingencies are organised in two categories: contingencies related to individual differences and situational contingencies. With regard to the former, the authors state that '*..research suggests that individual pay-for-performance schemes (e.g. merit pay, individual incentives, or bonuses) are most important to high academic achievers, high-performing employees, and individuals with high self-efficacy and high needs for achievement – just the types of people most employers claim to be looking for!*' (Rynes et al., 2004, p. 386). With regard to the latter, the authors mention several general principles. One of these principles is that different people value the same rewards differently. More specifically, the motivational effect of pay is nonlinear across pay levels. This simply implies that the possibility to earn a bonus of 500 Euros is more important to an employee with an average salary than to the company's CEO who earns much more. In economics, this phenomenon is called 'declining marginal utility'. In addition, the authors notice the importance of differentiating pay (sharply) contingent to performance. If differences in compensation are very small or if the relation between performance and pay is not clear, it is not likely that pay can be a strong motivator, simply because employees will not believe that higher performance will result in (significantly) higher rewards (Rynes et al., 2004).

In their 2004 article, Beer and Cannon show that implementing pay-for-performance is far from evident. Before elaborating upon the potential difficulties, it should be noted that the authors do acknowledge the potential motivational power of performance-based compensation. However, pay-for-performance can also have negative effects on, for example, intrinsic motivation, teamwork and creativity. In addition, when it works too well, pay-for-performance may motivate employees to focus solely on doing what is necessary to earn money. The authors theorise that an intelligent design and implementation can overcome two important barriers for successfully introducing performance-based compensation: barriers associated to linking effort to performance and barriers associated to linking performance to pay.

Beer and Cannon (2004) performed a research project at a company that was experimenting with performance-based compensation. The corporate culture at this company seemed to be appropriate for such systems because employees had long-term careers and opportunism was discouraged. However, after a while, the same managers that enthusiastically initiated the introduction of pay-for-performance did abandon it when the program ran into difficulties with regard to implementation and maintenance. The benefits of performance-based compensation did not outweigh its costs because of various problems. First of all, it was not clear whether increases in performance were actually caused by the monetary incentives themselves or simply by the fact that the importance of certain goals was emphasised by attributing rewards to their attainment. Second, it proved difficult to make incentives high enough to motivate employees without paying out too much. Third, it appeared very difficult, expensive and time consuming to maintain pay-for-performance programs. Especially in a turbulent industry, rapid change of technology may cause unanticipated performance increases. As a consequence, managers were forced to continuously adjust the payout standards, which, in the end, lead to distrust among employees. Employees came to rely on the extra (performance-based) compensation and perceived declines in their financial rewards as if something positive was taken away from them.

More general, the biggest problem with implementing performance-based compensation appeared to be that both managers and employees had overly optimistic expectations. Managers hoped that the system would result in higher performance and cost savings, while employees hoped for additional pay. However, both groups did not communicate their expectations explicitly. In addition, it appeared to be necessary to adjust the pay-for-performance program frequently. This may be necessary because of changing circumstances or, especially at early stages, because of flaws in the initial design. As a consequence, the introduction of performance-based compensation at the focal company resulted in an ongoing negotiation based on unstated expectations. Therefore, the authors argue that it is very important that both managerial and non-managerial employees explicitly communicate their expectations. In this way, the design and introduction of pay-for-performance can become a continuous dialogue. This might be a first means to prevent many of the various problems in introducing performance-based compensation.

2.2.3 Career planning & development

In the past, career planning was a straightforward, linear process: employees made progression in an organisation in a predefined point to point way. This approach worked fine because the organisation's environment was rather static, jobs were stable and employees' loyalty was high (Gaffney, 2005). If an employee changed job for another reason, the most likely causes were unexpected loss of position, promotion or a vacancy within the organisation (Haywood, 1993).

Recent developments, however, have forced organisations to rethink this classical approach with regard to career planning and development. Organisations start to recognise that, if managed properly, their human resources can be an important source of sustained competitive advantage. These human resources, however, did become more assertive in demanding possibilities for personal development and career opportunities (Leibowitz, 1987). Yan Zheng and Kleiner (2001) elaborate upon this phenomenon. Perhaps its most important cause is what they call 'newfound loyalties'. In the past, employees were very loyal to their employing organisations in return for job security. Today, however, employers do no longer expect this type of loyalty and employees do no longer expect this type of job security.

On the one hand, instead of being loyal to a certain organisation, today's employees are loyal to their own portfolio of skills and knowledge. By changing jobs frequently (or even by being employed by several organisations at the same time), today's employees are able to pick up new skills and knowledge continuously. Research even shows that employees tend to leave organisations if they see insufficient possibilities for personal development (Gaffney, 2005). By constantly developing, employees are able to protect themselves from the risk of not being able to find a new job if the circumstances demand them to do so. In addition to learning and developing on the job, education and (re)training are important for constantly upgrading and updating knowledge and skills.

On the other hand, employing organisations do not expect their employees to have lifelong careers within the borders of their organisation. Instead, the point of departure in many organisations is that employees' skills and efforts are valued as long as there is a certain job to be done. Therefore, for employing organisations, career planning and development is important for ensuring that the right people (with the necessary skills and knowledge) are available when they are needed.

Consequently, career planning and development has become a joint effort between the individual employee and the employing organisation. In this joint effort, the employing organisation is responsible for *managing* its employees' careers and development while the employee is responsible for *planning* his or her own career and development (Yan Zheng and Kleiner, 2001). In the remainder of this section, this statement will be explained and elaborated upon.

As a consequence of the aforementioned developments, the nature of career planning and development did become more and more individualistic. Therefore, individual employees are responsible for pursuing the career and development opportunities within and outside the employing organisation that suit their specific skills, knowledge, development needs, situation and circumstances. Therefore, only the individual employee can take the full responsibility for planning his or her career and development (Haywood, 1993). On the other hand, the employing organisation is responsible for managing its employees' careers and development. Clearly, this is in the organisation's own interest since it allows the organisation to make sure that competent and knowledgeable employees are available to meet the organisation's needs. Of special interest is the occupation of key functions by competent employees. In order to be able to do so, the organisation puts effort in succession planning and defines career and development paths that are to be communicated to the employees. These paths, however, should be defined and communicated in such a way that they can be tailored to the career and development needs of the individual employee (Yan Zheng and Kleiner, 2001). Clearly, it is very important to link these aspects. Ideally, the organisation provides information with regard to which development actions are required for pursuing a certain career opportunity (Haywood, 1993). The HR department and the employee's direct supervisor play important roles in this communication process. Often, this process can best be described as 'career counselling'. Career counselling typically consists of three steps (Yan Zheng and Kleiner, 2001). First, the employee's goals, aspirations and expectations for the coming period are discussed. Second, the manager checks what career opportunities are available and which knowledge and skills are required for these opportunities. This implies, implicitly, that the manager checks whether the employee's ambitions are realistic. Third, development actions

that an employee has to perform in order to pursue the career opportunity are identified and agreed upon. Career counselling is a process that combines 'looking backward' to the employee's past performance with 'looking forward' to the employee's future aspirations, career opportunities and development needs. Therefore, these meetings link Performance Management with career planning and development (Leibowitz, 1987). As stated by the same author: '*.. career development without performance appraisal is hope without reality. Performance appraisal without career development is reality without hope. What is needed is hope and reality, the two need to be tied together*' (Leibowitz, 1987, p 200). The author discusses two recommendations to link these processes successfully. First, the performance appraisal session (a discussion between an employee and his or her manager) and the career planning and development session (also a discussion between an employee and his or her manager) should be tied but separated in time. In other words: appraisals and aspirations should be related but should not be discussed at the same time. This prevents that the manager has to be the employee's evaluator and coach at the same time. Second, self assessments help employees to visit these meetings well prepared.

2.3 The effects of HRM practices

In this section, the effects of HRM practices on organisations will be discussed. The focus will be on the effects of HRM practices on firm performance. Two scientific studies will be discussed. Clearly, it proved difficult to find studies that exactly studied the link between the specific HRM practices discussed above and organisational performance (or other effects on the organisation). Instead, in this subsection, two articles in which the effects of a large set of HRM practices on organisations was studied, will be discussed. Therefore, the effects of all the aforementioned HRM practices will be elaborated upon in the remainder of this section.

Fey and Bjorkman (2001) studied the specific link between certain HRM practices and MNC performance. After empirical research they found a positive relation between a set of HRM practices and the performance of foreign subsidiaries in Russia. Clearly, the fact that the research was only carried out in Russia might evoke questions about generalisability.

After exploratory factor analysis, Fey and Bjorkman (2001), distinguished three sets of HRM practices: employee development, pay/organisation and feedback systems. First, employee development contains the HRM practices training, employment security, career management, and promotion within the company. The HRM practices that load on the second factor are teamwork, decentralised decision making, performance appraisal and performance-based compensation. Three HRM practices load on the third factor: information sharing, complaint resolution systems and attitude surveys. Also the other side of the contingency had to be conceptualised. Fey and Bjorkman (2001) chose to use market share, sales growth profitability and quality of products & services as criteria for subsidiary performance. In addition, it should be noticed that the authors distinguish two groups of employees: managerial employees and non-managerial employees. The factor analysis above led to the same results for both groups. As a consequence, the authors were able to find out which HRM practices (bundled in factors) for which group result in high subsidiary performance.

The results show that development of non-managerial employees as well as development of managerial employees leads to higher subsidiary performance. Also, for non-managerial employees, pay/organisation results in higher performance. This was, however, not the case for managerial employees. The authors could not find a satisfying explanation for that finding. The reverse appeared to be true for feedback: For managerial employees, a positive relation between feedback and firm performance was found while no such link could be established for non-managerial employees. A possible explanation for this difference is the high power distance in Russia (which results in low expectations of non-managerial employees with regard to feedback). These conclusions are graphically depicted in figure 2.3 and 2.4 below.

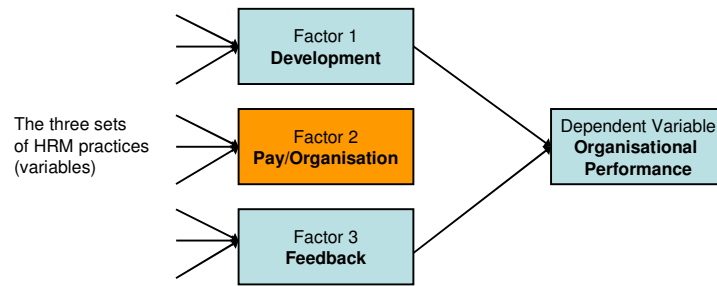


Figure 2.3 Relationship between HRM practices and Subsidiary Performance for **managerial employees** (based on Fey and Bjorkman, 2001)

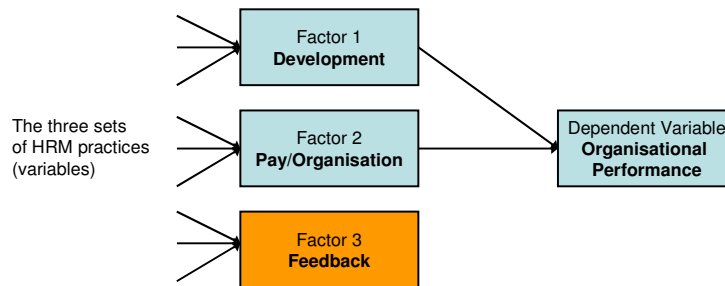


Figure 2.4 Relationship between HRM practices and Subsidiary Performance for **non-managerial employees** (based on Fey and Bjorkman, 2001)

Another study that aims to identify the impact of HRM practices on organisations was conducted by Huselid (1995). Just like Fey and Bjorkman (2001), Huselid (1995) found a link between HRM practices and firm performance. An interesting choice is made by the author with regard to the dependent variable. Huselid (1995) distinguishes intermediate employee performance and firm level performance. For conceptualising the former, the variables employee turnover and productivity are used. The latter is conceptualised by corporate financial performance. Huselid (1995) performs a factor analysis to structure the HRM practices of interest. Nine HRM practices load on the first factor 'Employee skills and organisational structure'. In order of importance, these HRM practices are: formal information sharing, formal job analysis, filling nonentry level jobs from within the company, attitude surveys, quality of work life, incentive plans/profit sharing, training, formal grievance procedures and employment test prior to hiring. Four HRM practices load on the second factor 'Employee motivation'. In order of importance, these HRM practices are: performance appraisal linked to compensation, formal performance appraisals, promotion criteria and the number of new applicants. The author finds out that HRM practices will decrease employee turnover and increase productivity and financial firm performance. In addition, he found a positive relationship between the intermediate employee indicators (turnover and productivity) and financial firm performance. These conclusions are graphically depicted in figure 2.5 below.

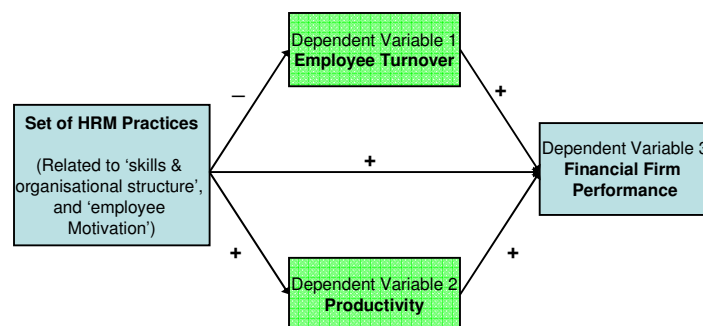


Figure 2.5 The impact of a set of HRM practices on performance (based on Huselid, 1995)

3. Participating organisations and research methodology

In this chapter the participating organisations will be presented and the research methodology will be outlined. First, in section 3.1, the participating geographically dispersed organisations will be characterised in general terms and, later on, in more detail. Then, in section 3.2, the research methodology will be explained.

3.1 The participating organisations

The organisations that have actually been involved, share some characteristics. First, all participating companies possess the basic characteristics of geographically dispersed organisations. Although some of the participating organisations are proper MNCs, they all have a (local) headquarters in the Netherlands and a number of subsidiaries (that are controlled by the aforementioned headquarters, which is either the corporate headquarters or a local headquarters) in the Netherlands. All participating organisations can thus be characterised as geographically dispersed within the borders of one country. Second, the participating organisations are introducing corporate Performance Management in one of the four possible combinations of textbox 1.1. This year, all three organisations are going through an annual Performance Management cycle for the first time. The participating organisations are:

Nutreco: The Dutch MNC Nutreco has operations in 30 countries. The company employs 9.300 employees worldwide and has its corporate headquarters in Amersfoort (the Netherlands). Nutreco is a global participant on the markets for animal nutrition and fish feed. The corporate headquarters (located in the Netherlands) controls the operations of all its subsidiaries worldwide. However, since the focus of this research project is on organisations that are geographically dispersed within the borders of one country, the subsidiaries Trouw Nutrition and Hendrix in the Netherlands will be taken into account. Clearly, the corporate headquarters of Nutreco is also the headquarters of these two subsidiaries.

IKEA NL: The multinational IKEA is a retailer for home products and has its roots in Sweden. The IKEA Group owns 258 stores in 24 countries and employs around 120.000 employees. A big majority of its sales (82%) is realised in Europe. Since the focus of this research project is on geographically dispersed organisations within the borders of one country, the focus will be on 'IKEA Nederland B.V.' 'IKEA Nederland B.V.' (which can be seen as the local Dutch headquarters) is based in Amsterdam and controls the operations of IKEA in the Netherlands. Consequently, the various Dutch stores can be seen as subsidiaries of this local headquarters. IKEA in the Netherlands will from now on be referred to as IKEA NL. In this research project, the focus will be on the stores in Amsterdam and Amersfoort and the local Dutch headquarters in Amsterdam.

Heineken NL: The Dutch MNC Heineken produces beer and other drinks. The most known brands are Heineken and Amstel. The MNC, that is one of the biggest breweries in the world, is active in over 170 countries and employs around 65.000 people. The focus of this research project is on Heineken NL. This organisations consists of the local Dutch headquarters (located in Zoeterwoude) and various organisational units in The Netherlands. Among these units are the breweries in Zoeterwoude and 's Hertogenbosch.

The fact that three geographically dispersed organisations participate in this research project has two implications. The first implication is that the generalisability of the research findings will be limited. There are two reasons for this. First, simply, the number of organisations involved is limited. Second, the corporate HRM practices at two out of three participating organisations are designed and introduced in cooperation with the consultancy firm FCTB. As a consequence, these practices have been developed and are introduced with an 'FCTB point of view on Performance Management' as a point of departure. The second implication is that some terminology has to be agreed upon. The various actors that are involved in this research project (HR specialists, managers and employees of the participating organisations, academic and company supervisors, and the researcher himself) tend to employ different terms for indicating the various concepts that are relevant for this research project. Also among various literature sources, different terms are employed. For the sake of clarity, throughout this report, the terms depicted in textbox 3.1 will be used.

Textbox 3.1 Terminology

Process: A process consists of a certain number of steps/activities that can be conducted in a certain order. A Performance Management process, for example, typically contains steps/activities such as goal setting, providing feedback, conducting appraisals, rating and ranking. Similarly, for example, development or rewarding processes can be defined.

Supporting instrument: Processes can be supported by instruments. In the context of this research project, these supporting instruments can be ICT-enabled tools or simple paper forms that support the various actors in conducting a certain process, like, for example, a Performance Management process. Throughout this report, the terms ‘tool’ and ‘supporting instrument’ are used interchangeably.

Performance Management: This term refers to the ensemble of the Performance Management process and the supporting instrument as it is used in a certain organisation.

Performance-based compensation: This term refers to the ensemble of the performance-based rewarding process and the supporting instrument as it is used in a certain organisation.

Career planning and development: This term refers to the ensemble of the career planning and development process and the supporting instrument as it is used in a certain organisation.

Introducing: This term is used to refer to the introduction of certain processes and supporting instruments.

Using: This term is used to refer to the actual use of certain processes and supporting instruments after they have been introduced.

The term **system** (as, for example, in ‘Performance Management System’) is avoided on purpose in order to avoid confusion with the term ‘process’ and, especially, with the term ‘supporting instrument’.

3.2 Research methodology

As explained in chapter 1, the main objective of this research project is to analyse and evaluate the introduction and use of corporate Performance Management (as in combination 1, 2, 3 or 4 of textbox 1.1) in geographically dispersed organisations in order to design guidelines for both the introduction and use of corporate Performance Management (as in combination 1, 2, 3 or 4 of figure 1.1) in this type of organisations. Therefore, as illustrated by means of the citations below, a research methodology that combines the so-called Action Research Cycle with the so-called Reflective Cycle seems to be appropriate. This combination of research cycles is depicted below in figure 3.1.

‘Action research...aims to contribute both to the practical concerns of people in an immediate problematic situation and to further the goals of social science simultaneously. Thus, there is a dual commitment in action research to study a system and concurrently to collaborate with members of the system in changing it in what is together regarded as a desirable direction. Accomplishing this twin goal requires the active collaboration of the researcher and client, and thus it stresses the importance of co-learning as a primary aspect of the research process.’ - citation in original - What separates this type of research from general professional practices, consulting or daily problem-solving is the emphasis on scientific study, which is to say the researcher studies the problem systematically and ensures the intervention is informed by theoretical consideration. Much of the researcher’s time is spent on refining the methodological tools to suit the exigencies of the situation, and on collecting, analyzing, and presenting data on an ongoing, cyclical basis’ (O’Brien, 1998, p. 1).

‘Case studies are important when it comes to the development of clinical knowledge.. The way of working in this process is called the reflective cycle.... The reflective cycle uses a series of case studies to develop design knowledge’ (Van Aken, 1994, p. 22, translated from Dutch). This implies that general knowledge is developed based on local, specific cases.

