

11

Team Performance Management

*Great things in business are never done by one person.
They're done by a team of people.*

—Steve Jobs

Learning Objectives

By the end of this chapter, you will be able to do the following:

1. Include a formal team performance management component in the performance management system.
2. Design a performance management system that is congruent with the types of existing teams, including work or service teams, project teams, and network teams.
3. Prepare a performance management system for virtual teams.
4. Set up team performance management following the following six principles: make sure teams are really teams, make the necessary investment to measure, define measurement goals clearly, use a multi-method approach to measurement, focus on process as well as outcomes, and measure long-term changes.
5. Propose a performance management system that addresses team-related challenges, such as how to assess relative individual contribution, how to balance individual and team performance, and how to identify individual and team measures of performance.
6. Roll out a team performance management system that includes the components of a state-of-the-science system: prerequisites (e.g., team charters), performance planning (i.e., results and behaviors), performance execution (e.g., how to turn a B-player team into a winning team), performance assessment (e.g., individual contributions to team performance, performance of the team as a whole), and performance review (i.e., meetings with individual team members and the team as a whole).
7. Set up team-based rewards directly linked to the performance management system.
8. Formulate an effective team-based contingent-pay reward system.

11-1 DEFINITION AND IMPORTANCE OF TEAMS

Thus far, this book has focused mainly on the performance of employees working individually and not in teams. Although the book has referred to individual and team performance, the emphasis until this point has been on individual performance. The discussion of team performance is important and deserves its own chapter, given the increasing pervasiveness of teams in organizations worldwide. It is virtually impossible to think of an organization that does not organize its functions, at least in part, based on teams.

Team-based organization design is often seen as a way to keep pace with the challenges of a fluid and unpredictable world. Several surveys conducted by Deloitte and other consulting firms show that more than 90 percent of companies believe that redesigning organizations by including a team component is of critical importance to achieve goals such as decentralizing authority, improving communication, and creating more customer-centric organizations.¹ And this is not an industry-based phenomenon. It is happening everywhere: IT, consulting, health care, and the military.² For example, the U.S. military's hierarchical command and control structure hindered operational success during the early stages of the Iraq war. Consequently, retired U.S. Army General Stanley McChrystal, who served as Commander of U.S. Forces in Afghanistan, decentralized authority to empowered teams. In his view, a team-based approach led to greater dynamism and flexibility and enabled officers to quickly move from their administrative positions to mission-oriented projects for a set purpose, knowing that they would once again have a home to return to within the larger organizational structure after the mission was completed. This type of organization structure, which consisted of a "network of teams" is now becoming popular in nonmilitary organizations in all industries.³ Given the pervasiveness of teams in organizations, it is only natural that so many undergraduate and graduate level courses include team assignments.⁴ The goal of these assignment is to prepare students for future jobs that, in all likelihood, will include a team component.

A team is in place when *two or more people who have different roles or responsibilities interact dynamically and interdependently and share a common and valued goal, objective, or mission.*⁵ Examples of teams range from a group of top managers working together face-to-face on an ongoing basis with the goal of achieving corporate goals to a group of programmers in India and the United States writing code that eventually will be put together as one app. Teams do not have to be permanent, and team members do not have to be in the same geographical location. In fact, team members do not need to have ever met in person to be members of the same team. As long as they work together, need each other, and share common goals, they are considered to be members of the same team. Numerous organizations are structured around teams, including teams called autonomous work groups, process teams, self-managing work teams, or cross-functional teams. When autonomous work groups are in place, members have the authority to manage their own tasks and interpersonal processes as they carry out their work.

Why are teams so popular? First, businesses are facing increased pressures and global competition. Using teams is one way to address these challenges because teams can include members from different parts of the world. Second, due to rapid changes in the environment, organizations need to be prepared

to adapt and change quickly. Using teams provides greater flexibility because individuals can be rotated in and out of teams, based on particular needs. Third, products and services are becoming very complex, requiring many people contributing their diverse talents to the same project. Teams are able to respond more quickly and more effectively to changes than can individuals working alone. Finally, many organizations have gone through downsizing and restructuring, which has led them to become flatter and has reduced the number of hierarchical levels. A team-based structure is more congruent to these changes compared to traditional hierarchical structures.

Although many organizations choose to structure themselves around autonomous work teams, and teams in general, team-based organizations do not necessarily outperform organizations that are not structured around teams.⁶ In other words, team performance does not always fulfill its promise; therefore, it is important for performance management systems to go beyond focusing on individual performance and, following the definition of performance management, to also aim at identifying, measuring, and developing the performance of *teams* and aligning their performance with the strategic goals of the organization. Specifically, the system should target not only (1) individual performance, but also (2) an individual's contribution to the performance of his or her team(s) and (3) the performance of teams as a whole. An organization that includes any type of team would therefore benefit from managing the performance of both individuals *and* teams.⁷