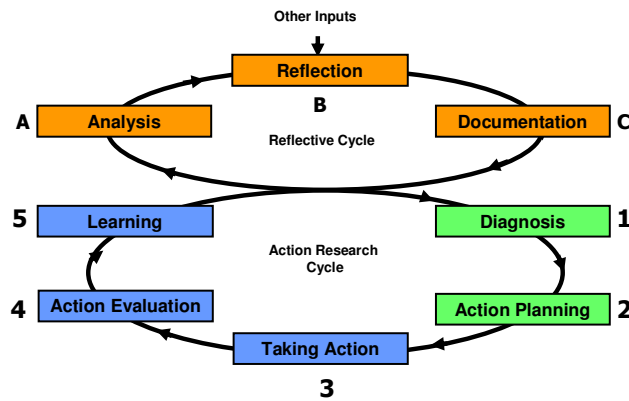


Figure 3.1 Combining the Action Research Cycle and the Reflective Cycle

At each participating organisation, the five steps of the Action Research Cycle will be gone through several times. This results into several iterations. After the Action Research Cycle is completed at each participating organisation, the Reflective Cycle will be triggered. This implies that the results of the three participating organisations will be combined and analysed. Clearly, other inputs, like for example scientific literature, can be used to support these analyses.

The steps depicted in figure 3.1 above will be preceded by the last step of the so-called Regulative Cycle: 'evaluation'. In the Regulative Cycle, in which the researcher operates 'alone as a specialist', this final step aims to evaluate the effects of a concrete intervention. Therefore, the most important aim of this step is to understand what has already been done in the participating organisations and to understand the effects of these actions. This first iteration, that will be conducted at all three participating organisations, will trigger the Reflective Cycle for the first time. Then, ideally, the various steps of the Action Research Cycle will be gone through four times for each participating organisation. As a consequence, the Reflective Cycle will be gone through four more times. The complete combination of research cycles is depicted below in figure 3.2.

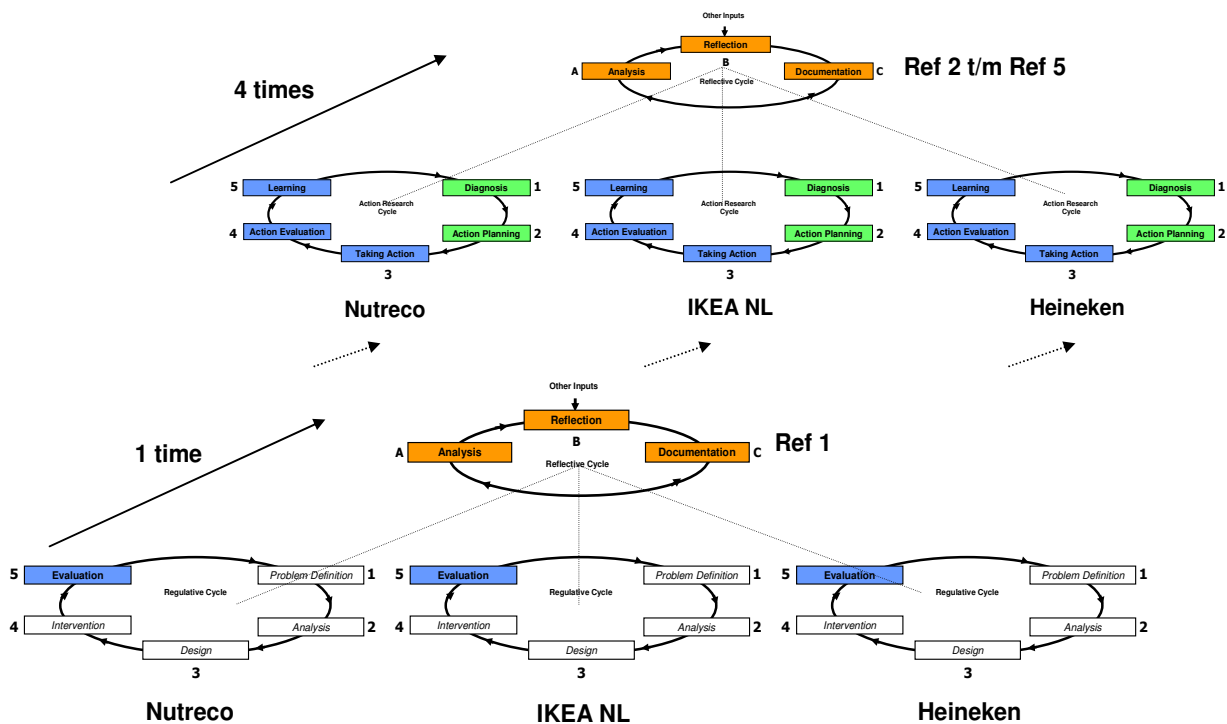


Figure 3.2 Research methodology

It is, however, very well possible that less/more iterations are sufficient/necessary in order to be able to close a particular company case. If the other company cases are not closed yet, the Reflective Cycle will, from that point in time, only be triggered by the remaining cases.

The participation of various organisational actors will be important, because one of the main goals of the proposed research methodology is to discuss and learn together with them by means of mental experiments. This implies that, during the research project, no concrete interventions into the real world itself will be done. Instead, discussion sessions with various organisational actors will be organised. A discussion session can be seen as a sort of simulation of interventions in the real world.

These mental experiments will be triggered by a certain input. The input for a session will be obtained from earlier phases of the project. In other words: the input of the discussion session in phase n will be the (processed) results of phase n-1. This implies that the directions for this research project are not fixed from the start. Instead, the output from each iteration will provide new insights that can be used for the next iteration. By learning from each iteration, this methodology helps to converge towards an end result that has been formulated by all participants in this project.

There are two other reasons to choose for this approach. First, from the theoretical background as described above in chapter 2, it can be derived that many factors may play a role in this project. It is, therefore, hard to make clear predictions and to formulate and test hypotheses. On the contrary, the proposed approach enables participative learning in several iterations. The potential speed of the iterations forms the second reason.

In the remainder of this section, the iterations will be explained in more detail. For the Heineken NL case a slightly different approach is chosen, because Heineken NL already conducted a survey among the users of Performance Management by means of questionnaires. Clearly, as a condition for participation, Heineken NL did not want to send out a similar questionnaire again. The researcher decided to involve Heineken NL into the research project and to accept that the research methodology for this third company differs slightly from the other two because the Heineken NL case is an interesting one that is likely to result in interesting insights.

Iteration 1: First, extensive desk research and several interviews will be performed in order to understand Performance Management (as in combination 1, 2, 3 or 4 of textbox 1.1) at the three participating organisations. Then, by means of a questionnaire, various organisational actors at Nutreco and IKEA NL will be invited to give their opinion about Performance Management (as in combination 1, 2, 3 or 4 of textbox 1.1) at their organisation and to evaluate its effects. As stated above, a similar survey has already been conducted at Heineken NL. Instead of sending out another questionnaire, the results of Heineken's own survey will become available for this particular research project. After this final step of the Regulative Cycle is completed for all participating organisations, the Reflective Cycle will be triggered and the results will be combined and analysed

Iteration 2: Per participating organisation, two or three HR specialists that have been involved in the design and/or implementation and/or use of Performance Management (as in combination 1, 2, 3 or 4 of textbox 1.1) will be invited to participate in the research project. This will be done by means of one plenary discussion session per participating organisation in which the main goals of introducing Performance Management and the main means for achieving these goals will be discussed. In addition, potential problems with the various processes and the supporting instruments can already be discussed at this organisational level. Finally, first ideas for the guidelines for introducing and guidelines for using these processes and supporting instruments can be discussed. The results of the previous iteration will be used to prepare these discussion sessions. When, for the first time, the Action Research Cycle has been gone through for each participating organisation, the Reflective Cycle will be triggered for the second time. This implies, again, that the findings from earlier phases will be combined and analysed.

Iteration 3: At Nutreco and IKEA NL, two or three employees who are now experiencing Performance Management as users (being managerial employees and/or non-managerial employees) will be invited to participate in the research project. Again this will be done in one plenary discussion session per company case. In this way, the effects of introducing Performance Management, as perceived by its users, can be revealed. In addition, potential problems with the various processes and supporting instruments can be discussed with the people that are actually using them. Finally, ideas for the guidelines for introducing and guidelines for using these processes and supporting instruments can be discussed. At Heineken, similar sessions have already been conducted. Therefore, instead of

conducting similar sessions again, the results of these sessions will become available. Again, the results of the previous steps will be used to prepare these discussion sessions and, again, the Reflective Cycle will be triggered.

Iteration 4: Again, at Nutreco and IKEA NL, two or three employees who are now experiencing Performance Management as users (being managerial employees and/or non-managerial employees) will be invited to participate in the research project. The point of departure is that a different group will be used than in iteration three. Again, this will be done in a plenary discussion session. Finally, ideas for the guidelines for introducing and guidelines for using these processes and supporting instruments can be discussed. At Heineken, similar sessions have already been conducted. Therefore, instead of conducting similar sessions, the results of these sessions will become available. Again, the results of the previous steps will be used to prepare these discussion sessions and, again, the Reflective Cycle will be triggered.

Iteration 5: At each participating organisation, the HR specialists that have been invited to participate during iteration two will be involved again. During this final step, the results of the previous steps will be fed back to this organisational level. The main aim is to discuss the findings of all preceding phases. Again, the format will be one plenary discussion session per participating organisation. During these sessions, the research topics will be discussed one more time and preliminary findings (including the ideas for guidelines for introducing and using the various processes and supporting instruments) can be agreed upon. After this final session, all results and findings will be combined (since the Reflective Cycle is triggered for the last time) and the project will be round up.

4. Results

In this chapter, the results of the research project will be presented. First, in section 4.1, the actual approach will be presented. Then, in section 4.2, the participating organisations will be characterised by means of the theoretical parameters that were listed in section 2.1.1. In section 4.3, a general model of Performance Management will be presented. Fourth, in section 4.4, the desired effects of using and introducing Performance Management will be elaborated upon. Mechanisms behind successful Performance Management will be presented in section 4.5. Finally, in section 4.6, guidelines for successfully using and introducing Performance Management will be designed and elaborated upon.

4.1 Actual Approach

Just like the proposed research methodology, the actual research approach consists of the three research cycles that have been combined and gone through in various iterations. However, what these iterations entail differs at some points from the original proposal.

Iteration 1: First, extensive desk research has been performed in order to understand Performance Management (as in the various combinations of textbox 1.1) at the three participating organisations. In addition, at each participating organisation, two interviews have been conducted with the corporate HR manager(s) / specialist(s) that is / are responsible for the introduction and use of Performance Management in their respective organisations. One of the main goals of these interviews was to understand the Performance Management processes and supporting tools in more depth. When this final step of the Regulative Cycle was completed for all participating organisations, the Reflective Cycle was triggered and the results have been combined and analysed (using literature).

Iteration 2: At Nutreco and Heineken NL a group of HR specialists that are involved in the design, introduction and / or use of Performance Management (as in the various combinations of textbox 1.1) was involved in the research project. This was done by means of one plenary discussion session per company case. The main topics of discussion were the main reasons for introducing Performance Management, the main barriers in the introduction process, how these barriers were overcome and various aspects of the Performance Management process and the supporting tool. At IKEA NL, the second step was an interview with a team manager at the store in Amsterdam. These sessions were prepared with the help of the results of the previous iteration. When the Action Research Cycle was gone through at each participating organisation, the Reflective Cycle was triggered again. This implies that the findings from earlier phases have been combined and analysed (using literature).

Iteration 3: At Nutreco, two employees who are now experiencing Performance Management as users have been involved in the research project. During a plenary discussion session, the Performance Management process, how this process is supported by the new tool and how this tool was introduced were discussed. The involved employees were managers of Nutreco Corporate. At IKEA NL, the third step consisted of a plenary discussion session with the local HR department of the IKEA NL store in Amsterdam. In this discussion session the three local HR advisors of that store were involved. This discussion session focussed on the introduction and desired effects of Performance Management in this specific store. Again, the results of the previous iterations have been used to prepare these discussion sessions and, again, the Reflective Cycle has been triggered. As noticed above, at Heineken NL, similar discussion sessions with users and a questionnaire have already been conducted by the company itself. Therefore, instead of conducting similar sessions again, the results of these sessions and questionnaire became available after iteration two.

Iteration 4: At IKEA NL, an interview with a local HR specialist in the store in Amersfoort was conducted. This interview focussed on the introduction and desired effects of Performance Management in this specific store. Again, the results of the previous iterations have been used to prepare this interview and, again, the Reflective Cycle has been triggered. At Nutreco and Heineken NL no fourth step was conducted.

Iteration 5: At IKEA NL, an interview with a team manager in the store in Amersfoort was conducted. This interview focussed on various aspects of the Performance Management process, the supporting tool and the introduction. Again, the results of the previous iterations have been used to prepare this interview and, again, the Reflective Cycle has been triggered. The actual approach is summarised in table 4.1 below.

Table 4.1 Summary of the actual research approach

	Heineken NL	Nutreco	IKEA NL
Iteration 1	Desk research and two interviews with corporate HR	Desk research and two interviews with corporate HR	Desk research and two interviews with corporate HR
Iteration 2	Discussion session with four HR specialists that have been involved in the design and introduction of PM	Discussion session with three HR specialists that have been involved in the design and introduction of PM	Interview with a team manager of the IKEA NL store in Amsterdam (who is a user of PM)
Iteration 3	Desk research: results of Heineken NL's own survey	Discussion session with two managers that are users of PM	Discussion session with the local HR department of the IKEA NL store in Amsterdam (three HR advisors)
Iteration 4			Interview with a local HR advisor of the IKEA NL store in Amersfoort
Iteration 5			Interview with a team manager of the IKEA NL store in Amersfoort (who is a user of PM)

4.2 Characterising the participating organisations

In section 3.1 it was explained that all participating companies can be characterised as geographically dispersed within the borders of one country. In this section, they are characterised further by means of the following parameters: culture, strategy, set-up and unions. These parameters have been derived from MNC theory (section 2.1.1). The data and information that was used to characterise the participating organisations was collected by means of desk research and interviews.

First, all participating companies face cultural differences within their geographically dispersed organisations. Since they are geographically dispersed within the borders of one country, these cultural differences do not originate from this level of culture. Instead, respondents indicated that cultural differences exist between the company's subsidiaries and the headquarters and between the various subsidiaries. In addition, cultural differences may also exist between a subsidiary's departments or teams. At all participating companies, respondents indicated that cultural differences at the various levels influence the introduction, acceptance and / or use of Performance Management.

Second, the participating organisations differ with regard to their strategy and the role of their subsidiaries. In the relationship stores-headquarters at IKEA NL, the stores can be seen as the subsidiaries of the geographically dispersed organisation IKEA NL. In big lines, the IKEA NL stores are rather uniform. This can be derived from the fact that each store has the same function and employs similar teams. Therefore, the various subsidiaries do play very similar roles in the realisation and implementation of the company's strategy. At Heineken NL and Nutreco the relationship is a bit more complicated. Heineken NL consists of various geographically dispersed organisational units with different functions. Some of these units are breweries while other units contain commercial departments such as sales or marketing. At Nutreco the focus is on the company's corporate headquarters and the Dutch subsidiaries Hendrix and Trouw. Although both are 'Nutreco companies', Hendrix and Trouw have, for example, their own product lines, production facilities and R&D facilities. As a consequence, the subsidiaries of Nutreco are much more independent from each other and from the headquarters than the subsidiaries of, for example, IKEA NL.

The third parameter is the set up of the organisation's subsidiaries. At IKEA NL, setting up new subsidiaries implies building and opening new stores. The set up of an IKEA NL stores does influence the introduction, acceptance and / or use of Performance Management. The IKEA NL store in Amersfoort is the newest store in the Netherlands while the store in Amsterdam is one of the oldest. Two respondents noticed that introducing Performance Management in a relatively young store is easier than in a relatively old store. Stores that have recently been set up do only employ their existing structures and processes for a short time and may not have great difficulties to adapt current processes

and structures and to introduce Performance Management. This may prove much more difficult in older stores because, as time goes by, existing processes and structures become more and more anchored in the organisations. At Heineken NL, the respondents indicated that the current organisation is in place for such a long time already that differences in the way the various units have been set up do not influence the introduction, acceptance and / or use of Performance Management today.

The fourth parameter is union representation. Clearly, at all participating organisations, the introduction and use of Performance Management does have a significant impact on a big number of employees. Therefore, all participating organisations did need to involve the unions in the introduction process. However, since the focus of this report is on organisations that are geographically dispersed within the borders of one country, the participating organisations did not face national differences in, for example, union presence or union power. The influence of the unions on the introduction of the corporate HRM practices is discussed in section 4.6.

4.3 A general model of Performance Management

This year, all participating organisations are introducing Performance Management. ‘*Introducing Performance Management*’ has a different meaning for each organisation. IKEA NL is introducing a new Performance Management process (as in combination 4 of textbox 1.1) and a new supporting instrument for all its employees. Nutreco is introducing a new digital tool to support the Performance Management process (as in combination 4 of textbox 1.1). At Heineken NL a new group of non-managerial employees is starting to make use of a Performance Management process (as in combination 4 of textbox 1.1) and supporting instruments that already existed for certain managerial employees and professionals. In this section, however, a general model of Performance Management is presented. This general model includes Performance Management, performance-based compensation and career planning & development and will, for the sake of readability, from now on be referred to as a general model of ‘Performance Management’. This model is based on information and data about Performance Management at the participating organisations that were collected by means of desk research and interviews.

Using this information and data, the various processes and supporting instruments at the three participating organisations are, however, first briefly described in the three text boxes below. A more detailed description of Performance Management at the various organisations can be found in appendix A. Note that, in the various Performance Management processes, three roles can be distinguished: the role of ‘employee’ (whose performance is being managed), the role of ‘manager’ (who is responsible for managing the performance of his or her employees) and the role of (local) HR (that is responsible for supporting, facilitating and monitoring the Performance Management process).

Textbox 4.1 Performance Management at Nutreco

Nutreco (Analysing documents and two interviews with corporate HR)

In 2008, Nutreco started to introduce a digital tool in order to support the Performance Management process (as in combination 4 of textbox 1.1). The process consists of the following steps:

- 1. Performance Planning:** during which performance goals, core competencies and development needs will be discussed and agreed upon.
- 2. Continuous Feedback:** throughout the year, employees will receive feedback from their managers.
- 3. Mid Year Review:** during which progress will be discussed and a preliminary rating will be given.
- 4. End of Year Review:** during which performance goals and core competencies will be evaluated. The management development cycle (in which career planning & development issues will be handled) will be initiated later on.

A digital tool, called P@CT (People and Career Tool, supports the various actors in carrying out the necessary steps in a structured and interactive way.

The consultancy firm FCTB is strongly involved in the design and introduction of the Performance Management process and supporting tool at Nutreco. The consultancy firm’s point of view with regard to performance management is presented in appendix A.1.

Textbox 4.2 Performance Management at IKEA NL

IKEA NL (Analysing documents and two interviews with corporate HR)

In the summer of 2008, IKEA NL started to introduce a new Performance Management process (as in combination 4 of textbox 1.1) for its workforce and a new digital tool to support it. In the context of this research project, the focus will be on the stores' team members (employees) and their team managers. Point of departure in this process are the so-called 'function descriptions' (in which the tasks, responsibilities, roles and behaviours that shape a certain function are described) and the so-called 'development programmes' (in which development activities are grouped per function). The process consists of the following steps:

- 1. Agreements:** during which the employee and his or her team manager discuss the employee's performance and development for the coming year (based on the employee's function description, learning goals and development programme).
- 2. Continuous feedback:** throughout the year, employees will receive feedback from their managers.
- 3. Mid Year Review:** during which the employee and his or her team manager discuss the progress with regard to the performance and development goals that have been agreed upon six months ago.
- 4. Appraisal:** during which each employee will be appraised based on the tasks, responsibilities and behaviours that are depicted in the employee's function description.

This new process is supported by a new digital tool that assists managers in conducting the necessary steps. Contrary to the case of Nutreco, the employee is not an actor in this tool.

The consultancy firm FCTB is strongly involved in the design and introduction of the performance management process and supporting tool at IKEA NL. Therefore, this consultancy firm's point of view with regard to performance management is presented in appendix A.1.

Textbox 4.3 Performance Management at Heineken NL

Heineken NL (Analysing documents and two interviews with corporate HR)

Since the 1980's, Heineken NL uses Performance Management (as in combination 4 of textbox 1.1) for its employees in scale 16 till 30. These scales include specialists and managerial employees. Since January 2008, the company is introducing Performance Management for its employees in scale 1 till 7. These scales include non-managerial employees. The process consists of the following steps:

- 1. Planning and Appraising – looking forward:** during which performance goals, behaviours, development needs and career aspirations are discussed in a one to one meeting between the employee and the manager.
- 2. Continuous Feedback:** throughout the year, employees will receive feedback from their managers.
- 3. Mid Year Review:** during which the employee and the manager discuss the progress with regard to performance goals, behaviours and development.
- 4. Planning and Appraising – looking backward:** during which the manager and the employee discuss to what extent the performance goals have been reached and what behaviour the employee has been showing. The overall evaluation is made contingent to the annual salary increase.

All agreements and evaluations are documented by the manager in a hardcopy form. When both actors agree, the form will be signed by the employee and the manager and will be transferred to HR. The HR department will process the information and enter it in a digital system.

The collected data and information were further analysed and combined (using theory). As can be seen in the textboxes above (and in appendix A), the processes at the various organisations appeared to show many similarities. It was, therefore, possible to develop the aforementioned general model of Performance Management. Instead of elaborating upon all three Performance Management processes in the main text of this report, this general model will be elaborated upon in the remainder of this section. This general model, that is depicted in figure 4.1, is an annual cycle.

In practice, often, phase one and phase five are done during one meeting. During this meeting also rewarding, career planning and development issues will be discussed. For the sake of clarity, however, the two parts of this meeting will conceptually be separated in the discussion below. Part A and B from figure 4.1 will be elaborated upon throughout the explanations of phase one and five. Company, process or tool specific characteristics that risk to interfere with this general model will not be ignored throughout the remainder of this report.

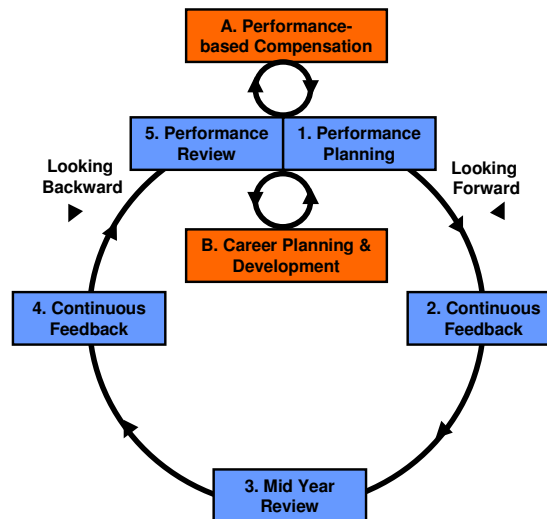


Figure 4.1 A general model of Performance Management

1. Performance Planning – looking forward: At the beginning of the annual cycle, the employee and his or her manager plan next year’s performance during a 1:1 meeting. At Nutreco and Heineken NL the importance of setting performance goals in a so-called ‘SMART’ way is emphasised. A SMART performance goal is ‘Specific’, ‘Measurable’, ‘Attainable’, ‘Realistic’ and ‘Time bound’. At IKEA NL, this part of the meeting is different from the other two cases in an important way. Instead of setting specific, individual performance goals for each employee, IKEA NL developed function descriptions for each functional area. In these function descriptions, the most important tasks and responsibilities of an employee in a certain functional area are predefined. Therefore, performance planning at IKEA NL implies that the function descriptions should be discussed, expectations should be made clear and that additional agreements can be made (which should be defined SMART as well). Heineken NL makes use of function descriptions as well but these descriptions serve as a point of departure for defining individual performance goals. All participating organisations believe that performance is not only about performance goals. Therefore, also desired behaviours (at IKEA NL and Heineken NL) or necessary competencies (at Nutreco) for the coming year will be agreed upon during the performance planning meeting. For each functional area, Heineken NL and IKEA NL predefined a set of desired behaviours. Similarly, necessary competency levels are predefined at Nutreco. In addition to setting performance goals and agreeing upon behaviours and competencies, the employee’s development needs and career aspirations (part B of figure 4.1) for the coming year will be discussed.

The organisational actors are supported in performing this step by various instruments. At Nutreco, the Performance Management process is supported by an online, interactive tool called P@CT in which, performance goals and competencies can be entered, accessed, changed or commented upon by the involved actors. In addition, P@CT allows users to enter and manage development actions, career aspirations and succession issues. A more detailed description of this tool can be found in appendix A.2. At IKEA NL, the manager enters the agreements in a digital tool that supports the Performance Management process. It should be noticed that, contrary to the case of Nutreco, the employee is not an actor in this supporting tool. Consequently, the tool is not designed for online interaction between a team manager and his or her employees but does only support the manager in carrying out the necessary steps, documenting agreements and monitoring progress. At Heineken NL, the manager fills out a form in which the performance goals, behaviours, development needs and career aspirations are to be written down. At the end of the year, the evaluation of performance goals and behaviours can be written down on the same form. When both actors agree, the form will be signed by the employee and the manager and will be transferred to HR. The HR department will process the information and enter it in a digital system.

2. Continuous feedback: Throughout the year, managers will provide daily, on-the-job feedback to their employees. At Nutreco, it is also possible to give feedback digitally through the tool P@CT.

3. Mid Year Review: At least once a year, feedback should be given in a formal way: the Mid Year Review. During this one to one meeting between an employee and his or her manager, the manager

provides feedback in a formal way and the performance goals, development goals, behaviours or competencies, that have been agreed upon six months ago, can be discussed. If necessary, it is possible to change these agreements. At Nutreco, employees receive a preliminary overall performance rating during this meeting.

4. Continuous feedback: Also throughout the second half of the year, managers will provide feedback to their employees.

5. Performance Review – looking backward: At the end of the year, the employee and his or her manager look back on past year's performance. Often, performance planning for the coming year is scheduled later on during the same meeting (phase one in figure 4.1). First, however, the employee will be evaluated. This evaluation is based on the performance goals, behaviours and competencies that were agreed upon at the beginning of the cycle. At all participating organisations, the employee receives standardised ratings with regard to the performance objectives and behaviours or competencies. Performance goals are typically evaluated by means of a four or five point scale that contains categories such as 'exceeds expectations', 'meets expectations', 'needs improvement' and 'does not meet expectations'. At Heineken NL, behaviours are evaluated by means of the same scale that is used for evaluating performance goals. IKEA NL and Nutreco are using different scales for evaluating employees on behaviours and competencies respectively. An overall rating on results and an overall rating on behaviour or competencies can be established. In addition, an overall performance rating is given to the employee. Since the rating process is based on standardised rating scales, it is possible to compare the performance of certain groups of employees. In addition, it is possible to rank them. At Heineken NL, preliminary performance scores are to be handed in at the end of the year. These scores should resemble a predefined bell-curve. This phenomenon is called 'forced ranking' and is employed, among other reasons, to monitor the rating process.

The results of this meeting can be used for taking certain decisions with regard to rewarding, career planning and/or development. For the new users of Performance Management at Heineken NL for example, the attainment of performance goals and the adherence to certain behavioural standards is explicitly linked to a financial reward (part A in figure 4.1). The employee's evaluation will be used to base the employee's salary raise on. Employees that perform according to expectations will get a standard raise while excellent performers get a double raise. Bottom performers in these scales will get no raise at all. This decision, clearly, depends on the possibilities for growth in the employee's salary scale. A similar mechanism is employed at IKEA NL. Also at Nutreco performance-based compensations are part of the process. In addition, the employee's performance results will be a point of departure for the next part of the meeting: discussing the employee's development needs, career aspirations and performance goals and behaviour for the coming year.

At Nutreco, often, the manager will enter the evaluations in P@CT prior to the meeting. This allows the employee to see the preliminary results prior to the meeting and to prepare him or herself. Afterwards, the manager enters the final evaluations and additional agreements and both actors will sign of the process digitally. At IKEA NL, the manager enters the evaluations and agreements in the digital tool and will communicate this information to HR. Similarly, at Heineken NL, the manager and the employee both sign a form that contains the evaluation and additional agreements. This form will also be transferred to HR where it will be processed and entered in a digital tool.

4.4 The desired effects on the organisation

This section is about the desired effects of introducing and using Performance Management. In order to reveal these desired effects, data and information was collected at the participating organisations by means of desk research, interviews and discussion sessions. In the same way as in section 4.3, three text boxes are depicted below. For each company case, a text box includes the most relevant quotations with regard to the desired effects of introducing and using Performance Management. In other words: the main question to be answered was '*why does this company introduce and use Performance Management?*'. The resulting data and information were further analysed and combined (using theory) in order to present a general overview of desired effects of introducing and using Performance Management. This general overview is elaborated upon in the remainder of this section.

Textbox 4.4 Desired effects at Nutreco

Nutreco

1. Analysing documents
2. Two interviews with corporate HR
3. Discussion session with corporate HR

Almost all statements below stem from documents. During two interviews and a discussion session with Nutreco's reasons for introducing Performance Management were also mentioned and elaborated upon.

By introducing P@CT, Nutreco aims to:

- 'Make sure that employees clearly understand what is expected from them, are motivated to deliver what is agreed upon and receive transparent, structured and consistent feedback.' (1, 2 and 3)
- 'Manage Performance and Development in a clear and effective way.' (1, 2 and 3)
- 'Strengthen the employee's performance and development.' (1, 2 and 3)
- 'Identify and develop talented individuals, that will drive the future growth of Nutreco.' (1, 2 and 3)
- 'Increase synergy, focus and create opportunities for effective development.' (1 and 2)

More concretely, P@CT is the online software tool that:

- 'Facilitates and improves the overall common processes of performance management and management development.' (1 and 2)
- 'Will cascade the company strategy and business objectives from senior management to every employee in the company and makes objectives visible. In addition, it is important that individuals understand the relationship between their individual performance goals and higher level strategic goals. Knowing this relationship increases the level of involvement.' (1, 2 and 3)
- 'Assesses current performance, measure current competency levels and develop personal development plans for each employee.' (1 and 2)
- 'Collects career aspirations, sets up succession planning and assesses potential.' (1 and 2)

Textbox 4.5 Desired effects at Heineken NL

Heineken NL

1. Analysing documents
2. Two interviews with corporate HR
3. Discussion session with four HR specialists

The statements below stem from the analysis of documents. Most of the statements were also mentioned and elaborated upon during two interviews with corporate HR.

The main reasons for / advantages of introducing Performance Management are:

- 'Heineken NL wants to evaluate all its employees in the same way.' (1 and 2)
- 'Positive experiences with Performance Management for employees in higher scales.' (1 and 2)
- 'Enhancing employee performance.' (1 and 2)
- 'Individual performance goals can be derived from higher-level organisational goals. In this way, every single employee can contribute to realising the company's strategy.' (1 and 2)
- 'Each year, employees will be coached and supported during at least two formal meetings' (1 and 2)
- 'By explicitly making agreements about performance, employees know what is expected from them. It should be made clear that making agreements about performance is not free of obligations.' (1, 2 and 3)
- 'Linking pay to performance is a modern and honest mechanism.' (1 and 2)
- 'Open and honest communication about performance between managers and employees.' (1)
- 'Managers are explicitly asked to:
 - stimulate and motivate employees to develop themselves (1)
 - monitor their employees' performance (1)
 - evaluate their employees' performance in a constructive and objective way.' (1)
- 'Employees are explicitly asked to:
 - monitor their own performance (1)
 - know their own development needs.' (1)

Textbox 4.6 Desired effects at IKEA NL

IKEA NL

1. Analysing documents
2. Two interviews with HR
3. Interview with a team manager (store Amsterdam)
4. Discussion session with local HR (store Amsterdam)
5. Interview with local HR advisor (store Amersfoort)
6. Interview with a team manager (store Amersfoort)

By introducing Performance Management, IKEA NL aims to:

- ‘Enhance IKEA NL’s overall performance (turnover, customer satisfaction, market share etcetera).’ (4, 5)
- ‘Strengthen employee development (1, 2, 3, 4, 5, 6), which is an essential condition for reaching IKEA NL’s overall performance goals.’ (1, 2 and 4).
- ‘Increase consistency, transparency and objectivity. Everybody goes through the same cycle.’ (1, 2, 3, 4, 5 and 6).
- ‘Make employees responsible. In other words: make them aware that planning performance is not free of obligations’ (3, 4)
- ‘Involve employees and give them feedback about their performance. Both are fundamental rights of employees in an organisation.’ (3)
- ‘Make team managers aware that they have to become coaching leaders.’ (5)

From the text boxes above, four clusters of desired effects can be derived:

1. **A different mindset**
2. **Enhancing performance, strengthening development and supporting career planning**
3. **Creating synergy in the geographically dispersed organisation**
4. **Using Performance Management as an important source of information.**

In the remainder of this section, using the collected data and information that is depicted in the text boxes above, these desired effects are elaborated upon.

4.4.1 A different mindset

By introducing Performance Management, the participating geographically dispersed organisations aim to change the mindset of the people they employ. In this section, it will be explained what this ‘different mindset’ entails and how the introduction and use of Performance Management may lead to this new mindset. The aspects of which the desired mindset consists are: communication, awareness and attitude. In the remainder of this section, these three aspects will be elaborated upon.

First, the term ‘communication’ implies that the introduction and use of Performance Management stimulates employees and managers to communicate openly and honestly. After the introduction of a Performance Management process and supporting tool, employees and managers are stimulated (or, in fact, forced) to communicate about organisational goals, departmental goals, the employee’s performance goals, behaviours or competencies, development needs and career aspirations. This effect may seem obvious but it is hard to overestimate its importance: it is hard to imagine that communication about these aspects can be as structured, open and honest in an organisation that does not have a formal Performance Management process and supporting tool.

Second, the term ‘awareness’ implies that both managers and employees become more aware of organisational goals, departmental goals, the employee’s performance goals, actual performance, development needs, and career aspirations. An important desired effect of introducing and using Performance Management is thus that employees will be more aware of their role and responsibilities.

Third, the term ‘attitude’ implies that the introduction and use of Performance Management aim to change both the employee’s and the manager’s attitude. For managers this implies an active approach in, for example, stimulating and motivating their employees, monitoring their employees’ results and behaviours, evaluating their employees’ performance and behaviours in a constructive and

objective way, offering their employees the possibility to develop themselves and monitoring and managing their employees' careers. For employees this implies an active approach in, for example, monitoring and evaluating their own results and asking for feedback.

4.4.2 Enhancing performance, strengthening development and supporting career planning

Perhaps the most obvious desired effects of introducing and using Performance Management are to enhance employees' performance, to strengthen their development and to support the planning of their careers. Clearly, the achievement of the company's mission and strategic objectives can be seen as the grand goal behind this. Higher level objectives can, for example, be related to the quality of goods and services, turnover, customer satisfaction or market share. In order to achieve these objectives it is not only important to make employees aware of their contributions and to manage their performance but also to develop them (in order to improve their performance in their current job or in order to prepare them for a new job) and to manage their careers. Developing employees and matching them with jobs in which their skills can optimally be used may contribute to the company's overall performance.

4.4.3 Synergy

In section 2.1.1, several characteristics of geographically dispersed organisations were presented. The pressures for, on the one hand, global consistency and, on the other hand, local isomorphism as well as the company's strategy, the role of the organisational units and the distribution of power were elaborated upon. With these issues in mind, it is clear why it is desirable (from the headquarters' point of view) to have a certain level of synergy in geographically dispersed organisations.

The participating organisations aim to increase the level of synergy by introducing and using Performance Management. The meaning of 'synergy' (in the context of this research project) can best be understood by briefly explaining *how* the introduction and use of Performance Management increase the level of synergy. By introducing and using corporate Performance Management, the participating organisations are capable of cascading business goals down into the organisation. In addition, first, the processes and tools give organisational actors insight in how, for example, performance goals, behaviours and development needs are established. Second, corporate Performance Management consists of a process and tool that are the same for all organisational actors. Consequently, the introduction and use of corporate Performance Management increases the level of consistency and the level of transparency in geographically dispersed organisations. These two aspects (cascading business goals and consistency & transparency) are direct desired effects of introducing and using Performance Management and, together, increase the level of synergy.

4.4.4 Source of information

As a fourth desired effect, the participating organisations aim to use Performance Management as a source of information. Because all employees are going through the same Performance Management cycle and because everyone's performance is evaluated by means of standardised scores, it becomes possible to objectively compare individual employees or groups of employees. Clearly, this information about people's performance is important when certain decisions with regard to, for example, career planning or rewarding have to be made.

Since, in addition to consistency, performance goals will be cascaded down into the organisation, it is easy to imagine how individuals' standardised performance evaluations can be an important source of information at the various hierarchical levels of geographically dispersed organisations. On the one hand, a team manager, who is interested in the performance of his or her team members, will look at the standardised overall performance scores of individuals. This allows him or her to see, for example, who are the high performers in his or her team. On the other hand, a Vice President Supply Chains of a big geographically dispersed organisation might be more interested in how the various logistics departments of the geographically dispersed organisational units are performing and in, for example, comparing the performance of the logistics department of the business unit in Germany with the performance of the logistics department of the business unit in France.

Therefore, he or she may be interested in the average of the performance evaluations of the employees in these departments or in the overall performance scores of the departments' managers. These examples illustrate how, by its very nature, Performance Management can serve as an important source of relevant information about performance at each hierarchical level. In addition to rewarding and career planning & development, this information can also be used as a point of departure for other HRM practices like, for example, recruiting.

4.5 Mechanisms behind successful Performance Management

In this section, the underlying mechanisms for successful Performance Management will be presented. Clearly, Performance Management is 'successful' if the desired effects on the organisation can be reached. In order to reveal these mechanisms, data and information was collected at the various participating organisations by means of interviews and discussion sessions. In the same way as in section 4.3 and 4.4, three text boxes are depicted at the beginning of this section. Each text box includes the most relevant quotations about success mechanisms per company case.

Since various points of view have been discussed during the discussion sessions, it may happen that contradicting quotations are depicted. This may have two implications. First, it may imply that there is no single best way to reach the desired effects on the organisation. Second, it may imply that different mechanisms (for example top down or participative goal setting) contribute to different desired effects. It is important to notice that, at each participating organisation, the question '*why is Performance Management successful?*' refers to the Performance Management process and tool as they were designed and introduced. If, for example, a self-assessment is not explicitly part of the process at one of the participating organisations, it will not be mentioned as a success mechanism here. These remarks will, instead, be listed in section 4.6.