Including team performance as part of a performance management system is an extension of a system that has focused on individual performance only. The general principles that we have discussed in this book thus far still apply. For example, we are still trying to design and implement the best possible system. Specifically, the system should be congruent with strategy (i.e., there is a clear link among team and organizational goals), congruent with context (i.e., the system is consistent with norms based on the culture of the organization and the region and country in which the organization is located), thorough (i.e., all teams are evaluated, they include all relevant performance dimensions), practical (i.e., they do not require excessive time and resources), meaningful (i.e., they have important consequences), specific (i.e., they provide a concrete team improvement agenda), able to identify effective and ineffective performance (i.e., they help distinguish teams at different performance levels), reliable (i.e., the measurement of performance is consistent), valid (i.e., the measures of performance are not contaminated or deficient), acceptable and fair (i.e., people participating in the system believe the processes and outcomes are just), inclusive (i.e., they include input from multiple sources on an ongoing basis), open (i.e., they are transparent and there are no secrets), correctable (i.e., they include mechanisms so that errors can be corrected), standardized (i.e., performance is evaluated consistently across teams and time), and ethical (i.e., they comply with ethical standards) (see Section 1-5 Characteristics of an Ideal Performance Management System in Chapter 1).

In addition, a system that includes team performance should also consider the possible dangers of a poorly implemented system, such as lowered self-esteem (i.e., self-esteem may be lowered if feedback is provided in an inappropriate and inaccurate way), increased turnover (i.e., if the process is not seen as fair, employees may become upset and leave the organization), damaged relationships (i.e., as a consequence of a deficient system, the relationship among the

individuals involved may be damaged, often permanently), decreased motivation to perform (i.e., motivation may be lowered for many reasons, including the feeling that superior performance is not translated into meaningful tangible or intangible rewards), employee burnout and job dissatisfaction (i.e., when the performance assessment instrument is not seen as valid and the system is not perceived as fair, employees are likely to feel increased levels of job burnout and job dissatisfaction), use of misleading information (i.e., if a standardized system is not in place, there are multiple opportunities for fabricating information about an employee's performance), wasted time and money (i.e., performance management systems cost money and quite a bit of time and these resources are wasted when systems are poorly designed and implemented), emerging biases (i.e., personal values, biases, and relationships are likely to replace organizational standards), unclear ratings system (i.e., because of poor communication, teams may not know how their ratings are generated and how the ratings are translated into rewards), varying and unfair standards and ratings (i.e., both standards and individual ratings may vary across teams and also be unfair), unjustified demands on team leaders and team members' resources (i.e., poorly implemented systems do not provide the benefits provided by well-implemented systems, yet they take up people's time), and increased risk of litigation (i.e., expensive lawsuits may be filed by individuals who feel they have been appraised unfairly) (see Section 1-4 When Performance Management Breaks Down: Dangers of Poorly Implemented Systems in Chapter 1). Team performance, of course, adds a layer of complexity to any performance management system, but the fundamental principles that guide the design and implementation of the system discussed throughout this book remain the same.

It is important to note that some conditions are necessary for team performance management to lead to improved team performance; for example⁸:

- The processes involved in the performance of the team are relatively unconstrained by other requirements of the task or the organization. For example, the organization should not constrain the amount of effort and skill that the team members can invest in a particular team-based project. An example of a constraint may be individual and team goals that compete against each other.
- The team is designed well and the organizational context supports team performance. In other words, there are elements in the organization that support team performance (e.g., reward systems, training systems, resources are made available to the team, the team has an opportunity to perform).
- Performance feedback focuses on team processes that are under the control of team members. There is no point in providing feedback on aspects of performance that are beyond the control of the team.

11-2 TYPES OF TEAMS AND IMPLICATIONS FOR TEAM PERFORMANCE MANAGEMENT

Teams can be classified based on the complexity of the task (from routine to non-routine tasks) and membership configuration (from static to dynamic).⁹ Routine tasks are well defined; there are few deviations in how the work is done; and

Box 11-1

Company Spotlight: Expatriate Teams at an Aerospace Company

The globalization of business has led many organizations to move from a traditional individual expatriate assignment (i.e., sending an individual manager overseas) to a team-based assignment, whereby several individuals are assigned—together—to a foreign location. Service firms rely on this strategy frequently because it is difficult to separate service “production” from service consumption. In other words, the nature of many services is such that it is needed for an entire team to work closely with a client to understand their needs. This was precisely the situation faced by a multinational aerospace firm based in North America. A total of 17 expatriate teams originating from seven different countries from around the globe were assigned to the aerospace company’s location to work