Textbox 4.7 Success mechanisms at Nutreco

Nutreco

1. Discussion session with three HR specialists

2. Discussion session with two managers (Nutreco Corporate)

- 'Setting performance goals participatively leads to a high degree of goal commitment and acceptance.' (1, 2)
- 'Setting performance goals participatively results in relevant goals because the focal employee often knows best what is important in his or her job.' (1)
- 'Cascading performance goals top down is an easy way to implement a strategy. As a manager, for example, you want to know your own performance goals before you make agreements with your employees.' (1, 2)
- 'Since you never know an employee's level of ambition, it is safe to cascade business goals top down.' (1)
- 'If managers set performance goals top down, it is important that they explain the rationale behind it.' (1)
- 'Whether performance goals can best be set participatively or communicated top down depends on national or company cultures.' (1, 2)
- 'Explaining employees the relationship between their individual performance goals and higher level strategic goals leads to a high level of goal commitment.' (1)
- 'Explicitly translating higher level performance goals into the contributions of individual employees helps managers in understanding how these higher level business goals can best be reached.' (1)
- 'Performance is about both: performance goals and competencies.' (1)
- 'In order to give feedback, a manager should collect information from various sources because, in that way, feedback will be balanced and incidents will not play an enormous role. In addition, some things you can not judge as a manager. It also depends on which competency or department you are focussing on.' (1, 2)
- 'The manager knows best what is expected from the employee and is, therefore, the best source of feedback. In addition, managers should feel confident with their own judgements.' (1)
- 'It is important to avoid political situations. Therefore, collecting information from multiple sources is not a good idea.' (1)
- 'Feedback should be given personally, not digitally.' (2)
- 'Introducing P@CT in order to support the Performance Management process is a good idea. The digital tool has the potential to assist the actors involved.' (1, 2)

Textbox 4.8 Success mechanisms at Heineken NL

Heineken NL

1. Discussion session with four HR specialists

- 'Performance Management helps employees to realise that making performance agreements is not free of obligations.' (1)
- 'Setting performance goals participatively leads to a high level of goal commitment.' (1)
- 'Setting performance goals participatively results in relevant goals because the focal employee often knows best what is important in his or her job.' (1)
- 'For employees in lower scales, performance goals are often set top down because it is hard to involve them in goal setting.' (1)
- 'The manager is responsible for setting appropriate performance goals. This in order to, for example, prevent that goals are set too easy.' (1)
- 'Desired behaviours are described in very much detail and different levels are predefined. It is, therefore, possible to communicate in advance what specific behaviour corresponds to which performance level. In addition, behaviour must be observable and not only based on impressions.' (1)
- 'In order to give feedback to their employees, managers should use various sources of information including other employees or managers. This provides managers with a more complete and less subjective picture of the employees' performance. In addition, not all employees see their manager very often.' (1)
- 'By means of forced ranking, the HR department can monitor whether managers are evaluating their employees in a realistic way. Forced ranking is thus a sort of quality check. In addition, forced ranking forces managers to use the entire nine-point scale that has been developed to assess performance.' (1)
- 'Forced ranking supports HR in allocating its budgets and other resources (with regard to, for example, recruiting, development, career planning, pay etcetera).' (1)
- 'The grandfather principle is a valuable quality check.' (1)
- 'Linking pay to performance is fair. Whether it can work as a potential motivator of performance strongly depends on several parameters like, for example, personal characteristics or the basic salary.' (1)

Textbox 4.9 Success mechanisms at IKEA NL

IKEA NL

1. Interview with a team manager (store Amsterdam)
2. Discussion session with local HR (four local HR advisors of the store in Amsterdam)
3. Interview with local HR advisor (store Amersfoort)
4. Interview with a team manager (store Amersfoort)

- 'Conducting the various steps of the Performance Management cycle makes it possible to make employees actually responsible and to hold them accountable for their performance. In addition, going through the Performance Management process stimulates managers to involve their employees and to give feedback.' (1,2)
- 'It is a good thing that employee's performance is a combination of both results and behaviour.' (1)
- 'Using the function descriptions and making sure that every employee goes through the same cycle increases transparency and consistency.' (1,2)
- 'About 90% of employees' tasks are well defined in the function descriptions. Therefore, these function descriptions are very useful for evaluating employees in a fair and consistent way.' (1)
- 'Using function descriptions makes Performance Management (and especially evaluating) less subjective.' (2)
- 'It is important to continuously collect information about employees' performance. This information should not be collected from many different sources. This may politicise the Performance Management process.' (4)
- 'The Mid Year Review meeting might be the most important meeting of the entire cycle. If the performance review at the end of the year is a surprise for the employee, than something must have gone wrong halfway.' (1)
- 'Employees at IKEA NL conduct a self-assessment prior to the review meeting. Asking employees to prepare meetings (feedback, MYR or evaluation) is a good means to make these meetings interactive.' (1 and 4)
- 'The digital tool supports managers in conducting the Performance Management process.' (1 and 4)
- 'It is not absolutely necessary to make employees actors in the tool as well, because most steps in which employees are involved can best be done face to face.' (4)
- 'In the past, Performance Management was only about performance review. The new process and tool help us to realise that Performance Management is much more than that.' (4)

In order to present a general overview of the success mechanisms behind Performance Management, the findings from the interviews and discussion sessions were further analysed and combined (using theory). The resulting general overview is presented in the remainder of this section. The success mechanisms are structured per step of the general model of Performance Management that was depicted in figure 4.1.

4.5.1 Performance Planning – looking forward

In this section it will be explained how this first step of the Performance Management process (and its supporting tool) contributes to the following desired effects on the organisation: a different mindset, enhancing performance, strengthening development, supporting career planning and synergy. The topics of interest in this section are highlighted in figure 4.2 below.

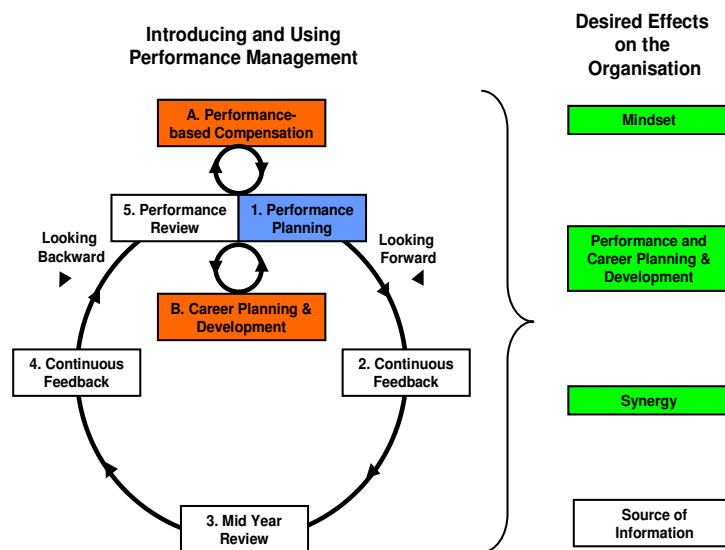


Figure 4.2 Desired effects of performance planning

First, this step of the Performance Management process forces managers and employees to communicate about performance goals and desired behaviours / necessary competencies prior to the performance year and thus forces them to discuss the employee's role and responsibilities. As a consequence of this step, both actors become aware of what is important for the coming year. On the one hand, managers are forced to translate and cascade their own performance goals down into the organisation. On the other hand, next year's performance goals, desired behaviours / necessary competencies are made explicit to the employee. As a consequence the employee is able to work towards concrete results. On the other side of the coin, the employee is made aware of the fact that, at the end of the year, he or she *will* be evaluated on the agreed upon performance goals and behaviours / competencies. This may lead to an attitude of responsibility and accountability. In addition, since the performance planning meetings are 1:1 meetings between the employee and his or her manager, an attitude of openly talking about performance goals and other responsibilities may be stimulated. The supporting tool contributes to all aspects of the desired mindset simply because managers are explicitly asked to fill out and hand in hardcopy or digital forms. The simple fact that these forms are explicitly requested stimulates communication, creates awareness and enforces the desired attitude.

Second, this step contributes to performance enhancement. By planning performance and clarifying tasks and responsibilities upfront, employees know what is expected and are able to work towards concrete results. An important result of this research project is that the way performance can best be planned (participatively or top-down) depends on the desired impact of the performance planning meeting on future performance. Three desired impacts can be distinguished: increasing the level of goal commitment, optimising goal relevance and implementing the company's strategy.

If the most desired impact is goal commitment, it seems wise to discuss performance goals and desired behaviours / necessary competencies in an interactive meeting, because, at the end of the

meeting, the employee will have a sense of ownership of what has been discussed and agreed upon. As a consequence, the employee will feel more responsible for and committed to the agreements. In addition, planning performance participatively will lead to a higher level of acceptance.

If the most desired impact is optimising goal relevance, it is important to plan performance participatively as well. This results in better, more relevant performance goals because the focal employee often knows best what is most important in his or her job. In addition, discussing next year's performance may result in more precisely formulated performance goals and desired behaviours / competencies than in the case performance planning is only thought about by the manager.

If the most desired impact is implementing the company's strategy, it seems wise to plan performance top down. Clearly, planning performance in an interactive way and aiming for consensus at each hierarchical level may ultimately result in significant differences between the company's strategy (as it has been defined by the company's top management) and actual practice at lower echelons. In addition, it is hard to know an employee's level of ambition. When important consequences, like rewarding or career planning, are directly linked to the attainment of performance goals, employees with lower levels of ambition may be tempted to misuse the interactive component of the performance planning meeting to set goals that are 'as easy as possible'. Planning performance top down helps managers to avoid this potential pitfall. For the very same reasons, it is important that the manager remains responsible for setting appropriate performance goals. If goals are communicated top down, it seems wise to explain the rationale behind the performance goal to the employee. This rationale can, for example, be relation between the individual performance goal and higher level business goals. In this way, commitment and acceptance are likely to be higher than when only the performance goals themselves are communicated. Finally, it should be noted that whether performance goals can best be set participatively or communicated top down may also depend on national or company culture. In geographically dispersed organisations it is important to be aware of this.

Another important outcome of this research project is that it seems wise to define performance as a combination of performance goals and desired behaviours or as a combination of performance goals and necessary competencies. Performance goals can be defined in such a way that their attainment is, at least to some extent, observable or even measurable. It is, however, hard to define performance goals in such a way that their attainment is completely under the direct control of the focal employee. Instead, the attainment of performance goals often depends on many external factors that are outside the individual employee's scope of control. The adherence to desired behaviours or the acquaintance of necessary competencies is much more under the direct control of the individual employee. It is, however, much harder to observe or to measure whether an employee adheres to certain behavioural standards or possesses certain competencies.

Clearly, managers should keep in mind that performance goals should be defined in such a way that their attainment is as much under the individual's control as possible. In addition, it seems wise to define behaviours and competencies as clear and unambiguous as possible. Vaguely defined behaviours or competencies are likely to be a source of confusion and frustration. An example of an ill defined behaviour is '*serves customers well*'. A manager that wishes to give an employee a bad evaluation (for whatever reason) can misuse such ill defined behaviours. To make matters worse, it is hard for the employee to defend him or herself in such a situation, simply because it is not clear what is being evaluated. Therefore, desired behaviours or necessary competencies should be defined clearly and unambiguous in advance at the performance planning meeting. With regard to behaviours, it should be made explicit what behaviour is considered good and what behaviour is considered bad. Clearly, it is possible to use more options than good or bad. If, for example, behaviours are evaluated by means of a four point Likert scale, it seems to be a good idea to predefine in advance which behaviour corresponds to which scale. The ill defined behaviour '*serves customers well*' can thus be defined much better by stating in advance what concrete behaviour is needed to reach a certain level of performance. In addition, the concept of customer service can best be further operationalised by specifying that, for example, responding to customer needs and taking initiative are important aspects of it. This is illustrated in table 4.1 below. Clearly, the more examples of behaviour are given in the various fields, the better. Finally, it is important that the examples of behaviour are as observable as possible in order to avoid that evaluations are based only on impressions. It is easy to imagine that tables can be created that are similar to table 4.1 below.

CUSTOMER SERVICE	1. Does not meet expectations	2. Needs improvement	3. Meets expectations	4. Exceeds expectations
Responding to customer needs	Not aware of customer needs	Fails to respond to customer needs	Responds to customers needs	Helps customer in defining what should be improved.
Taking initiative and being creative.	Not interested in improving customer service	Fails to take initiative	Comes with new ideas regularly	Is constantly looking for improvements

Table 4.2 Defining the behaviour ‘Customer Service’

In addition, planning performance helps geographically dispersed organisations in strengthening development and supporting career planning. On the one hand, the manager and the employee discuss and agree upon the employee’s development needs. An employee may be asked (or may ask him or herself) to participate in development activities in order to improve his or her performance in the current job, to prepare him or herself for a future job or in order to widen his or her set of competencies. The advantages for both the individual employee and the organisation are obvious.

Similar to performance goals, the development needs are documented with help of the supporting tool. Consequently, managers can monitor whether an employee started to work on the agreed upon development needs. The manager and the employee also discuss the employee’s career aspirations (which are also documented by means of the supporting tool). An employee’s development needs and career aspirations are important pieces of information for the (local) HR department. In general, this department is responsible for facilitating development needs (like, for example, organising and scheduling training sessions) and supporting career moves (like, for example, deciding upon the fulfilment of certain positions in the company).

Although the performance planning meeting and the performance review meeting are conceptually separated in this report, they are often combined in one meeting. Consequently, future performance, development needs and career aspirations can be discussed in the context of past performance. In addition, the manager and the employee can agree upon development needs that may be necessary for realising certain career aspirations. This all shows that Performance Management is not only about evaluating performance, as it was in many companies in the past. Instead, it is an integral cycle in which many important aspects are combined.

Third, this first step of the Performance Management process helps geographically dispersed organisations to increase the level of synergy by cascading down business goals and increasing the levels of consistency and transparency.

Cascading down business goals implies that performance goals and contributions of an actor at level N in the organisation will be translated to performance goals and contributions of an actor at level N-1 in the organisation. Corporate Performance Management facilitates this process simply because it encompasses performance planning at each organisational level. Therefore, it becomes possible to translate the company’s business objectives and strategy into performance goals, behaviours and competencies of individuals. Supporting tools facilitate this process by making these aspects visible. Cascading down business goals has two consequences. First, managers are stimulated to consider how their own performance goals (level N) can best be realised and how some of them can best be translated to performance goals of their subordinates (level N-1). Second, individual employees can get more insight in how their own performance goals, behaviours or competencies relate to higher level business objectives and maybe even the company’s strategy. Insight in this relation may lead to a higher level of involvement and commitment than when this relation remains unclear. Consequently, employees may be more motivated to deliver.

In addition, it is important that the employee gains insight in how his or her performance goals, behaviours, competencies, development needs and career opportunities are established and how they relate to each other. It is easy to imagine that the way performance is planned and the way the position of the performance planning meeting in the grand Performance Management process is explained may increase the amount of insight that the individual actor has and, thus, may increase the level of transparency. In addition, the performance planning meeting is a similar meeting for all actors in the geographically dispersed organisation in which it is made clear that standardised scores are used

for evaluating results and behaviours or competencies. As a consequence, it becomes possible to manage the performance of all the company's employees in the same way and, thus, to increase the level of consistency. Finally, also the simple fact that all organisational actors make use of the same supporting tool (whether it is a hardcopy form or a digital tool) increases the level of consistency.

4.5.2 Feedback and Mid Year Review

In this section, it will be explained how continuous feedback and the Mid Year Review meeting contribute to the following desired effects on the organisation: changing the mindset, enhancing performance, strengthening development and creating synergy. In other words: the mechanisms behind successful continuous feedback and successful Mid Year Review meetings will be elaborated upon. These two aspects are discussed in one and the same section, simply because the Mid Year Review is a formal review meeting in which feedback is provided in a 1:1 meeting between an employee and his or her manager.

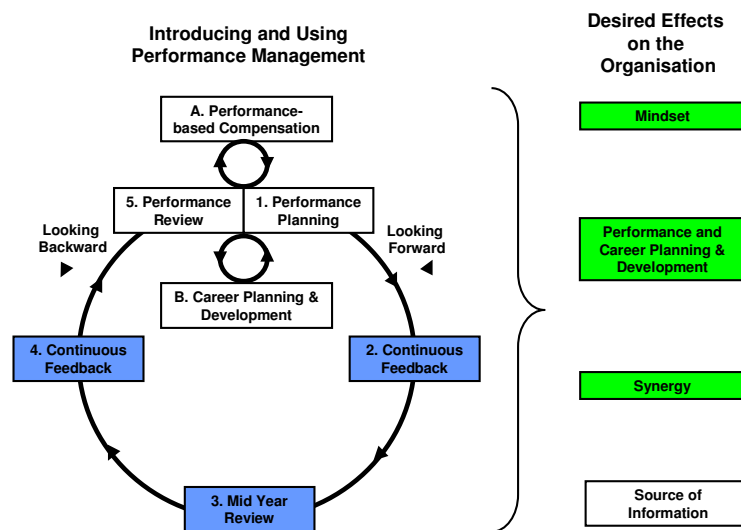


Figure 4.3 Desired effects of feedback and Mid Year Review

First, continuous feedback and the Mid Year Review meeting contribute to changing the mindset of both employees and managers by improving communication, changing attitudes and creating awareness. The Mid Year Review meeting can best be seen as an *extra* review meeting in addition to the End of Year Review in which feedback is provided formally. As such, the Mid Year Review meeting may serve as a catalyst for continuous feedback and, thus, for communication. The main reason seems to be that by formally giving feedback after six months, an attitude in which managers do also provide continuous feedback and in which employees do also ask for continuous feedback is stimulated. In addition, continuous feedback and the Mid Year Review meeting create awareness about performance. After six months, a manager is forced to think about how an employee is performing in the context of the agreements of the performance planning meeting and the employee receives information about how he or she is performing. The supporting tool does contribute to all aspects of the desired mindset simply because managers are explicitly asked to fill out and hand in hardcopy or digital forms after the Mid Year Review. The simple fact that these forms are explicitly requested does stimulate communication, awareness and attitude.

Second, continuous feedback and the Mid Year Review meeting contribute to performance enhancement. The mechanism behind it is simple. Feedback and the Mid Year Review meeting provide the employees with information about how well they are performing, and, thus, about the eventual gap between actual and desired performance. This may result in efforts to close this gap. The same reasoning holds for closing the gap between desired development and actual development.

Third, continuous feedback and the Mid Year Review meetings contribute to synergy in geographically dispersed organisations. All employees go through the same cycle and, therefore, all

have a Mid Year Review meeting with their manager (consistency). In addition, the Mid Year Review meetings increase the level of transparency in the Performance Management process. A gap of one year between performance planning and performance review is relatively long and employees can thus perceive it as a ‘black box’. Mid Year Review meetings shorten this gap. According to one of the interviewees, this is exactly why the Mid Year Review meeting is so important. In addition, he stated that if the performance evaluation at the end of the year is a surprise for the employee, than it is very likely that things have not been discussed properly during the Mid Year Review meeting.

An important question is whether managers should base their feedback on their own judgements or whether they should ask other people (like, for example, peers, subordinates or clients of the focal employee) for their opinion as well. Feedback that is only based on factual information and the manager’s judgement has several advantages. First, the manager knows best what is expected from the focal employee because he or she is the one who has planned performance for and with the focal employee. Second, the Performance Management process may become politicised if employees are asked to be a source of feedback. Instead of objectively assessing performance, employees may have their own motives for giving positive or negative feedback about an individual colleague’s performance. Third, managers should be confident about their own judgements. One of the interviewees even stated that a manager that asks other people for input might be seen as a weak manager that does not trust on his or her own judgements. However, feedback that is also based on the opinions of various other organisational actors also has several advantages. First, feedback will be better balanced and less subjective. In the case of feedback from a single source, incidents may play an enormous role. By involving other people’s opinions, the role of incidents is made smaller. In addition, employees may not see their managers very often. Therefore, peers or subordinates may be able to provide relevant information about the focal employee’s performance in addition to the manager’s opinion. Finally, a manager may simply not always be able to give feedback about every aspect or may not always be the right person to make certain judgements. When a manager wants to give feedback about the competency ‘external focus’ it might be wise to collect information from the people who are best able to provide it: the focal employee’s customers. Therefore, various interviewees indicated that a good manager always asks for additional input prior to giving feedback.

4.5.3 Performance review meeting – looking backward

In this section, it will be explained how the performance review contributes to the following desired effects: improving communication, creating awareness, changing attitudes, enhancing performance, strengthening development, supporting career planning, creating synergy and source of information. In other words: the mechanisms behind successfully reviewing performance will be elaborated upon.