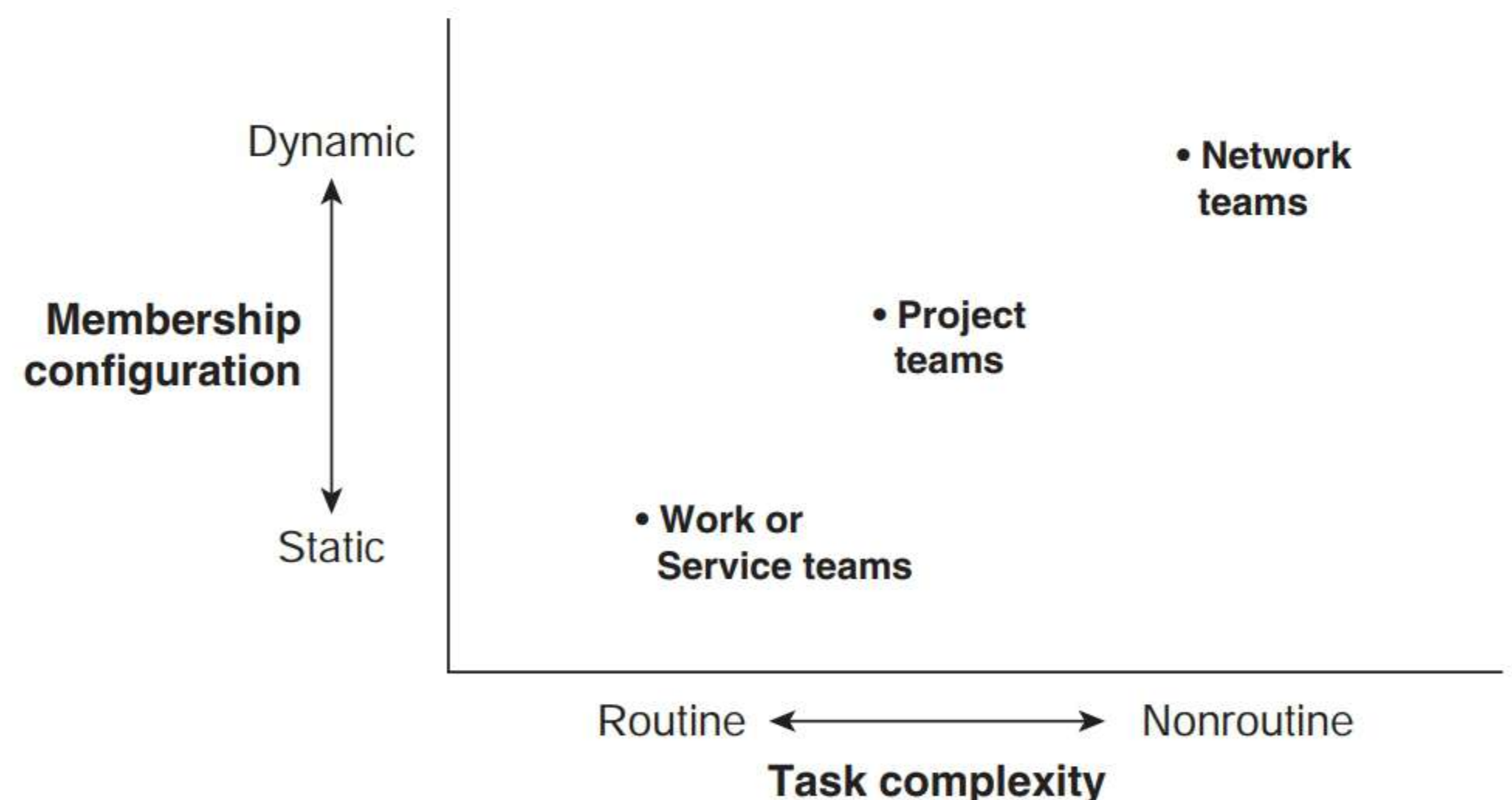
together on the design of a new product. What types of challenges do such teams face in terms of implementing performance management? Moreover, what additional challenges exist when such expatriate teams include members who themselves are from different countries? The most important challenge is that each team will have to perform based on standards and expectations of their home country. However, expatriate teams must be concerned with three different stakeholders: the local client, the home company, and the other on-site teams. Thus, it is important that performance be measured in relationship to these three stakeholders groups. In other words, performance management of expatriate teams must include a multi-stakeholder perspective.¹⁰

outcomes are easily assessed after the task has been completed. By contrast, nonroutine tasks are not defined well; there are no clear specifications about how to do the work; and outcomes are usually very long-term and difficult to assess. Membership configuration includes how long the team is expected to work together and the stability of its membership. For example, there can be product development teams, task forces, and committees. Also, teams could be created for a specific project or to assist a particular client, as in the example included in Box 11-1 of an aerospace company that sent teams of expatriates originating from seven different places around the world to the same location to work on common project. Figure 11-1 illustrates the three main types of teams based on task complexity and membership configuration dimensions.

- *Work or service teams.* These intact teams are engaged in routine tasks, including manufacturing or service tasks. An example is a group of people working at the assembly line in a car manufacturing plant, such as Toyota or Saab. The work or service team includes people who have worked together for some time and know each other well. Most members share a similar set of skills.

FIGURE 11-1

Types of Teams Based on Membership Configuration and Task Complexity Dimensions



Source: Adapted from Scott, S. G., & Einstein, W. O. (2001). Strategic performance appraisal in team-based organizations: One size does not fit all. *Academy of Management Executive*, 15, 107–116, Fig. 1. p. 110.

- *Project teams.* These teams are assembled for a specific purpose and are expected to disband as soon as their specific tasks have been completed. The tasks are outside the core production or service of the organization, and are therefore not as routine as those of work or service teams. Examples are the team that developed IBM's first personal computer and the team that developed the original Taurus/Sable at Ford. Project teams include members from different functional areas who may not know each others' specialties, and therefore, are highly dependent on one another's high level of specific knowledge and usually sophisticated skill sets.
- *Network teams.* These teams include members who are not constrained by time or space and members who are not limited by organizational boundaries. Usually, team members are geographically dispersed and stay in touch via telecommunications technology such as email, Skype and Facetime, and of course, telephone. Their work is extremely nonroutine. Network teams usually include a combination of temporary and full-time workers, customers, vendors, and even consultants. One example is the group of Russian and U.S. astronauts and scientists who communicated and worked together during months of training using telecommunications technology, from their respective countries, before some of them actually worked face-to-face in the Mir space station.

Team performance management must consider the type of team in question before performance measures are put in place. Different performance measurement methods are particularly appropriate, depending on the type of team being evaluated. Work and service teams can clearly benefit from peer ratings because members observe one another's performance on a daily basis. In addition, because team members have similar responsibilities, everyone is familiar with the competencies needed to do the job. Project teams do not stay together for long periods of time, and therefore, the measure of results at the end of a project may not benefit the team's development since the team is likely to disband as soon as the project is finished. Instead, measurements should be taken periodically as the team works on the project so that corrective action can be taken as necessary before the project has been completed. This is precisely the type of measurement system Hewlett-Packard uses with its project teams in charge of product development. Network teams are transitory and engage in unique tasks on an as-needed basis. It is difficult to measure specific outcomes. Instead, performance management of network teams emphasizes the future instead of the past, and focuses on developing individual competencies, such as the team members' capacity to innovate, adapt, be flexible, and solve problems.

11-2-1 Virtual Teams

In a 1974 television interview, science fiction author Arthur C. Clarke predicted what the world would look like at the beginning of the twenty-first century. One of his many extraordinarily accurate predictions was about a "a console . . . in a compact form . . . with a screen . . . through which he can talk" that people would have in their homes or offices: "Any businessman [sic], any executive, could live almost anywhere on Earth and still do his business through a device like this and this is a wonderful thing."¹¹

Regardless of the particular type of team, the reality of today's organizations, which are immersed in a global and highly competitive environment, dictates that many teams are virtual in nature. In other words, armed with laptops and smartphones, team members can do their work from anywhere and at any time. Virtual teams have become very popular, as shown by results of a Career Builders survey involving 1,700 knowledge workers—79 percent reported working always or frequently as part of virtual teams.¹² And results of a 2014 survey of business leaders at the Global Leadership Summit indicated that about 60 percent of them predict that more than half of their entire workforce will work remotely by 2020.

From an organization's practical and resource-based standpoint, it seems that the use of virtual teams has many benefits. First, virtual teams allow organizations to save money on travel expenses. Second, from the employee point of view, personal and professional disruptions due to travel are minimized. Third, virtual teams also include individuals who live locally, but telecommute—an important benefit for employees with various personal and family needs who may want to minimize commuting time. Moreover, this type of work arrangement seems very attractive to Millennials.¹³ And it also allows organizations to reduce the size of their brick-and-mortar offices, which can lead to substantial savings, particularly in highly populated urban areas with high leasing cost.

However, managing the performance of virtual teams also has its own unique challenges.¹⁴ For example, many virtual teams, precisely because of a lack of face-to-face interactions, sometimes become “invisible” in organizations, and therefore, may lack clear performance standards and even an identity as a team. Feeling that one is member of the team and trusting other team members are important determinants of team performance, but these factors may not be present in virtual teams. Also, only about 20 percent of organizations offer training on how employees can improve their performance within the context of virtual teams. In addition, although team members may communicate using Skype and other videoconferencing technology, they usually communicate less frequently compared to members of nonvirtual teams. And, this lower degree of communication often makes it difficult for team members to understand what is going on in the group. This is a particularly challenging issue when there is a team conflict that needs to be addressed or a controversial decision, such as charting a particular course of action that needs to be made.¹⁵

Fortunately, as described later in this chapter, a state-of-the-science performance management system can address the aforementioned challenges posed by virtual teams.¹⁶ For example, creating team charters (similar to job descriptions, but for teams rather than individuals) and regular check-ins help members feel that they are connected, which leads to improved cooperation and conflict management tactics. Also, team performance review meetings provide structure and increase team effectiveness. In addition, team developmental activities including intercultural skills, teamwork, and technology usage also lead to improved team performance.

The reality of work today is that virtual teams are here to stay. This highlights the importance of implementing performance management systems that include a team component. Not doing so is likely to result in more negative than positive outcomes resulting from the work of virtual teams. For an example of how MySQL attempts to reap the benefits and minimize potential pitfalls associated with virtual teams, see Box 11-2.