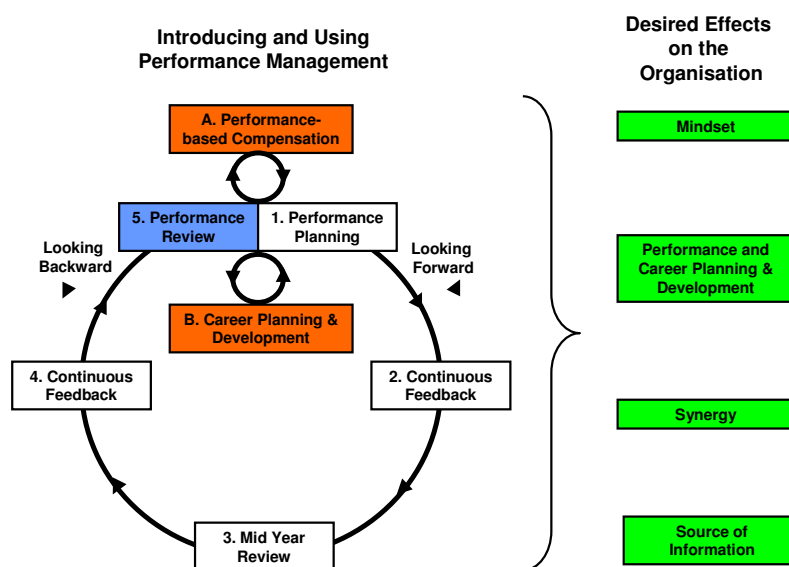


Figure 4.4 Desired effects of performance review

First, the performance review meeting contributes to the desired mindset. Since the mechanisms behind it are very similar to the mechanisms behind successful performance planning, continuous feedback and Mid Year Reviews, they will not be elaborated upon again.

Second, this final step helps geographically dispersed organisations in enhancing performance, strengthening development and supporting career planning. As explained above, these aspects can not be seen in isolation. During the performance review meeting, the manager and the employee discuss past year's performance. This evaluation is valuable input for next year's performance planning meeting because:

- **Next year's performance goals can be set with last year's performance in mind.** Based on the evaluation of last year's performance, the manager and the employee may, for example, come to the conclusion that last year's performance goals have been too ambitious, too easy, irrelevant or too hard to measure. Therefore, keeping last year's performance in mind helps both managers and employees planning next year's performance.
- **Next year's development needs can be agreed upon with last year's performance in mind.** Based on last year's performance, the manager and the employee may, for example, come to the conclusion that the employee should develop certain knowledge or skills in order to face next year's challenges. Therefore, keeping last year's performance in mind helps both managers and employees in agreeing upon development needs.
- **The employee's career aspirations for the coming period can be discussed with past performance in mind:** The performance planning meeting is the meeting in which the employee's career aspirations are discussed. Past performance does, however, give valuable insights in how realistic certain ambitions are. In addition, past performance may be an important indicator for determining which development steps are necessary for realising certain career aspirations.

At all participating organisations, employees receive performance-based compensations. At Heineken NL, for example, this implies that the overall performance score is made contingent to the annual salary increase. For example, an employee with an overall score of A will receive 'a double standard raise', an employee with an overall score of C will receive 'a standard raise' and an employee with an overall score of E will not receive a raise (clearly, this depends on the amount of space the employee has left in his or her salary scale). The main reason for the organisation to introduce this mechanism is to modernise its rewarding structure. Instead of giving everyone the same annual salary increase, this increase depends thus on last year's performance. This is perceived as more fair. Fairness is, for this company, a more important reason to make pay contingent to performance than increasing performance by motivating employees with financial rewards. The respondents at this company indicated that the motivational power differs between individuals. In addition, although most employees would understand the rational, performance-based compensation does simply not fit every company culture. Performance-based compensation will be discussed in more detail in section 4.6.

Another important result of this research project is that self-assessments and forced ranking may enhance the effectiveness of the performance review meeting. In other words, these two phenomena increase the effect of the performance review meeting on enhancing performance, strengthening development and supporting career planning. These two phenomena will be elaborated upon in very much detail in section 4.6.

Third, this final step of the Performance Management process does contribute to the level of synergy. Performance review meetings contribute to cascading of business goals, transparency and consistency in almost the same way as the performance planning meeting does. In order to prevent unnecessary repetitions, the reader is referred to section 4.5.1. However, one thing should be added to the points discussed in that section. All employees are evaluated by means of the same, standardised scales. Consequently, it is possible to establish an overall performance score. The simple fact that these scores are standardised increases the level of synergy. In addition, the standardised performance scores are an important piece of information for decision makers (the fourth desired effect on the organisation). In addition to rewarding and career planning & development, this information can also be used as a point of departure for other HRM practices like, for example, recruiting.

4.6 Guidelines for successfully using and introducing Performance Management

During the interviews and discussion sessions, problems with using and introducing Performance Management were discussed as well as possibilities for improvement. In other words, data and information about problems with using and introducing Performance Management and possibilities for improvement were collected per company case. In this section, these problems and possibilities will be depicted, further analysed and combined (using theory) in order to design general guidelines for successfully using and introducing Performance Management. These guidelines (which are inspired by theory) will be presented. In addition, it will be explained why they are valuable additions to the Performance Management process and the supporting tool themselves. In section 4.6.1, the focus will be on the use of Performance Management. In section 4.6.2, the focus will be on introducing it.

4.6.1 Guidelines for successfully using Performance Management

Data and information were collected at the various participating organisations by means of interviews and discussion sessions. In the same way as in section 4.3, 4.4 and 4.5, three text boxes are depicted at the beginning of this section. Each text box includes the most relevant quotations about problems or possibilities for improvement per company case. It is important to notice that, at each participating organisation, problems and possibilities for improvement should be seen in the context of the Performance Management process and tool as they were designed and introduced at this particular organisation. If, for example, a self-assessment is not explicitly part of the Performance Management process at a certain company and respondents from that company indicate that a self-assessment has important advantages, it will be mentioned as a possibility for improvement here.

Textbox 4.10 Problems and possibilities for improvement at Nutreco

Nutreco

1. Discussion session with three HR specialists

2. Discussion session with two managers (Nutreco Corporate)

- ‘Sometimes it is hard to define SMART performance goals for a certain job.’ (2)
- ‘It is not always possible to translate higher level business goals into performance goals of individual employees. Therefore, sometimes, performance goals are communicated as departmental goals to everybody. If the department realises the performance goal, everyone receives a positive evaluation.’ (2)
- ‘The various competencies and competency levels are defined to vague.’ (2)
- ‘If employees conduct a self-assessment before the performance review meeting, they can formulate an idea about their performance. This increases the chance that performance review meetings become interactive.’ (1, 2)
- ‘The four-point Likert scale that can be used for evaluating employees, is not always used properly. One manager indicated that he played with the tool by clicking boxes long enough to gave 34 (out of 35) of his employees a B (according to expectations) and 1 employee an A (exceeds expectations).’ (2)
- ‘A five-point Likert scale would allow managers to be more nuanced in their evaluations.’ (2)
- ‘Managers can be reluctant to give high evaluations because they risk to lose their top performers.’ (2)
- ‘Forced ranking is valuable because it forces managers to make choices.’ (1)
- ‘Letting people go as a consequence of forced ranking may be dangerous because you never know what the labour market looks like in let’s say five years from now.’ (1)
- ‘A company that improves it’s human resources continuously by forced ranking may run the risk that it can not find suited jobs for top performers’. (1)
- ‘Forced ranking does not fit in the company culture at Nutreco.’ (2)
- ‘It is not clear what happens after performance evaluations / development needs are entered in P@CT. It feels like the interaction with HR is missing. More concretely, managers feel that they get no feedback from HR after they entered the information in P@CT and even wonder whether HR can and does use P@CT as a dashboard for making decisions and, ultimately, acts accordingly.’ (2) These problems were, however, caused by data issues and the temporary absence of local HR specialists and were solved at the moment that this report was written.
- ‘Performance-based compensation is not explicitly part of the Performance Management process at Nutreco. An explicit link between performance in year N and pay in year N+1 would, however, be logical, fair and motivating. Whether linking pay to performance is a good idea, strongly depends on culture.’ (2)

Textbox 4.11 Problems and possibilities for improvement at IKEA NL

IKEA NL

1. Interview with a team manager (store Amsterdam)
2. Discussion session with local HR (four local HR advisors of the store in Amsterdam)
3. Interview with local HR advisor (store Amersfoort)
4. Interview with a team manager (store Amersfoort)

→ 'Employees from the same functional group have the same function description. On the one hand this is consistent and transparent. On the other hand, you can wonder whether performance planning is still necessary if tasks, responsibilities and behaviours are predefined.' (1)

→ 'The predefined function descriptions do not guarantee that performance is planned and managed properly. It all depends on how managers use them.' (1, 2)

→ 'Managers should be more stimulated to use the function descriptions properly and to make employee specific agreements in addition to the predefined function descriptions. Balancing between predefined general function descriptions and the performance goals / necessary behaviours of individual employees is a challenge with this new Performance Management process.' (1, 2)

→ 'It does happen that employees have the same function description (because they work in the same functional area) but have different jobs in which different things are important (for example order pickers and forklift drivers). This illustrates the importance of properly balancing between predefined function descriptions and the tasks and responsibilities of individual employees in the Performance Management process.' (2, 4)

→ 'A possible way of coping with this balance would be to have basic profiles per functional area and to personalise this basic profile per individual employee.' (4)

→ 'The predefined behavioural standards are not concrete enough.' (4)

→ 'Team managers are often reluctant in delegating responsibility.' (2)

→ 'There is no explicit link between pay and performance at IKEA NL. It would, however, be more fair if this link was established. (1, 4) In addition, performance-based compensation is likely to work as a motivator.' (1)

→ 'The employees with the toughest jobs and the employees that perform best should be rewarded for this. Not linking pay to performance might become a source of frustration for this valuable group of employees.' (4)

→ 'HR fears that team managers will misuse the tool in order to give employees the evaluation that they want to give them. In other words: HR fears that managers will tick boxes until the desired overall performance score appears. Forced ranking would, however, go too far at IKEA NL. It does not fit the company culture.' (2)

→ 'Local HR is not an actor in the tool and thus lacks the information it needs in order to fulfil its role: supporting the Performance Management process and assisting team managers in carrying out the necessary steps. Today, local HR receives hardcopy forms.' (2)

Textbox 4.12 Problems and possibilities for improvement at Heineken NL

Heineken NL

1. Discussion session with four HR specialists

→ 'It appeared to be hard for managers to set SMART performance goals.' (1)

→ 'It was hard sometimes to translate team or departmental goals into individual performance goals.' (1)

→ 'Lots of effort was put in making behavioural standards. One of the biggest problems appeared to make behavioural standards observable and measurable.' (1)

→ 'Asking employees to conduct a self-assessment has several advantages. First, employees are stimulated to think about their own performance prior to the review meeting. In this way, these meetings are more likely to be interactive. Second, if this self-assessment is communicated to the manager prior to the meeting, the manager can use it as a point of departure for the meeting. Third, it makes employees aware that Performance Management is not free of obligations.' (1)

→ 'Forced ranking may increase competition among employees and managers may feel uncomfortable with forced ranking. In addition, they are asked to invest time in making a prognosis for each employee.' (1)

→ 'Hardcopy forms are have many disadvantages. Managers complain that they have to fill out the same form many times and that it is hard to make changes. Clearly, Performance Management should be digitalised.' (1)

→ 'For assessing performance, a 4 point Likert scale may be more desirable than a 9 point Likert scale.' (1)

→ 'The grandfather principle causes a lot of bureaucracy and most of the time the manager's manager does agree with the way performance is managed. Therefore, Heineken NL chose to abandon this principle.' (1)

The collected data and information was further analysed and combined (using theory). This resulted in the following clusters of problems / possibilities for improvement.

1. Setting performance goals is not as easy as it may seem.
2. Predefined behavioural standards / competency levels are not always clear and / or specific enough.
3. Review and feedback meetings tend not to be interactive.
4. Managers do not always evaluate their employees properly.
5. Although it does not fit all company cultures, performance-based compensation would be fair. In addition, it was not clear to all participants that performance-based compensation was already part of Performance Management in their organisation.
6. The various organisational actors are not always empowered sufficiently for carrying out the Performance Management process properly.

If a Performance Management process and a supporting instrument as presented in section 4.4 are considered given, the list above shows that two additional design efforts would be worthwhile. First, from point one till point five it can be derived that *using* an existing Performance Management process and supporting instrument may not be evident. In other words: the fact that the Performance Management process and supporting instrument are present, does not automatically mean that they will be used optimally by the various actors. The design need for successfully using Performance Management is depicted in orange in figure 4.5 below. Second, from point six above, it can be derived that an instrument that was designed and introduced in order to support a Performance Management process does not always *support* it properly. The design need for proper support by the supporting instrument is depicted in blue in figure 4.5.

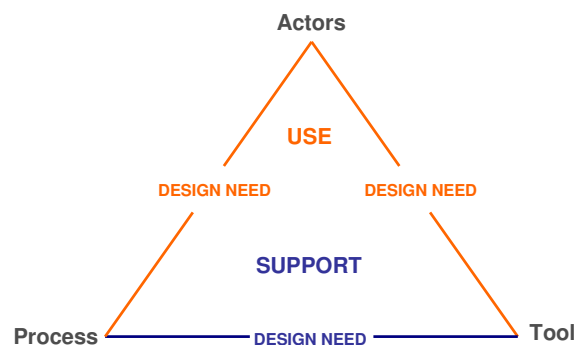


Figure 4.5 Illustrating the design needs.

Therefore, using the information and data that was collected, six sets of guidelines were designed: one set for each cluster of problems / possibilities for improvement. The first five sets of guidelines (related to ‘the *use* of Performance Management’ – design need depicted in orange in figure 4.5) are presented in section 4.6.1.1 till section 4.6.1.5. The sixth set of guidelines (related to ‘the *support* of Performance Management’ – design need depicted in blue in figure 4.5) is presented in section 4.6.1.6.

4.6.1.1 Guidelines for performance planning: goal setting

Five issues are of importance here.

First, managers may wonder whether performance goals can best be communicated top down or set participatively with employees. This issue was already discussed in section 4.5.1: it all depends on the desired impact. If the most desired impact is goal commitment and / or goal relevance, it seems wise to set performance goals participatively. If implementing the company’s strategy is most important, than it might be wise to communicate performance goals top down. If a manager chooses to communicate performance goals top down, it might be wise to explain the rational behind the performance goal. This rational can, for example, be the relationship between the company’s overall business goals and the contribution of the individual employee. With regard to this topic, it is

important to be aware of cultural aspects, because they may be important factors in choosing one of the aforementioned approaches. Clearly, it is possible to combine both approaches: performance goals can be communicated top down (in order to implement the company's strategy) and fine-tuned in an interactive meeting with the employee (in order to increase goal relevance and goal commitment).

Second, it appears to be difficult sometimes to translate team or departmental goals into individual contributions. On the one hand, it is understandable that it is not always possible to cascade each group goal into contributions of individuals. On the other hand, it might be hard to assess individual performance by means of group goals. Therefore, a guideline would be to try to define contributions of individuals to group goals in advance. If this is not feasible, the manager must face the challenge of explicitly collecting information throughout the year about who contributes to the group goal and to what extent. If one of these two options is not possible, it might be hard to assess individual performance based on group goals.

Third, the various organisational actors should be aware of the fact that changing circumstances may result in the necessity to change performance goals that were already agreed upon. If the supporting instrument (and / or the formal Performance Management process) does not allow for such flexibility, it is up to the managers to properly deal with it. If, for example, an employee is working towards an agreed upon performance goal for almost a year and changing circumstances after ten months make it impossible to attain it, then it is up to the manager to judge how this employee should be evaluated on this performance goal. The employee in this example might still receive a positive performance evaluation regardless of the fact that the performance goal could not have been attained. This example illustrates that Performance Management is not a one time event of evaluating and setting performance goals. Instead, it is a continuous effort.

Fourth, it is important to strike a balance between consistency and specificity. This need became most apparent at IKEA NL. On the one hand, participants praised the consistency and transparency of predefined tasks, responsibilities and behavioural standards per function. On the other hand, however, the same participants indicated that individual differences between employees with the same function descriptions can be big and that the function descriptions do not stimulate managers to respect these differences during the Performance Planning meeting. Therefore, the function descriptions do not guarantee that performance is planned properly. Instead, whether performance planning is successful depends on the interaction between a manager and an employee. Therefore, an important guideline would be to use function descriptions as a point of departure for the performance planning meeting and not as predefined performance plans for individual employees. This implies that managers should be stimulated to define tasks, responsibilities and behavioural standards for each individual employee. This should be done with the function description in mind but it has to be very well possible that an individual employee's performance plan differs from the predefined function description. This approach resembles the way performance goals are fine-tuned at Heineken NL.

Fifth, Performance Management is a perfect means for actually making employees responsible and accountable. It appeared, however, that managers may sometimes be reluctant to delegate actual responsibility. Managers should become aware that delegating responsibility and holding employees accountable for performance are essential for successful Performance Management.

4.6.1.2. Guidelines for performance planning: behaviours and competencies

The participants indicated that competencies / behavioural standards are not always clear and concrete enough. In section 4.5.1 the importance of clearly defining such standards and illustrating them by examples was elaborated upon in very much detail. In line with the discussion about consistency and specificity in section 4.6.1.1, an important guideline for using Performance Management would be that it is the responsibility of managers to make behavioural standards and / or necessary competency levels clear to the employee. If predefined standards are available, they can perfectly be used as a point of departure. If these predefined standards are sufficiently clear and if these standards do reflect what is important in the employee's job, then they can perfectly be used for planning and evaluating performance. If, however, these standards are not concrete or clear enough to the actors involved or if these standards do not sufficiently reflect what is important in the individual employee's job, the performance planning meeting must be used to further discuss behaviour and competencies and, finally, to make the right agreements with regard to performance planning.

4.6.1.3 Guidelines for self-assessments

The phenomenon of self-assessments was already presented briefly in section 4.5.3. Since self-assessments are not a formal aspect of the Performance Management process at two out of three participating organisations, it will be further elaborated upon in this section. A self-assessment can be done in various ways. On the one extreme, employees can simply be asked to think about how well they have been performing. On the other extreme, employees can be asked to evaluate themselves formally on all the agreed-upon performance goals and behaviours / competencies. In the most formal case, the employees would be asked to make use of the same scales that will be used later on during the actual performance review. Asking employees to conduct a self-assessment prior to the performance review meeting (or any other meeting in which feedback is given, like, for example, the Mid Year Review meeting) has advantages for both the employee and the manager. These advantages will be elaborated upon before stating the guidelines with regard to this phenomenon.

If employees are asked to conduct a self-assessment, their sense of ownership with regard to the entire Performance Management process may increase. In addition, they are forced to explicitly evaluate their own performance. As a consequence, employees will develop their own perception of their performance and will thus be well prepared for the performance review meeting. This brings along the important advantage that the meetings become interactive sessions in which performance is actually discussed and, ultimately, agreed upon. In addition, transferring the employee's self-assessment to the manager and transferring the manager's preliminary evaluation to the employee prior to the performance review meeting, brings along advantages as well. First, the two evaluations can serve as a point of departure for the performance review meeting. Second, and maybe even more important, differences in the perception of performance already become clear prior to the meeting. This situation is preferable above a situation in which such differences in perception appear during the meeting. In some cultures, however, self-assessments are not as easily accepted by managers (or seen as valuable by the employees themselves) than in other cultures. In addition, not all employees may have the necessary skills or knowledge to successfully conduct a self-assessment.

Therefore, as a guideline, managers are advised to ask their employees to conduct a self-assessment prior to important feedback or evaluation meetings, even if such assessments are not part of the formal Performance Management process. A tool can support this in various ways. The most simple way would be to ask employees to fill out a hardcopy form in which questions about their own performance are asked or on which the agreed-upon performance goals and behaviours / competencies must be scored using the same scale as the scale that will be used for the evaluation. The most advanced way would be to use a digital tool by means of which the self-assessment is communicated directly to the manager. In the same way, the manager's preliminary evaluation may be transferred to the employee by means of a hardcopy form or a digital tool.