Box 11-2

Company Spotlight: Managing the Performance of Virtual Teams at MySQL

MySQL, (pronounced “My S-Q-L”), based in Cupertino, California, produces and develops database servers, software, and related tools. MySQL is the world’s most popular open source database. The company employs more than 300 people spread across 25 countries, and 70 percent of the employees work from home. Employees in some cases have never met anyone they work with in person. This work arrangement requires a different approach to managing team performance, as compared to the traditional office where face-to-face meetings and contact are the norm. Technology enables a different approach to performance management. The company utilizes an Internet Relay Chat, which employees sign onto regularly to hold real-time meetings. Also, a software system called Worklog was developed by the company specifically to allow employees to mark off

tasks when they have been accomplished. The company’s method for evaluation and feedback are also adapted for virtual teams. Output and results produced are the focus of measuring productivity. There is not a strict chain of command in the MySQL work environment. Colleagues often seek out advice or ask questions of coworkers electronically, and all employees help manage individual and team performance by evaluating one another. Performance is also evaluated based on required weekly reports of accomplishments and by keeping track of employee involvement through conference calls and frequency of electronic communications, such as chat sessions and emails. In summary, MySQL has adapted to a virtual work environment by utilizing technology that enables some unique strategies to be used for managing the performance of individuals and teams.¹⁷

11-3 PURPOSES AND CHALLENGES OF TEAM PERFORMANCE MANAGEMENT

Regardless of the extent to which a performance management system is concerned with individual performance, team performance, or both, the goals of the system are the same as those discussed in Chapter 1: strategic, administrative, informational, developmental, organizational maintenance, and documentation. In the specific case of a system concerned with team performance, one additional goal is to make all team members accountable and to motivate them to have a stake in team performance.

Many organizations have become more team-based, but they have not changed their performance management systems to accommodate this new organizational reality, which presents a unique challenge. If the organization is based on teams, but performance is still measured and rewarded at the individual level, team performance will suffer. In fact, some of the existing individual rewards may motivate people to *not* contribute to team performance, and instead, to focus on individual performance only. In general, organizations that choose to include a team component in their performance management system must ask the following questions:

- *How do we assess relative individual contribution?* How do we know the extent to which particular individuals have contributed to team results? How much has one member contributed in relation to the other members? Are there any slackers or free riders on the team? Is everyone contributing

to the same extent, or are some members covering up for the lack of contribution of others?

- *How do we balance individual and team performance?* How can we motivate team members so that they support a collective mission and collective goals? In addition, how do we motivate team members to be accountable and responsible individually? In other words, how do we achieve a good balance between measuring and rewarding individual performance in relation to team performance?
- *How do we identify individual and team measures of performance?* How can we identify measures of performance that indicate individual performance versus measures of performance that indicate team performance? Where does individual performance end and team performance begin? Finally, based on these measures, how do we allocate rewards to individuals versus teams?

A study including structured interviews with 102 working adults in Hong Kong and another 96 working adults in the Pearl River Delta (i.e., cities of Chung-shan, Quang-zhou, and Zhu-hai) suggested that, indeed, organizations are faced with these challenging questions.¹⁸ For example, interview results indicated that about 38 percent of individuals participated in systems based on individual performance only, whereas about 34 percent participated in systems that included both individual and team components, and about 25 percent of respondents participated in systems that included a team component only. The remainder of this chapter discusses how to include a team component in a performance management system. In doing so, we consider how organizations can address each of these questions.