4.6.1.4 Guidelines for performance evaluation

Managers do not always properly evaluate their employees. They tend to avoid giving employees extreme good or extreme bad scores. A manager who avoids giving extreme good scores may, for example, fear that the focal employee will leave his or her department as a consequence of this positive evaluation. A manager who avoids giving extreme low scores may, for example, not want to be that honest with the employee. As a consequence, managers tend not to use the entire available Likert-scale. In order to do so, managers may misuse the supporting instrument. In the remainder of this section, quality checks for the evaluation process will be discussed.

Forced ranking helps managers to avoid this pitfall because the percentage of employees in each (overall) performance category is predefined. First, it explicitly forces managers to make choices and to use the entire scale. Especially when large Likert scales are being used, managers tend to use only the scores in the middle. At one of the participating organisations, the HR department asks all managers to send in their preliminary evaluations prior to finalising the Performance Management cycle. This allows the HR department monitor the evaluation process. It should be noticed, however, that these norms are not set easily. Therefore, it might be wise to use the evaluations of a few years as a basis for establishing them. Second, forced ranking is an important tool for the HR department. If the ranking / distribution is, to some extent, known in advance, the HR department can proactively work

on, for example, the recruitment of new employees, organising development activities or planning careers. Even budgets for performance-based compensations can be determined proactively.

Forced ranking brings along disadvantages as well. First, making, handing in and checking preliminary ratings simply costs a lot of time for both the managers and the HR department. Second, the consequences of forced ranking (letting underperformers go, promoting top performers, recruiting new people etcetera) may bring along unforeseen disadvantages. Letting employees go because they are underperforming could be a (desired) consequence of forced ranking. It is, however, hard to predict what the labour market will look like in a few years. An organisation can, therefore, not always be sure that the people that have been let go as a consequence of forced ranking can be replaced by better people in the future. Another consequence of forced ranking is that a company constantly improves its workforce. This clearly is one of the desired effects of forced ranking, but brings along disadvantages as well. One of these disadvantages was called the 'Real Madrid effect' by one of the respondents in this research project. This simply implies that consistently improving the personnel may result in a situation in which a company is forced to underutilise its human resources because it is not possible to match all human potential with appropriate jobs. Promoting employees because they are performing very well in their current function could also be a (desired) consequence of forced ranking. The fact that an employee consistently over performs in a certain function does, however, not automatically imply that he or she will perform well in another function. In psychology, this phenomenon is called the 'Halo effect'. Third, forced ranking may simply not fit the organisational culture because it may invoke competition among employees and may force managers to use a predefined distribution with which they might not be comfortable. From the discussion above it can be concluded that forced ranking might be a valuable element of the Performance Management process but that an organisation should, before employing it, look at the advantages and disadvantages and then decide what consequences of forced ranking it values most.

Another mechanism that can serve as a quality check of the evaluation process is called the 'grandfather principle.' This implies that the manager's manager (the employee's grandfather) watches over the Performance Management process and signs off evaluation forms. Higher level managers will, however, then have the responsibility to watch over the Performance Management processes of a lot of employees. In addition, it brings along a lot of bureaucracy.

Forced ranking and the grandfather principle are thus important means to check whether performance is evaluated properly. Both, however, have important disadvantages. It is, therefore, very well possible that an organisation decides not to use them. In that case, it is important that (local) HR does still monitor the performance evaluations. What this implies in practice is illustrated by means of two examples. First, if all employees at a certain department perform 'according to expectations', it might be wise to talk to the manager and find out the reasons behind these evaluations. Second, if the evaluations of an entire department are very positive, but the actual overall performance of the department as a whole is not so good, this might also be a reason for (local) HR to talk with the departmental manager. Clearly, as will be discussed in section 4.6.1.6., it is important that (local) HR does have the information and means to actually carry out these quality checks.

4.6.1.5 Guidelines for performance-based compensation

The question whether and, if so, how pay should be made contingent to performance is a delicate one. Respondents of all participating companies indicated that performance-based compensation is fair and that, therefore, all organisational actors would understand such a link. In addition, various managers indicated that performance-based compensation could be a motivator and that not linking pay to performance might even lead to dissatisfaction among high performers. Therefore, individual managers state that it would be wise to link pay to performance regardless of (their perception of) the formal Performance Management process. The text between brackets is depicted because managers at IKEA NL and Nutreco indicate that there is no explicit link between pay and performance while this link does already exist in practice. Additional clarification, explanation or training with regard to the formal process might thus be necessary. However, in general, participants also wonder whether performance-based compensation fits the company culture. It is, therefore, very hard to define a guideline with regard to this issue. In section 2.2.2, theoretical arguments for linking pay to performance were mentioned. These arguments overlap partly with the points of view of the

participants in this research project. However, various problems with linking pay to performance were mentioned as well, both in section 2.2.2 and by the participants in this research project. A potential guideline would, therefore, be that if managers want to make pay contingent to performance (regardless of the formal Performance Management process in which it is not) that the most important pitfall that was presented in section 2.2.2 is taken into account. This pitfall boils down to the following: the biggest problem with implementing performance-based compensation appears to be that both managers and employees have overly optimistic expectations. Managers hope that it will result in higher performance, while employees hope for additional pay. Problems may occur however if both groups do not communicate their expectations explicitly. In addition, it may appear to be necessary to adjust the pay-for-performance program frequently. This may be necessary because of changing circumstances or, especially at early stages, because of flaws in the initial design. As a consequence, the introduction of performance-based compensation may be an ongoing negotiation based on unstated expectations. Therefore, it is very important that both managerial and non-managerial employees explicitly communicate their expectations. In this way, the design and introduction of pay-for-performance can become a continuous dialogue.

4.6.1.6 Guidelines for empowering the organisational actors

The supporting instrument should support the various organisational actors in carrying out the steps of the Performance Management cycle. In this section, guidelines for properly empowering employees, managers and (local) HR are presented. First, the empowerment of managers and employees will be discussed. The managers at IKEA NL and Nutreco who participated in this research project are, in general, satisfied with the way the digital tools supports them in carrying out the various steps of the Performance Management process. At Heineken NL, managers complain that their tool consists only of hardcopy forms. The same form has to be filled out over and over again and, clearly, working with hardcopy forms is not very flexible. Therefore, as a guideline, it can be stated that managers should be supported by a digital that supports them in carrying out the necessary steps. Whether employees should also be actors in such tools is less clear. At IKEA NL, a manager noticed that each step in which the employee is involved should be done face to face, not digitally. In addition, a manager at Nutreco noticed that giving feedback should be done face to face, not digitally. However, if the employee is an actor in such tools, he or she may have constant access to his or her performance planning. The tool should thus facilitate the meeting and not replace it. Signing off performance planning meetings or performance review meetings can be done much more efficient. Clearly, these aspects can be balanced: the employee can still be an actor in the tool while all important steps in which the employee is involved are done face to face. It thus all depends on how the supporting instrument is used. (Local) HR should be empowered in order to fulfil its role. This role consists of monitoring the Performance Management process, assisting managers in, for example, goal setting, checking performance evaluations, organising and scheduling training sessions (which are needed as a result of the development aspect of Performance Management) and actually planning employees' careers (which is needed as a result of the career planning aspect of Performance Management). In order to be able to do so, (local) HR must at least easily have access to information with regard to:

- The progress of employees in the Performance Management cycle
- The results of the Performance Management cycle:
 - The (overall) performance evaluations (per employee)
 - The development needs (per employee)
 - The career planning (per employee).

Therefore, it is inevitable that (local) HR is an actor in the tool. Clearly, managers, employees and HR should have access only to the information that they need to see in order to fulfil their respective roles and that they are allowed to see.

4.6.2 Guidelines for successfully introducing Performance Management

Data and information were collected at the various participating organisations by means of interviews and discussion sessions. In the same way as in section 4.3, 4.4, 4.5 and 4.6.1, three text boxes are

depicted at the beginning of this section. Each text box includes the most relevant quotations about introducing Performance Management and problems during the introduction per company case.

Textbox 4.13 The introduction of Performance Management at Nutreco

Nutreco

1. Discussion session with three HR specialists

2. Discussion session with two managers (Nutreco Corporate)

- 'Both managers and employees received a training in which P@CT was explained to them.' (1)
- 'P@CT is a new tool. Like all new things, P@CT is thus a little bit scary.' (1)
- 'P@CT forces managers to manage performance in a transparent and consistent way and to explicitly communicate about performance with employees. Managers may doubt whether they are able to do this.' (1)
- 'P@CT is meant as a tool to support an existing Performance Management process. However, the tool forced managers to explicitly carry out this process. As a consequence of the introduction of P@CT it appeared that the underlying Performance Management process was not completely clear. Instead, there appeared to be a large training need, especially with regard to goal setting.' (1)
- 'The tool suffered from small technical problems that made it hard to adhere to previously set time lines.' (1)
- 'The tool suffered from data issues that made it impossible to use it. Wrong team members, links that did not function and status reports that changed randomly. These problems existed because P@CT is linked to the company's employee database that, at some points, is not up to date.' (2)
- 'Lots of energy is devoted to solve the data issues.' (1)
- 'The unions were involved on time. HR explained them that P@CT wasn't something new and that it was just a tool to support an existing process. In addition, during the meetings with the unions, HR emphasised that transparency and consistency are advantages of using P@CT. In this way, the unions could be convinced.' (1)

Textbox 4.14 The introduction of Performance Management at IKEA NL

IKEA NL

1. Interview with a team manager (store Amsterdam)

2. Discussion session with local HR (four local HR advisors of the store in Amsterdam)

3. Interview with local HR advisor (store Amersfoort)

4. Interview with a team manager (store Amersfoort)

- 'Managers received training about Performance Management. First, they all received a five-day training about various new structures, processes and tools at IKEA NL. During this training, a general introduction about the new Performance Management process and the supporting tool was given and the reasons for introducing them were presented. Second, the IKEA NL's team managers will receive a more specific and detailed training about 'performance planning', 'mid year reviews', and 'appraising' prior to the moment that each specific phase occurs for the first time. These training sessions are provided by the local HR department. The local HR departments receive standardised materials (presentations etcetera) from the company's headquarters.' (1 and 2)
- 'Various media were used to inform managers and employees about the new Performance Management process and tool like brochures, the company's journal and intranet.' (2 and 4)
- 'In the beginning, it appeared to be hard for employees to understand the predefined function description. Therefore, a lot of time was spent by managers to explain the function descriptions to employees.' (1)
- 'The link between Performance Management and development was clear on paper. When the new process and tool were introduced, however, it appeared that the link wasn't established in practice: development activities were not yet available. This led to frustration.' (1 and 2)
- 'There were some technical problems with the tool in the beginning. Managers did, for example, not see the right team members in their list. It is important that such tools work well from the beginning, otherwise managers will lose their commitment to it.' (2)
- 'Lots of time was spent in designing the process and the tool. Also the communication and the various training sessions were organised very well. Performance Management is, however, a new process between an employee and his or her manager. HR should therefore closely monitor the first cycle.' (4)

Textbox 4.15 The introduction of Performance Management at Heineken NL

Heineken NL

1. Discussion session with four HR specialists

2. Two interviews with corporate HR

- 'Internal media (the company's magazine, intranet etcetera) were used to inform the Heineken NL employees about the Performance Management process and about why it was introduced for the new target population.' (1)
- 'Managers were trained in the various aspects of the Performance Management process. An important part of this training was the so-called 'Q&A part' in which managers were allowed to pose questions about Performance Management. These questions were fed back to the HR department in order to give this department an idea about the most important questions and doubts that managers had ' (1 and 2)
- 'A group of managers was selected and asked to regularly inform the HR department about their experiences, doubts and questions with regard to Performance Management.' (2)
- 'Managers were asked to give a standardized presentation in order to inform their employees about Performance Management.' (1)
- 'HR supports the Performance Management process. This implies, for example, that individual managers are assisted in setting performance goals.' (1)
- 'The company's higher management was present at the kick-off meeting.' (1)
- 'It appeared to be hard to convince managers that the new Performance Management process and supporting tool are useful for them. The fact that they are asked to invest a lot of extra effort in conducting the new Performance Management process made this even more difficult.' (1)
- 'The target population was big. Due to complexity it was hard to reach everyone at the same time.' (1)
- 'The results of in-depth research were presented to the unions. Heineken NL indicated that the changes are only minor and that the new Performance Management process can be seen as a modernisation. In addition, the arguments of consistency appeared to be an important one.' (1)

The data and information in the three text boxes above were further analysed and combined (using theory). This resulted in the insight that if Performance Management is to be introduced from the conceptual world (in which the process and tool are designed but are not in use yet) to the real world (in which Performance Management is properly used in practice), important barriers must be overcome. These barriers can be clustered: both the process and the supporting tool need to be *understood* and *accepted* by the concerned organisational actors. Therefore, both understanding and acceptance precede proper use of Performance Management in practice. This implies that a successful introduction is an introduction in which these two barriers are overcome. In the first part of this section, the two barriers will be elaborated upon in more detail and the need for guidelines will be explained. Then, in the second part of this section, guidelines for successfully introducing Performance Management will be designed. These guidelines were designed using the data and information that was collected during interviews and discussion sessions and are inspired by theory.

The first barrier that has to be overcome if Performance Management is to be introduced successfully is that the new process and tool must be well understood by all actors who are going to use it. Respondents indicated that, on the one hand, the supporting tools were easily understood, because the way they functioned was intuitively clear. On the other hand, it appeared to be hard to understand certain aspects of the actual Performance Management process. Two examples are illustrative here. First, at Nutreco, it appeared that the introduction of the supporting tool P@CT (which was introduced in order to support the existing Performance Management process) did evoke questions about the underlying process. The simple fact that P@CT did force managers and employees to, for example, agree upon performance goals did evoke questions about how performance goals can best be agreed upon. The introduction of the supporting tool resulted thus in a large training need: not only about the new tool, but also about the Performance Management process itself. Second, at IKEA NL, it appeared to be hard for employees to understand the function descriptions. As a consequence, team managers spent a lot of time explaining the function descriptions to their employees.

The second barrier that has to be overcome if Performance Management is to be introduced successfully is to make sure that the organisational actors accept the new process and supporting instrument. Various barriers that may hinder the acceptance of Performance Management can be mentioned. First, new processes and tools that demand a new way of working tend to be experienced

as a bit scary in organisations and are, therefore, not easily accepted. Second, it has proven difficult to let both employees and managers see the advantages of Performance Management. This barrier is even higher when one realises that both organisational actors (especially the managers) are asked to invest extra time and effort. Third, the introduction of Performance Management forces managers to communicate openly and honestly about performance and responsibilities, to do this in a consistent and transparent way, to give feedback etcetera. Managers may doubt whether they will be capable to do this. This doubt may result in a barrier to the acceptance of Performance Management. Fourth, problems with the process or the supporting tool may lead to frustration and a lower level of acceptance by users. Two examples are illustrative here. Nutreco faces data issues with its new tool P@CT. One of the managers indicated that, although he is very enthusiastic about the idea behind P@CT, these problems made him lose his trust in the tool and his motivation to actually use it. At IKEA NL, an important aspect of Performance Management is the link between, on the one hand, performance planning and performance review and, on the other hand development. The company did, however, start to introduce Performance Management before all the development activities were available. This implies that development activities that were 'promised' in the process and tool could not yet be offered in real life. This was perceived as a missed chance by managers and local HR specialists

The problems with understanding and acceptance thus reveal another design need: a design need for guidelines successfully introducing Performance Management. Clearly, successfully introducing Performance Management implies that Performance Management is understood and accepted. These guidelines, that have been designed using the collected data and information, will be presented in the remainder of this section.

The various 'groups' of organisational actors were approached in different ways. Therefore, three groups of organisational actors will be distinguished throughout the remainder of this section: employees, managers and the (local) HR department. The guidelines for successfully introducing Performance Management will be presented per role. The biggest group that is influenced by the introduction of Performance Management is the group of employees. The most important guidelines for successfully introducing Performance Management to this group are:

- Use various media to inform employees: brochures, company magazines, intranet, demo's etcetera. Explain both: how the process and the tool will work and the rationale behind introducing it.
- Let managers explain the new process and tool to their employees during, for example, team meetings. It is important that managers understand and accept the process and tool (see next paragraph) prior to the moment that they explain it to their employees. In addition, managers must be empowered to inform their employees. (Local) HR can, for example, advise them about how to communicate it to their employees or even provide materials, like, for example, standard presentations to support the explanation.

The second group that is influenced by the introduction of Performance Management is the group of managers. The most important guidelines for successfully introducing Performance Management to managers are:

- Use various media to inform managers: brochures, company magazines, intranet, demo's etcetera. Explain both: how the process and the tool will work and the rationale behind introducing it.
- Train managers in carrying out the various steps of the Performance Management process and in using the supporting tool. If this detailed training about 'performance planning', 'mid year reviews', and 'appraising' prior to the moment that each specific phase occurs for the first time, (local) HR can explicitly monitor each phase of the first entire Performance Management cycle. Clearly, in this way, introducing Performance Management is not a one time event anymore. Instead, it lasts the entire first cycle. Including the Q&A part, that is part of the training sessions at Heineken NL, in such sessions seems a good idea.
- Select a representative group of managers that regularly informs (local) HR about their experiences with Performance Management.

- ‘Carry out the Performance Management process for all your employees this year’ should be a performance goal for all managers.

The third group that is influenced by the introduction of Performance Management is (local) HR. At the three participating organisations corporate HR initiated Performance Management and local HR advisors introduce and support it in their respective organisational units. Clearly, local HR advisors have been informed and trained to do so. However, similar to what has been described in section 4.6.1.5 (local) HR often needs a lot information to be able to properly support managers in the Performance Management process. Therefore, the most important guidelines for successfully introducing Performance Management to (local HR) are:

- Inform and train (local) HR specialists.
- Empower (local) HR specialists by giving them access to the information they need in order to fulfil their role.

Based on the data and information in the three text boxes above another guideline can be designed:

- Problems like data issues and training sessions that are not available may seriously damage the acceptance of Performance Management. However, prior to the introduction it is hard to make sure that everything works perfectly. It is, therefore, important that prior to the introduction, the key aspects of the Performance Management process and the supporting instrument are defined and that they work / are facilitated as good as possible. These are the aspects that should better be ensured prior to the actual introduction. If necessary, less essential aspects can be enabled or facilitated later on.

The introduction of Performance Management in geographically dispersed organisations influences a lot of people. This influence may become significant when important consequences like career planning, development or rewarding are linked explicitly to performance. This impact may even be that significant that unions start to play an important role in the introduction of Performance Management. It is, therefore, very important to involve the unions during the introduction. How important this can be is illustrated by the example in appendix B.

The participating organisations did involve the unions throughout the introduction process and did not run into severe problems. The main strategy appears to be emphasising the advantages of the new process and / or supporting tool. Especially the desired effects of consistency, transparency and modernisation were used. Also the creation of a culture of performance and accountability was often mentioned as an argument in favour of the introduction of Performance Management. In addition, it might be wise to emphasise that the actual changes are only minor. Therefore, the most important guidelines for successfully introducing Performance Management with regard to the unions are:

- Involve the unions in the introduction process
- Emphasise the advantages of introducing Performance Management (modernisation, consistency, transparency etcetera).
- If applicable, emphasise that changes are only minor.

Concluding this section, it can be stated that three types of guidelines have been designed. First, in section 4.6.1, guidelines for successfully using Performance Management were presented. Second, in the same section, guidelines for empowering the organisational actors in carrying out the various steps of the Performance Management process were presented. Third, in section 4.6.2, guidelines for successfully introducing Performance Management were elaborated upon.