11-4 INCLUDING TEAM PERFORMANCE IN THE PERFORMANCE MANAGEMENT SYSTEM

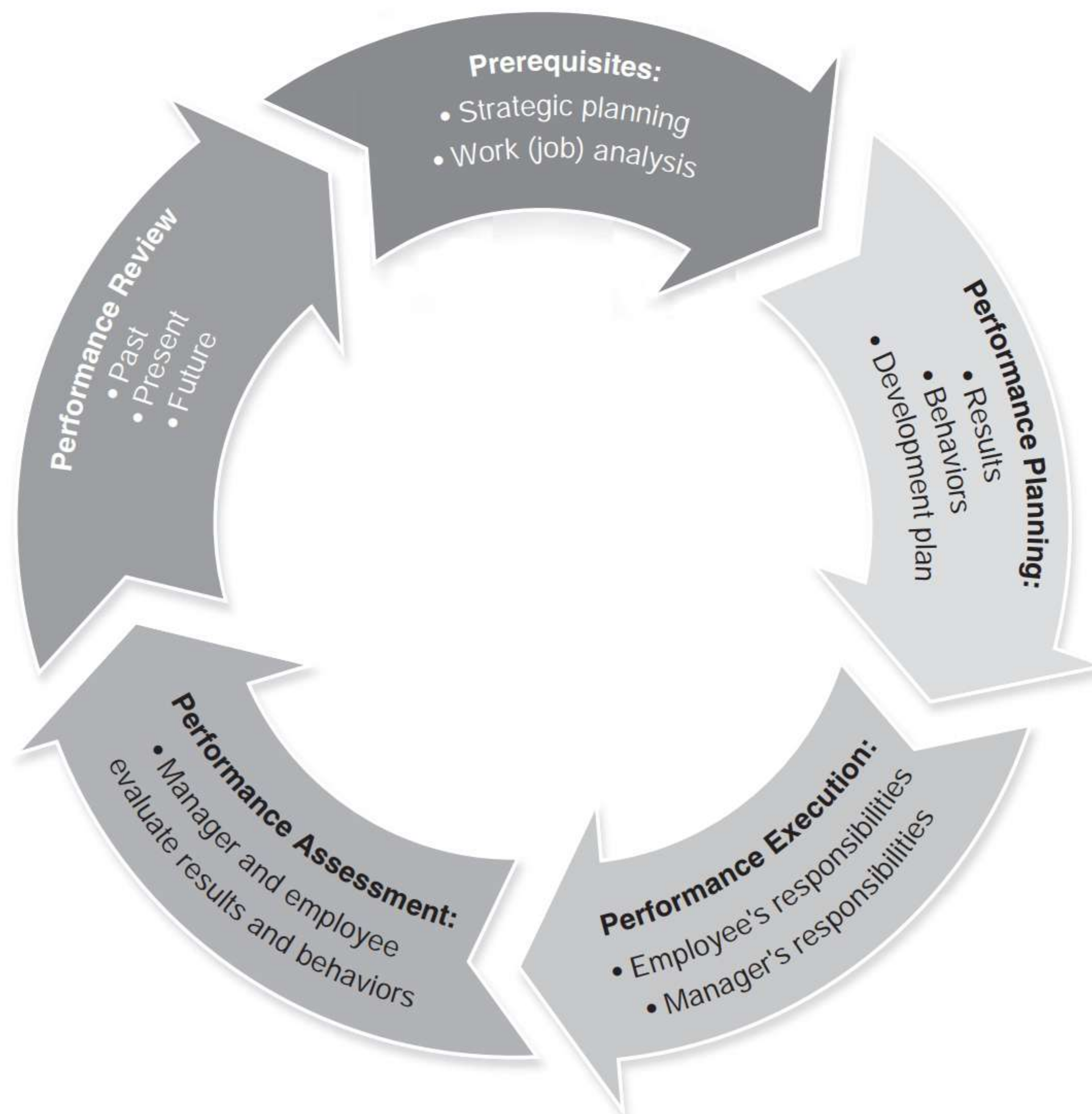
Although the questions posed in the previous section may seem difficult to address, designing a performance management system that includes team performance is not difficult if we follow the following six team performance management principles¹⁹:

1. *Make sure your team is really a team.* As noted earlier, there are different types of teams. Before a team component is introduced in the performance management system, we need to make sure the organization has actual teams.
2. *Invest in performance management analytics.* Measuring team performance, as is the case with measuring individual performance, takes time and effort. The organization must be ready to make this investment for the measures to yield useful data.
3. *Define measurement goals clearly.* Defining how the data will be used (e.g., administrative versus developmental purposes, or both) is a decision that must be made before measures of team performance are designed. As is the case with individual-level analytics discussed throughout the book, there are different variables that must be taken into account in relationship to the measures' purpose (e.g., what will be the sources of data, how data will be collected, and so forth).

4. *Use a multimethod and multisource approach to measurement.* The measurement of team performance is complex. Thus, multiple methods and sources of data are often necessary.
5. *Focus on process as well as results.* Behavioral and process-oriented measures as well as results and outcomes are as useful for team performance management systems as for individuals. Thus, serious consideration must be given to how both types of measures will be used within the context of managing team performance. In other words, we should measure the results that teams produce, but also how they achieve those results.
6. *Measure long-term changes.* Although short-term processes and results are easier to measure, it is important to also consider long-term measures of performance. Team performance must be sampled over a variety of contexts and also over time.

Recall the basic components of the performance management process as shown in Figure 11-2. You may recall that this same figure appears in Chapter 2. Now, let us consider each of the components of the process when we design a system that includes team performance and let us incorporate the aforementioned six team performance management principles into the various steps in the process.

FIGURE 11-2
Performance Management
Process



11-4-1 Prerequisites

The first component of the performance management process involves two prerequisites. First, there is a need to have good knowledge of the organization's mission. This prerequisite is present regardless of whether there is an emphasis on team performance. This knowledge, combined with knowledge regarding the mission of the team's unit, allows employees and teams to make contributions that will have a positive impact on the unit and organization as a whole. Second, there is a need to have good knowledge of the job in question. In the case of individual jobs, a job analysis is conducted to determine the key components of a particular job: what tasks need to be done, how they are to be done, and what knowledge, skills, and abilities (KSAs) are needed to do them. Similarly, if we have good information about what a *team* is supposed to do and how, then it is easier to establish criteria and measures for team success.

You will recall our discussion in Chapter 2 regarding job descriptions, which summarize the job duties, needed KSAs, and working conditions for a particular position. In the case of teams, job descriptions take the form of what is called *team charters*. Much like job descriptions, team charters can be very detailed and refer to the team activities. However, team charters differ from job descriptions in that they also include information on within-team processes such as communication.²⁰ Overall, team charters can include the following components²¹:

1. *Strategic alignment*: how does the team's work support and relate to unit and organizational goals?
2. *Team purpose*: what is the team's reason for being?
3. *Team objectives, goals, and priorities*: what are the team's primary objectives and how are they prioritized?
4. *Key stakeholders*: who are the key stakeholders that have an interest in the team's work?
5. *Team customers*: who are the team's internal and external customers?
6. *Team leader and sponsor*: who is the team leader and who is its champion (i.e., a team supporter who is not a member of the team and has decision-making power in the organization)?
7. *Team member roles and responsibilities*: who are the team members and what are their respective roles and responsibilities?
8. *Team member time commitments*: what time commitments are expected of all team members?
9. *Team communication plan*: what are the communication rules for the team? How often will they communicate and what forms will communication take?
10. *Team ground rules*: what rules will the team adopt about interactions among team members such as how to conduct meetings?
11. *In/out of scope elements*: what tasks and functions are in scope for the team and which ones are out of scope?
12. *Key deliverables*: what are the team's key deliverables or tangible work products?
13. *Performance analytics*: how will we measure team success?

In addition to considering the team's charter, we still need to identify KSAs that will allow individuals to make a positive contribution to the team. These include not only KSAs related directly to the task at hand, such as a programmer

who needs to have knowledge of a particular programming language, which are usually included in each employee's job description. Rather, these are KSAs that are especially conducive to team performance. Examples include the following^{22,23}:

- *Communication.* Giving and receiving constructive feedback, listening, and sharing information and ideas.
- *Decision making.* Helping the team make decisions.
- *Collaboration.* Dealing with conflict effectively, committing to the team and its goals, valuing the diversity and experience of other team members, and sharing accountability.
- *Team leadership.* Taking on the role of team leader, including knowing how to extract the best out of the team.
- *Self-control.* Keeping emotions under control and not displaying negative reactions even when faced with opposition or even hostility from others.

You will probably recognize these KSAs because they are closely related to our discussion in Chapter 4 of what we labeled contextual performance, pro-social behaviors, or organizational citizenship behaviors. Contextual and task performance must be considered separately because they are not necessarily parallel. An employee can be highly proficient at her task, but be an underperformer regarding contextual performance. In other words, an employee can be an excellent performer when working individually, but a substandard performer when working with others.

Consider how the prerequisites component in Figure 11-2 is implemented at the University of California at San Diego (UCSD). This university, as are many others around the world, is structured around academic and administrative units called departments. Each of these departments can be considered a team. In terms of the prerequisites component, individual departments at UCSD develop a mission statement that is clearly related to the overall university's mission. This process allows each member of the team to become knowledgeable regarding the university's overall mission. After the department's mission has been established, individual job descriptions are discussed and directly linked to both the mission of the university and the mission of the department. Job descriptions include KSAs needed for both individual and department performance.

11-4-2 Performance Planning

The second component of the performance management process involves performance planning. Performance planning includes the consideration of results and behavior. In addition, performance planning involves the creation of a developmental plan. Each of these issues needs to be considered at the team level: results expected of the team, behaviors and process expected, and developmental objectives to be achieved by the team and its members. A discussion of results must include key team accountabilities, specific objectives for each key accountability (i.e., goals to be reached), and performance standards (i.e., what constitutes acceptable and unacceptable levels of performance). A discussion of behaviors needs to include competencies (i.e., clusters of KSAs). Finally, the developmental plan includes a description of areas that need improving and goals to be achieved in each area. The plan includes not only goals for the team as a whole, but also developmental objectives for individual performance that will benefit team performance. For example, the team may have as its goal

improvement of its internal decision-making processes, and some team members may have the individual goal to improve listening skills, which would help to improve the team's decision-making processes.

Consider the following recommendations regarding how to facilitate and accelerate team learning and development²⁴:

1. *Facilitate adaptive learning.* As part of the team developmental plan, team members can be encouraged to try new behaviors. Also, as the team completes work or a specific project, changes that were made in processes can be reviewed in detail to understand what worked and what did not.
2. *Facilitate generative learning.* Teams can be given information regarding best practices implemented by other teams in the same organization or even in other organizations. Teams can be given time to practice new skills until they become habitual.
3. *Facilitate transformative learning.* Teams can be encouraged to experiment with new ways of working together, including a discussion of feelings of uncertainty when facing change. Members from other teams can be invited to participate in discussions about performance or even to work as team members temporarily as a way of importing innovation and change into the team.

Consider how the planning component of the performance management system is played out at Duke University in Durham, North Carolina.²⁵ Duke considers planning to be the foundation of its performance management system, which creates the groundwork for what the supervisor and the team expect of the individual throughout the performance year. The process at Duke consists of two parts (1) understanding the behaviors that will be expected, and (2) defining the job results expected.

11-4-3 Performance Execution

The third component of the performance management process involves performance execution. Autonomous teams are solely responsible for performance execution; however, when a team has a supervisor or team leader, then both the team and the supervisor share responsibilities for performance execution. For example, team members need to be committed to goal achievement and should take a proactive role in seeking feedback from one another as well as from the team leader (if there is one). The burden is on the team to communicate openly and regularly with its supervisor. Also, team members are responsible for being prepared for the performance review by conducting regular and realistic peer assessments and check-ins. In this way, team members have solid information regarding their performance as perceived by other team members before they meet the team leader. The team leader also has important responsibilities, including observing and documenting team performance and the relative contribution of the team members, updating the team on any changes in the goals of the organization, and providing resources and reinforcement so that team members will be motivated to succeed.