5. Conclusion and reflection

In this final section, this research project will be reflected upon. First, in section 5.1, the research project itself will be reflected upon. Second, in section 5.2, the results of this research project will be reflected upon. The main question to be answered in that section is *'are the research objectives reached?'*. Finally, in section 5.3, the actual functioning of the researcher will be reflected upon.

5.1 Looking back on the research project itself

Looking back on this research project, the actual approach differs significantly from the originally proposed research methodology. The three most important differences will be discussed below.

First, it did appear to be unfeasible to ask respondents to fill out a questionnaire because both IKEA NL and the two subsidiaries of Nutreco did not want to distribute them on time. This has consequences for this research project. First, the results of the questionnaires were to be used as input for later iterations. Since this information did not become available, later iterations could not be based on a sample of users' opinions and perceptions of Performance Management. Second, the number of participants in this research project did decline significantly. Even with the participation of a small sample of users, the results of the questionnaires would have provided interesting insights in how these users perceive Performance Management. Even though the intended samples were very small in comparison to the number of users of Performance Management at the participating organisations, the fact that it did not appear to be feasible to ask respondents to fill out the questionnaire may have consequences for the generalisability of this research project.

Second, only four out of seven sessions were actual discussion sessions because of scheduling issues. At IKEA NL, three out of four sessions were interviews with individuals. Of course, the interviews with individual managers or HR advisors did result in interesting insights. The discussion sessions were, however, interactive sessions and offered the possibility to reveal various points of view, to elaborate upon the participants' arguments and to, finally, reach consensus with regard to the discussion topics. As a consequence, the discussion sessions appeared to be a richer source of information than the interviews. It is, therefore, very well possible that information that perhaps would have been revealed if the proposed methodology was used, may not have been revealed.

Third, because of time pressure, it appeared to be impossible to feed back the results to corporate HR in a final iteration. This implies that the design (the guidelines for successfully using and introducing Performance Management that were presented in section 4.6.1 and 4.6.2) has not been tested. In other words: at all three organisations, the guidelines were not discussed with corporate HR and were, therefore, not verified as useful or commented upon at this organisational level.

5.2 Looking back on the results of this research project

In short, the objective of this research project was *to analyse the use and introduction of Performance Management (as in all possible combinations of textbox 1.1) in geographically dispersed organisations, to map its effects, to reveal its success mechanisms and to design guidelines for successfully using and introducing it.* In chapter four, all these aspects are elaborated upon in very much detail based on empirical results. On the one hand, it can thus be said that 'the goals of this research project have been reached'. On the other hand, however, several critical notes should be made. First, this research project has only been carried out at three geographically dispersed organisations. With the research objectives in mind, this number can be considered low. In addition, only a total of six interviews and seven sessions (of which only four were actual discussion sessions) were conducted at the participating organisations. Again, the total number of sessions can be considered low just like the total number of participants. With regard to the latter, the fact that distributing questionnaires appeared to be unfeasible has a big influence. Second, the guidelines for successfully using and introducing Performance Management in geographically dispersed organisations were not fed back to corporate HR in a final iteration. As a consequence, the design could not be tested formally. It may thus be hard to conclude whether the guidelines are useful.

Fortunately, both points can be nuanced. As became clear in chapter three and four, the three participating organisations differ on many aspects. Despite these differences, all three are

geographically dispersed and are introducing Performance Management. Regardless of the differences between these Performance Management processes and tools, an overall model of Performance Management could be developed. Organisational actors at all three participating organisations confirmed that this overall model depicts their Performance Management cycle. In addition, the data in the various text boxes in chapter four is often complementary and not contradicting. This may imply that the participants in this research project often share arguments and points of view with regard to the various aspects of Performance Management. This implies that the negative impact of the low number of sessions, the low number of participants and the low number of participating organisations can be nuanced. The reason is simple: if the data was contradicting on many aspects, it would have been necessary to collect more of it (more sessions, more participants or maybe even more organisations). Now that the data often appears to be complementary, this necessity is smaller. Please note that this statement is only meant to nuance one of the limitations of this research project. It is by no means meant to state that more sessions, more participants or more organisations would not have lead to more valuable results. Finally, the developed guidelines were not tested during a final iteration with corporate HR. It should, however, be noticed that these guidelines were designed based on empirical data and that the design was constantly inspired by theory. For further research, it would, nevertheless, be interesting to test the guidelines that were developed during this research project.

Overall, the guidelines for successfully using and introducing Performance Management that were designed during this research project should not be considered the only guidelines and maybe not even the most important guidelines. The limitations of this research project are simply too severe to conclude otherwise. It is, however, very likely that the developed guidelines can assist actors in geographically dispersed organisations in introducing and using Performance Management. As became clear during this research project, properly using and introducing Performance Management appears not to be evident. The guidelines may offer assistance in overcoming various barriers to successful use and introduction. In addition, the simple fact that the guidelines emphasise the importance of proper use and introduction may trigger organisational actors to think about other barriers and ways to overcome them.

5.3 Looking back on my own functioning

First, I will mention two important aspects that I would have done differently if I was asked to do the same project again. Then, I will elaborate upon the aspects that did go well.

Throughout the entire research project, I have been overly optimistic in planning and organising the various iterations. During the first months, it appeared to be very time consuming to make sure that organisations participate. When the participation of Nutreco, IKEA NL and Heineken NL was ensured, the first two months did already pass. Clearly, I have been able to study a lot of theory about Performance Management during these two months, but the risk of not being able to finish the project in the remaining three months was big. Therefore, the project was prolonged with another two months. Also planning and organising the various activities that shape this project appeared to be hard. Two examples are illustrative here. First, I spent a lot of time in developing questionnaires that were to be distributed. Many weeks later, it appeared, however, that both IKEA NL and the two subsidiaries of Nutreco did not want to distribute them on time. Second, it appeared to be hard to organise discussion sessions due to the busy agendas of participants. The main lessons that I learned from these points is that it is important to plan a research project in a realistic way and that it is very important to be more proactive and assertive. Trusting that everything will go exactly the way I planned it after sending a few e-mails or after making a few phone calls is simply not realistic. Instead, it is important to constantly stay in touch with the organisations and people that are asked to be involved in the research project and to re- and re- contact them when this seems necessary.

Looking back on what went well, I want to mention two points. First, I would definitely mention the discussion sessions. I always prepared these sessions carefully and, in my opinion, they all resulted in interesting insights about Performance Management in geographically dispersed organisations. In addition, I really enjoyed leading these sessions. Second, I was very happy to see that the results of the discussion sessions, interviews and document analyses could be combined and further analysed and, in the end, resulted in interesting guidelines. Clearly, processing the empirical results was not only an interesting but also a satisfying activity.

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Appendix A. Performance Management at the participating organisations

In this appendix, Performance Management at the participating organisations will be described in very much detail. All of them are introducing Performance Management in one of the possible combinations of textbox 1.1. However, since the consultancy firm FCTB was and is strongly involved in the design and introduction of Performance Management at Nutreco and IKEA NL, the consultancy firm's point of view on Performance Management will be presented first.

A.1 Performance Management according to FCTB

FCTB is a innovative and fast growing consultancy firm in Amsterdam. Many of the clients of FCTB are multinational corporations. The consultants of FCTB support a large number of clients in the design, development and implementation of improved or renewed processes. Over the last years FCTB has supported many clients in improving their Performance Management Process. According to FCTB, Performance Management is a yearly cycle for setting individual objectives for employees, delivering feedback and conducting formal performance evaluations. This cycle is depicted in figure A.1.1 below.

When setting individual objectives it is important to translate organisational goals into individual contributions of employees. Next to performance objectives, individual standards for behaviours (necessary to perform well) can be set as well. During a one to one meeting, an employee and his or her manager will agree upon the employee's performance objectives and behaviours for the coming year. Consequently, employees will explicitly know upfront what is expected from them.

Throughout the year, feedback with regard to the performance objectives and behaviours is provided by the employee's manager. Normally this will take place during work. Additionally, it will be done formally at least twice per year: during the Mid Year Review and the formal evaluation. These are also one to one meetings between an employee and his or her manager. The manager provides formal feedback, performance objectives and behaviours will be discussed and formal agreements will be made (and stored).

At the end of the cycle, in a one to one review meeting between the employee and his or her manager, the employee will be evaluated. This evaluation is based on the performance objectives and behaviours that were agreed upon at the beginning of the cycle. The employee receives standardised ratings with regard to the performance objectives and behaviours. In addition, overall rating categories will be set for each employee. This gives managers also the opportunity to rank their employees. The results will be used for taking further decisions with regard to, for example, career planning, developing or rewarding.

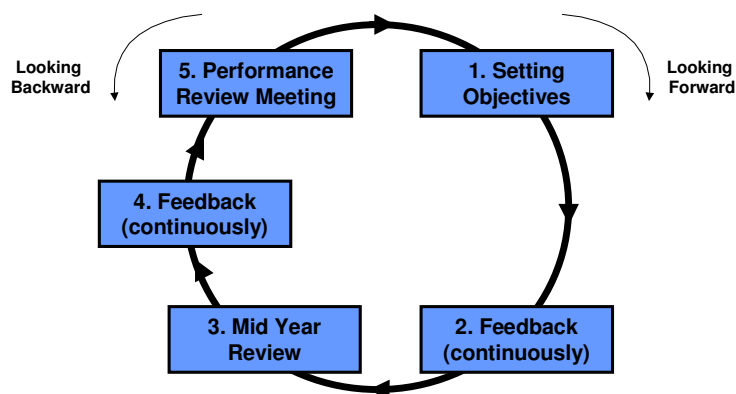


Figure A.1.1 Performance Management Cycle according to FCTB.

There are several reasons why FCTB believes that Performance Management is important for organisations. Three key words are transparency, consistency and user friendliness. By means of a structured process (supported by a digital instrument that is easy to use) each employee knows upfront

what is expected from him or her. Consistency is realised by standardising the Performance Management process for all organisational actors. Clearly, this has several advantages. First, for example, a consistent process will be accepted and adopted easier by the various organisational actors than a system that treats individuals differently. Second, for example, a consistent process will lead to consistent information that can be used as a basis for certain managerial decisions. Clearly, according to FCTB, Performance Management has several other advantages. It improves, for example, employee performance and motivation, the alignment between individual and corporate goals and the effectiveness and efficiency of management (management information and control).

According to FCTB, Performance Management is the link between various HR processes and therefore plays a central role. Work force planning, recruiting, development, career management, talent management and compensation are linked with and driven by Performance Management.

A.2 Performance Management at Nutreco

The Performance Management and Management Development processes are depicted in figure A.2.1 below. The Performance Management cycle is an annual cycle. The Management Development cycle is triggered by the results of the Performance Management cycle.

With this process Nutreco aims at managing performance and development in a clear and effective way. This implies that Nutreco wants to ensure that employees understand what is expected from them. This is done by cascading the company's objectives to every employee in the company. In addition, Nutreco wants to make sure that its employees feel motivated and that they are given feedback in a transparent and consistent way. Another important aim is to identify and develop talented individuals. This is done by collecting career aspirations and successions planning.

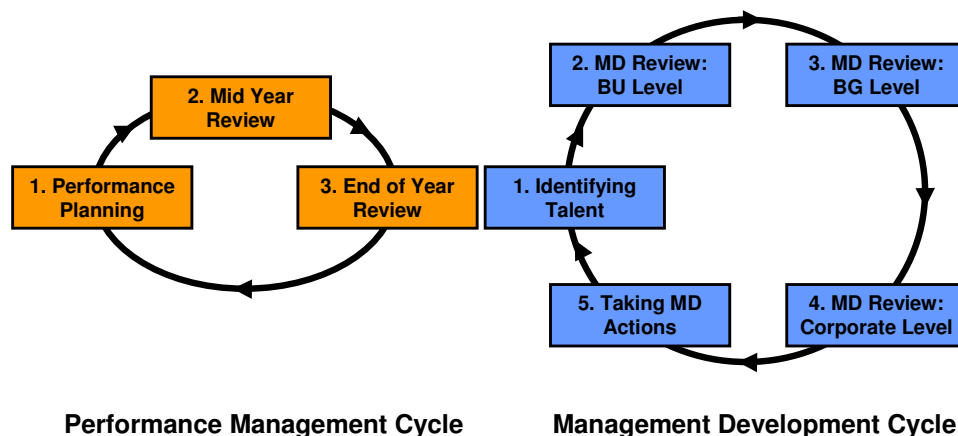


Figure A.2.1 Performance Management and Management Development Cycles at Nutreco

In the beginning of 2008, Nutreco started to support this process by a digital tool called P@CT. The implementation of P@CT is in the roll-out phase. At the moment, the top 300 management has inserted personal details and is going through the Performance Management and Development cycle for the first time. Nutreco plans that the entire target population is using the tool in 2009. However, a clear distinction should be made. Before the introduction of P@CT, Performance Management and Management Development was, in very big lines, already done as depicted in figure A.2.1. Today, however, a digital tool to support these processes is being implemented. The consultancy firm FCTB was and is strongly involved in the design and implementation of P@CT. The focus of this research project will be on the new situation. Even though the processes are largely the same, the introduction of P@CT will lead to a new, more consistent and more transparent approach to Performance Management and Management Development. In other words: the current introduction of P@CT will influence the way Performance Management and Management Development will be conducted. This research project will focus on the introduction, use and effects of Performance Management and Management Development in the new situation.

Before elaborating upon the various elements of figure A.2.1, it should be noted that four different roles can be distinguished. In order to distinguish the organisational actors whose performance is being managed from the organisational actors who manage performance, the terms 'manager' and 'employee' will be used in this section. One person can thus fulfil both roles. The first role is the role of employee. An employee is evaluated on objectives and competencies. In addition, an employee is responsible for entering information with regard to his or her education, job history and career aspirations in P@CT. The second role is the role of manager. A manager sets objectives and competency levels with and for his or her employees. The employee will be evaluated on these objectives and competencies. In addition, a manager should prepare the personal career forms of his or her employees and attend the Management Development Review Meetings. Clearly, all P@CT users have the role of employee. A big number of them also performs the role of manager. Only the P@CT users that do not manage other P@CT users do not perform the role of manager. Third, local HR departments should ensure that all users are well equipped to use P@CT. In addition, local HR managers prepare review meetings and record career paths and succession plans. Fourth, corporate HR is responsible for updating P@CT and for planning annual review meetings at Business Group (BG) and Business Unit (BU) level.

As can be seen in figure A.2.1 above, the Performance Management process consists of three phases: Performance Planning, the Mid Year Review and the End of Year Review.

1. Performance Planning: During a meeting, the employee and his or her manager discuss the employee's objectives and core competencies for that year. If the employee also has a functional manager, he or she will be involved as well. The objectives and competencies are to be entered in P@CT. The number of objectives is flexible and can vary between four and eight. Also, the relative importance of the objectives can be made explicit by adding weights (which should sum up to 100%). Each goal can be commented upon in P@CT. In addition, the employee and the manager have the possibility to add comments or change the objectives throughout the year if necessary. Changes that are made will become visible. If, for example, an employee changes his or her objectives, these changes will become visible to the manager. During this meeting, in addition to the objectives, core competency levels will be defined. Five core competencies have been defined, like, for example, 'drive for result' or 'external focus'. For each combination of job family (for example 'finance') and hierarchical level, the necessary competency level is determined. These levels vary between 1 (lowest level) and 3 (highest level). For example: an employee that is active at the finance department and has a management level N12, is required to have a level 2 development with regard to the competency 'drive for results'. The manager enters the required competency levels in P@CT based on predefined matrices. In addition to the objectives and competencies, the form in P@CT allows the users to enter development actions. In a textbox, it is, for example, possible to state that a certain employee will follow a 'finance course'. Again, also this field can be commented upon by the employee and the manager. After the Performance Planning meeting, the employee and the manager will check the agreements. Then, the employee, the manager and 'the grandparent' (the manager's manager, who is responsible for watching over the process and ensuring a certain quality) will sign of the Performance Planning.

During all phases of the Performance Management process, the manager and the employee can make changes or add comments. Throughout the Performance Management process, feedback is provided on a voluntary and dynamic basis. However, if an employee happens to ask his or her manager for feedback, the manager is obliged to provide it.

2. Mid Year Review: As described above, the employee and his or her manager can add comments throughout the process. It is, however, most likely that comments will be added around the End of Year Review or the Mid Year Review. During this Mid Year Review, which is not mandatory, the employee and his or her manager (and, if applicable, the functional manager) will discuss the progress based on the agreements in P@CT. The manager enters comments on the progress per objective and per competency and gives an overall, preliminary rating. This information will, again, become available in P@CT and visible to all actors (employee and manager). If everybody agrees, the Mid Year Review will be signed of.

3. End of Year Review: Prior to the End of Year Review, the manager enters the employee's evaluation in P@CT. The objectives will be evaluated by means of four categories: 'Exceeds expectations', 'meets expectations', 'needs improvement' and 'does not meet expectations'. The

competencies are evaluated by means of three categories, indicating that, for his or her function, the employee is 'highly developed', 'developed' or 'needs development'. When the manager has entered these ratings in P@CT, the mathematical model will calculate a Performance Management rating. This score can be 'A. Top', 'B. Valuable', 'C. Caution', 'D. Bottom'. In addition to the evaluation, the manager can add comments and development actions. During the End of Year Review, the manager and the employee will discuss all these aspects. Based on this discussion, the manager finalises the appraisal. Finally, if everybody agrees, the employee, the manager and the grandparent sign of the Performance Management Cycle for that year. After this step, the results can not be changed anymore and will become available in various reports.

As a manager, one is not only responsible for the Performance Management processes of employees but also for their development. The so-called Management Development cycle is triggered by the results of the Performance Management cycle. In other words: the output of the Performance Management cycle is the input for the Management Development cycle. The main goal of this cycle is to continuously occupy key jobs and to optimise development opportunities. This aim is reached by developing individual career plans and job specific succession plans. In order to explain this process the steps depicted in figure A.2.1 will be elaborated upon and the support provided by P@CT will be explained.

Identifying talent: The Management Development process is supported by P@CT. As a manager, you can access your employees' profiles. The core competency levels and evaluations can directly be copied from the Performance Management form. After this information is added to the employee's profile, the manager can add certain characteristics with regard to, for example, the employee's geographical mobility, functional mobility and motivation. Clearly, comments can be added to this information. Then, an employee's personal career form can be filled out in P@CT. By means of this form, first, the manager is able to insert names of potential successors of the employee. Second, the manager can plan a potential career path for the employee. It is also possible to add information about what the employee's strong and weak points are. All information is combined in a report that can serve as input for the MD review meetings (which will be discussed below).

During the next three steps, several Management Development review meetings will take place at various organisational levels. These organisational levels are illustrated in figure A.2.2 below.

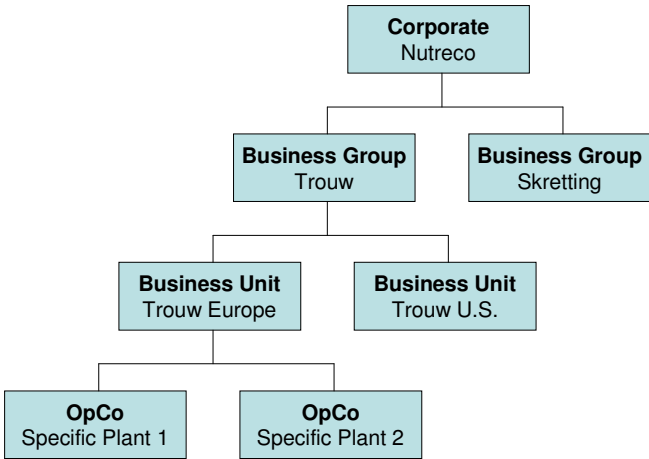


Figure A.2.2 Example of organisational levels at Nutreco

As can be seen in figure A.2.2 above, four main organisational levels can be distinguished at Nutreco. First, on top, there is the corporate level. Second, various Business Groups (BGs) can be distinguished. Each BG is responsible for a certain product group. The BG Trouw, for example, produces feed specialities and concentrates. Third, each BG can be divided into business units (BUs), like, for example, Trouw Europe. In the fourth layer, the Operating Companies (OpCo's) can be found. An OpCo can best be described as a specific plant.

The following review meetings take place at the various organisational levels.

1. **Management Development review at the BU level:** The Management Development reports that have been generated in the previous phase, will be used as input for the review meetings at the BU level. The reports will be discussed at this organisational level. These meetings will take place off-line. The results of the meeting are entered in P@CT.
2. **Management Development review at the Business Group level:** The results of step two and three will be used as input for the review meetings at the BG level. The reports generated by P@CT will be discussed at this organisational level. Also, these meetings will take place off-line. The results of the meeting are entered in P@CT
3. **Management Development review at the Corporate level:** The results of step two, three and four will be used as input for the review meetings at the Corporate level. After this meeting the career and succession plans are agreed upon and entered in P@CT.
4. **Taking Actions:** Finally, HR evaluates the outcomes of the review meetings and finalises the MD plans. HR will coordinate the career and succession plans and has a monitoring role.

A.3 Performance Management at IKEA NL

IKEA NL is introducing a new Performance Management process (as in combination four in textbox 1.1) for its employees. This process is supported by a digital tool that assists managers in conducting the necessary steps. The new annual cycle, which is labelled ‘Developing and Appraising’ (*‘Ontwikkelen and Beoordelen’* in Dutch), is depicted below in figure A.3.1.

A few months ago, IKEA NL’s employees have been appraised based on the old performance criteria that were part of the old Performance Management process. At the same time, however, agreements with regard to performance and development for the next year have been made according to the new Performance Management and development process. This new process (and the supporting instrument) will be elaborated upon in this section. First however, the context in which it is introduced should be elaborated upon.

IKEA NL employees work in functional teams. These teams consist of about fifteen employees and a team manager. A team can, for example, be a team of checkout employees or a team of salesmen. Clearly, it is possible that, at a certain store, several teams exist for the same functional area. A big IKEA NL store has, for example, several teams of checkout employees. In addition, because of scheduling issues, it is very unlikely that all members of a certain team will always be working together at the same time. In this research project, the focus will be on three specific roles: the individual team member (whose performance and development are being managed), the team manager (who is responsible for managing the performance and development of his or her team members) and the HR department (that supports and facilitates the various IKEA NL stores in the Performance Management and development process).

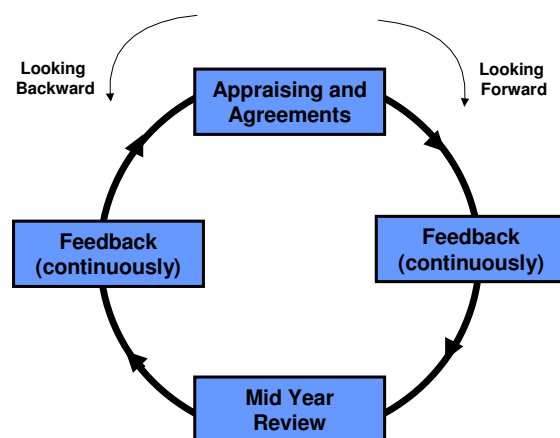


Figure A.3.1 Performance Management and development process at IKEA NL

The first step in this process ('Appraising and Agreements') is a meeting between an employee and his or her team manager. During this meeting, the employee will be appraised (looking backward) and agreements with regard to performance and development for the coming year will be made (looking forward). These two parts of the meeting will be separated by a break. In this way, looking backward and looking forward can both be done during one meeting while, at the same time, the separation of issues is assured.

Both the employee and the manager are asked to come to the meeting well prepared. In order to be able to be proactive, each employee is asked to fill out a form prior to the meeting. This form contains several questions about past performance and future ambitions. By answering these questions, each employee is forced to think about what will be discussed in the one to one meeting with his or her manager.

In the explanation below, the two parts of this annual meeting (looking forward and looking backward) will be discussed separately. Last year, in August/September, employees have been appraised according to the old performance management and development process. In the same period, agreements about performance and development for the coming year have been made according to the new performance management and development process. This implies that, this year, IKEA NL is going through its new annual Performance Management and development cycle for the first time.

1. Appraising & Agreements - Looking forward: During this part of the meeting, the employee and his or her manager discuss the employee's performance and development for the coming year. The so-called 'function description' (*'functieprofiel'* in Dutch) and 'development program' (*'ontwikkelprofiel'* in Dutch) play a very central role during this meeting.

For each function, a function description has been developed. Consequently, all members of a functional team (and across teams of the same function) will have the same function description. Each function description consists of several elements. First, the specific goal of the function is explained and its position in the organisation is depicted by means of simplified organisational chart. In addition, it is explained which education and/or diplomas are required for the function. Also, the IKEA values are presented on each function description. The tasks & responsibilities on the one hand and the roles & behaviours on the other hand (which are both depicted on the function description) can, however, be seen as the most important elements.

First, for each function, several tasks & responsibilities have been predefined and explained in detail. For a customer service employee, for example, three sets of tasks & responsibilities are depicted. The first one is labelled 'Teamwork and Development'. This implies, for example, that employees should work cooperatively within their team and that they are responsible for their own development. The second one is labelled 'Communication and Information'. This implies, for example, that employees should share their ideas with their colleagues and that they should inform their team managers about daily operations and possibilities for improvement. The third one is labelled 'Customer Service'. This final set of tasks & responsibilities implies that employees should perform the actions that are specifically required for their function.

Second, for each function, several roles & behaviours have been predefined. For a customer service employee, for example, four roles can be distinguished: team player, performer, retailer and ambassador. For each role, several criteria for behaviour are depicted. In addition, for each behaviour, four categories are predefined. For an employee, these categories are 'insufficient', 'trainee', 'independent' and 'mentor'. Examples of behaviours are depicted for all categories.

Clearly, the employee and his or her manager discuss the employee's function description because it is very important that the employee understands what is expected from him or her. It is, however, possible that additional agreements will be made. These additional agreements may be necessary in order to, for example, emphasise the importance of a certain task or to make specific exceptions. Clearly, these additional agreements are always made with the function description as a point of departure. After the meeting, the manager enters the agreements in the digital tool that supports the performance management and development process. It should be noticed that, contrary to the case of Nutreco, the employee is not an actor in this supporting tool. Consequently, the tool is not designed for online interaction between a team manager and his or her employees but does only

support the manager in carrying out the necessary steps, documenting agreements and monitoring progress.

During the same meeting, a set of learning goals will be defined for the focal employee. A learning goal describes how employees can enhance their capability of performing well. Learning goals are formulated in such a way that the development of knowledge, skills and/or behaviours is emphasised. How an employee's learning goals will be formulated depends on various factors, like, for example, how long the employee is working for IKEA NL, the evaluation of last year's performance and specific input or ambitions of the employee him or herself. Two categories of learning goals exist: learning goals that describe how employees can develop themselves within their current function and learning goals that describe how employees can develop themselves outside their current function. After the meeting, the manager enters the learning goals for his or her employees in the digital tool.

In order to help employees in reaching these learning goals, a so-called 'development plan' ('*ontwikkelprofiel*' in Dutch) has been created for each functional area. Each development plan contains a set of so-called 'development activities' ('*ontwikkelaactiviteiten*' in Dutch) that can be performed to acquire, improve or refresh certain knowledge or skills. The development activities vary in nature from on-the-job-learning to e-learning and from workshops to coaching. Looking forward to the coming year, the manager and the employee agree upon the development activities that the employee will perform. On the one hand, it is possible that the employee will develop him or herself within his or her current function. In that case, development activities from the function's development plan will be performed. On the other hand, it is possible that the employee will be prepared to perform another function in the near future. In that case, development activities from another function's development plan will be performed.

A special type of development activity is the so-called 'development task' ('*ontwikkeltaak*' in Dutch). Development tasks can be attributed to employees that are considered to be ambitious and high performing. Based on a set of criteria, a team manager decides which team members are invited to perform a development task. Individual employees, however, are free to inform their managers that they are interested in it. By carrying out a development task, employees can acquire specialised or managerial knowledge and skills. A development task for a customer service employee may, for example, be that he or she becomes responsible for coaching new team members. Clearly, performing such tasks may give employees the opportunity for a promotion towards a specialised or managerial function in the future.

2. Continuous feedback: Throughout the year, employees will receive feedback from their team manager. On the one hand, this can be day-to-day feedback. On the other hand, formal team meetings will be organised regularly. During these meetings, the team's performance (with regard to team goals) will be discussed. These performance goals have been defined during the so-called 'team kick-off meeting'. This kick-off meeting and the monthly team meetings are part of the annual team cycle at IKEA NL. This cycle runs parallel to the individual performance management and development cycle, although it starts a few months earlier. The focus of this cycle is on team performance and other team issues. The focus of this research project will, however, be on the individual performance management and development cycle. The monthly team meetings are only mentioned here because they are regular moments of feedback related to team performance. The relation between individual goals/performance and team goals/performance is a complicated one and will not be elaborated upon in this report. Therefore, for the case of IKEA NL, the team cycle and the individual cycle will conceptually be separated.

3. Mid Year Review: During this meeting, the employee and his or her team manager discuss the progress with regard to the performance and development goals that have been agreed upon six months ago. If necessary, it is possible to change certain agreements during this mid year review. These changes might, for example, be necessary to adopt performance goals to changing circumstances.

4. Continuous feedback: As described above, throughout the year, employees will receive feedback from their team manager.

5. Appraising & Agreements - Looking backward: At the end of the year, each employee will be appraised based on the tasks, responsibilities and behaviours that are depicted in the employee's function description. As discussed above, the function description is discussed with the employee at

the beginning of the year and the expectations with regard to tasks, responsibilities and behaviour have been made clear.

The tasks and responsibilities will be appraised by means of a four-point scale that contains the following categories: ‘insufficient’, ‘needs improvement’, ‘good’ and ‘excellent’. Employee behaviour will also be appraised by means of a four-point scale. This scale contains the following categories: ‘insufficient’, ‘trainee’, ‘independent’ and ‘mentor’. These categories differ from the categories that are used for appraising tasks & responsibilities because they are part of a larger set of categories. This phenomenon is illustrated below in figure A.3.2. An employee that gets promoted and becomes a team manager has been appraised on employee behaviour by means of category one till four (‘insufficient’, ‘trainee’, ‘independent’ and ‘mentor’) and will, from now on, be appraised on management behaviour by means of category five till eight (‘insufficient’, ‘junior’, ‘medior’, ‘senior’). In this way, a path that goes across vertical layers has been predefined with regard to behaviours.

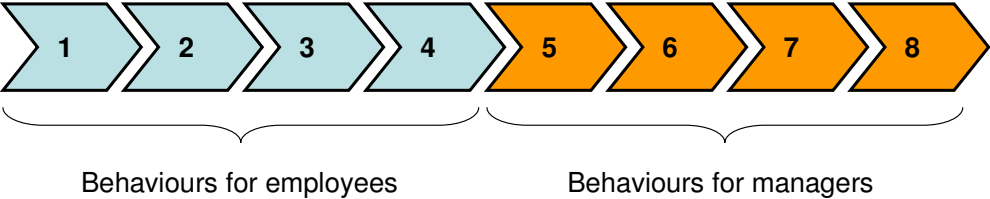


Figure A.3.2 Path of behaviours for employees and managers at IKEA NL.

After the meeting, the manager enters the employee’s scores in the digital tool. The scores on tasks & responsibilities and the scores on roles & behaviours will be combined into one overall score. This overall score can be ‘insufficient’, ‘needs improvement’, ‘good’ or ‘excellent’. Clearly, the employee’s performance results will be a point of departure for the second part of the meeting: looking forward to the coming year. This implies that, in the second part of the meeting, new agreements with regard to performance and development will be made with the appraisal of the past year in mind.

A.4 Performance Management at Heineken NL

Since the 1980’s, Heineken NL uses Performance Management (with links to performance-based compensation and career planning & development) for its employees in scale 16 till 30 and above. These scales include specialists and managerial employees. The company’s top management uses a different Performance Management process. Since January 2008, Heineken is introducing Performance Management for its employees in scale 1 till 7. This implies that, starting this year, these employees are going through the same annual Performance Management cycle as the employees in scale 16 till 30. Ideally, this new group of employees will be appraised for the first time in the beginning of 2009.

Heineken NL has various reasons for introducing Performance Management for this new group of employees. First, the company wants to appraise, reward and develop all its employees in a consistent way. Since the experience with Performance Management for the employees in scale 16 till 30 was positive, Heineken NL decided to start managing the performance of the employees in scale 1 till 7 in the same way. Second, Heineken NL wanted to modernise the HRM practices that it has been using for its non-managerial employees. The new approach, that will be elaborated upon below, enables the company to appraise its non-managerial employees on performance goals and behaviours. In addition, it becomes possible to use these appraisals as a point of departure for making decisions about rewarding and career planning. Third, introducing Performance Management for this additional group of employees would enable the company to better cascade business goals down into the organisation. Fourth, setting clear performance objectives and holding, at least, two formal meetings (one to one meetings between and employee and his or her manager) per year will motivate employees to perform well and will assist managers in coaching their employees.

The annual Performance Management cycle, that both the employees in scale 1 till 7 and the employees in scale 16 till 30 are going through since the beginning of 2008 is depicted below in figure

A.4.1 Please note that the cycle in figure A.4.1 strongly resembles those in figure A.1.1, A.2.1 and A.3.1. Therefore, the various elements of figure A.4.1 will only be discussed briefly. Especially certain aspects that are specific for Heineken NL will be elaborated upon.

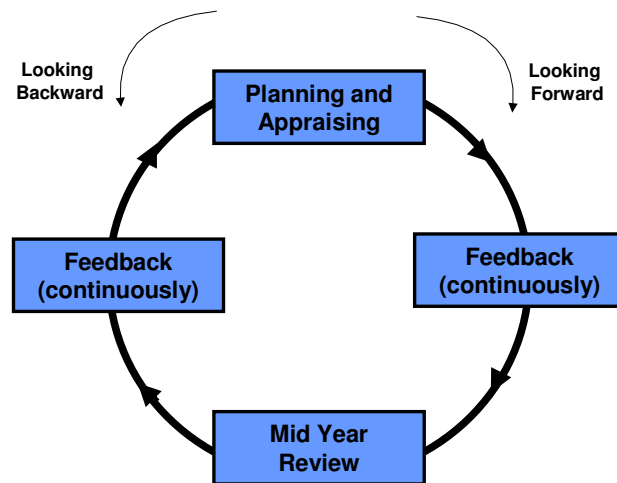


Figure A.4.1 Annual Performance Management cycle at Heineken NL.

Three roles can be distinguished in this process. The first role is the role of employee: the one whose performance is being managed. At Heineken NL, employees are explicitly asked to be proactive in, for example, asking for feedback, communicating their needs for development and evaluating their own performance. The second role is the role of manager: the one who manages the performance of his or her employees. Managers are expected to motivate and develop their employees, to monitor employee's performance and behaviour and to evaluate them objectively. Similar to the case of Nutreco, an employee can also have managerial tasks. A Heineken NL employee in scale 20, for example, will, on the one hand, be managing his or her employees, while, on the other hand, he or she will be managed by a manager as well. By using the terms 'employee' and 'manager', these two roles can be distinguished throughout this report. The third role is the role of HR. This department facilitates and supports the annual Performance Management cycle. In addition, the HR advisors can be asked for advice and are responsible for the administrative aspects.

Similar to the Performance Management cycle at IKEA NL, looking forward (planning) and looking backward (evaluating) will ideally be done during the same meeting. In the explanation below, these two parts of the meeting will be discussed separately.

1. Planning and Appraising – looking forward: In a one to one meeting, the employee and his or her manager discuss and agree upon performance goals and behaviours for the coming year. Just like at Nutreco, performance goals at Heineken are defined SMART ('Specific', 'Measurable', 'Attainable', 'Realistic' and 'Time bound'). In addition, a well defined performance goal at Heineken NL does not only state what should be achieved but also how it can be achieved. The number of performance goals is flexible, although a maximum of seven is communicated as a guideline. In order to facilitate the cascading of business goals, managerial employees are advised to hold these meetings with their employees after they had this meeting with their own manager. Clearly, this enables them to better cascade down their own performance goals into the organisation.

With regard to behaviour, three sets of behaviours will be defined during this meeting. First, six behaviours that are relevant for the employee's function must be formulated. The employee's function description serves as a point of departure for formulating these behaviours. Similar to the case of IKEA NL, for each function, a set of behaviours (and a description of what behaviour is considered 'good' and what behaviour is considered 'bad') is predefined in each employee's function description. Second, two so-called core behaviours have to be agreed upon. Core behaviours are specific for the organisational unit in which the employee is working. Third, two individual behaviours have to be formulated.

During the same meeting, the employee and his or her manager agree upon specific development needs (with regard to knowledge and skills) for the employee. In addition, the

employee's career aspirations and potential are discussed. The manager and employee discuss, for example, whether a future career move should be a horizontal or vertical move and which functions appeal to the employee. Also additional comments about, for example, whether an employee would be willing to move to another city can be documented.

All agreements are documented by the manager in a hardcopy form. When both actors agree, the form will be signed by the employee and the manager and will be transferred to HR. The HR department will process the information and enter it in a digital system.

2. Continuous Feedback: Throughout the year, managers will provide on the job feedback to their employees.

3. Mid Year Review: As a guideline, intermediate review meetings should be held at least once a year. During such meetings the employee and his or her manager discuss the progress with regard to performance goals, behaviours and development. If necessary, agreements can be adjusted or additional support with regard to, for example, performance management or development can be agreed upon.

4. Planning and Appraising – looking backward: During this meeting (which can be the same meeting as the meeting in which one looked forward) the manager and the employee discuss to what extent the performance goals have been reached and what behaviour the employee has been showing. Both performance goals and behaviours are evaluated by means of a scale that includes the following categories: 'excellent', 'very good', 'good', 'needs improvement', 'insufficient' and all intermediate scores. Overall, a nine-point Likert scale is thus being used. After an intermediate score on performance and an intermediate score on behaviours has been given, an overall score can be depicted. The overall scores of a certain sample of employees should resemble a predefined bell-curve. This phenomenon is called 'forced ranking' and is employed to prevent managers from being too kind and rating all employees as 'excellent' or 'very good' performers. In order to watch over this, managers are asked to send an 'indications' for their employees' final scores to HR prior to giving final scores.

The overall score is made contingent to the annual salary increase. For example, an employee with an overall score of A will receive 'a double standard raise', an employee with an overall score of C will receive 'a standard raise' and an employee with an overall score of E will not receive a raise. Clearly, these raises depend on the possibilities for growth in the employee's salary scale.

Appendix B. The importance of involving the unions in the introduction of Performance Management - an illustrative example

Some time ago, an MNC (not one of the organisations that participates in this research project) introduced Performance Management. In the Performance Management process, employees were evaluated based on performance goals and behaviours. In one of the countries in which the process and supporting tool were to be introduced, the unions did not agree with the way employees were evaluated on behaviours. Employees were evaluated on a set of behavioural standards such as *'Knows who his/hers customers are; understands needs of external / internal customers and acts upon them'* (related to the value 'customer focus') and *'Proactively implements and adapts new ways of working by modifying current tasks and processes to continuously improve performance'* (related to the value 'innovation'). According to the unions, these behavioural standards were way too vague. To make matters worse, the unions even stated that such vaguely defined behavioural standards may be misused by managers who want to give an employee a bad evaluation for other reasons than actual performance. In the end, the case was brought to court in this specific country and the judge ordered the MNC to redo its homework. This example shows how important it is to involve the unions in the introduction process of Performance Management in geographically dispersed organisations.