Building and leading high-performing teams requires specific KSAs. First, trust is a critical issue in most organizational contexts.²⁶ But trust is especially important in virtual teams.²⁷ Specifically, team members have to trust their leaders, but also their peers, and the entire organization, to be most effective.

Second, team leaders also need to help establish a motivating vision and goals for the team. Third, they need to be able to provide helpful feedback to the entire team, as well as individual team members (as described in the Section 11-4-5 Performance Review later in this chapter).²⁸

What can team leaders do to turn “B players” into a winning team?²⁹ In 2004, Greece, which was an underdog by a long shot, won the European Championship, which is one of the most competitive soccer tournaments in the world. Greece was considered a peripheral team composed of mostly unknown players. But they defeated favorites France and Portugal and lifted the trophy. This victory made Greece the first team to defeat both the holder (France) and the host (Portugal) in the same tournament. The odds that Greece would win had been estimated at 1 out of 150! But, they won. Why? The following four factors were key:

- *Vision.* The first success factor needed to turn B players into an A team is vision, which is the performance planning component of the performance management system. There needs to be a good idea of future goals. In addition, there should be a clear strategy on how to achieve them. In other words, what are the specific results and behaviors expected of team members and the team as a whole?
- *Performance analytics.* The second success factor is performance analytics, which is the performance assessment component of the performance management system. Team leaders can make better decisions if they have accurate and fair performance data—from multiple sources.
- *Feedback.* The third success factor is feedback, which is an essential ingredient of the performance review component of the performance management system. In the context of team performance management, this involves information on individuals, but also information on the team as a whole.
- *Morale.* Finally, turning B players into a winning team requires the collective engagement of the entire team. When all the components of a state-of-the-science performance management system are in place, the natural result is that team members share common goals, are motivated to achieve those common goals, and have the necessary resources to do so. When team members feel that they are part of something bigger than each individual, they work together and are able to achieve great things. This means that cooperation is valued more than competition, and the team—as a whole—is on a journey of continuous improvement. To be able to enhance a team’s morale, it is important for team members to also see that the leader is committed to the team, and not just using the team as a springboard of his next career move.

The German coach Otto Rehhagel, who led the 2004 Greek team, helped his team achieve such an amazing and unexpected victory following the aforementioned principles. For example, Rehhagel was able to create a common vision and improve morale—what in the sports world is known as “team spirit.” As a result, the Greek team turned from a “dead-end squad nobody wanted to play for into a must-be-there-at-all-costs team.” The government of Greece was so immensely pleased that he was given the “Greek of the Year” award after the team won the championship, the first time ever that a foreigner won this award.

Related to team performance execution, team performance management can be fun. For example, consider the case of Whataburger, a San Antonio, Texas-based fast food chain of about 800 restaurants that serves hamburgers, chicken, and other meals in the southern United States and in Mexico. The company holds an event called the “Whataburger games” twice per year, during which managers, cooks, dishwashers, servers, and busboys compete in events testing their team skills against others in the company. The top prize winners receive US\$5,000 in cash. The company believes that many benefits result from holding the games twice per year. According to management, the goals of the games are to emphasize operating procedures, to improve skills, to enhance teamwork, to reduce turnover, and to enhance the overall performance of the restaurants. The finals of the competition are held in conjunction with the managers’ convention, where winners are formally recognized before corporate owners and executives, along with peers and management in a ceremony awarding medals and cash prizes. In summary, the leadership at Whataburger has identified a friendly and fun competition as part of the overall performance management system that aims to contribute to improved team performance and the success of the company.³⁰

11-4-4 Performance Assessment

The fourth component of the performance management process is performance assessment. All team members must evaluate one another’s performance as well as the overall performance of the team. Peer evaluations are a key component of the assessment stage because they lead to higher levels of workload sharing, cooperation, and performance.³¹ Also, team coordination and feedback improve when peers monitor the performance of all other members in the team. This, in turn, leads to the recognition of errors and to taking subsequent actions to correct these errors quickly.³² Peer evaluations can also include team members nominating someone else as the review period’s most valuable performer (MVP). In addition, the team leader evaluates the performance of each team member as well as the team as a whole. Finally, members from other teams may also evaluate the performance of the team.³³ This would apply only if members of other teams have firsthand experience with the performance of the team in question.

Involvement of each team member in the performance assessment process increases the members’ ownership and commitment to the system. Self-appraisals also provide important information to be discussed during the performance review. In the absence of self-appraisals, it is often not clear to team leaders whether the team and its members have a real understanding of what is expected of them.

Similar to situations in which peers evaluate others regarding individual performance outside of team contexts, the assessment phase is prone to biases. A study including 34 teams of about four members each found that team members were more lenient in rating one another when they had previously received positive peer feedback, and they were more severe in rating one another when they had previously received negative peer feedback.³⁴ Thus, it seems that receiving a positive rating from a peer leads to positive feelings, and receiving a negative rating from a peer leads to negative feelings, which translate into giving peers more positive and negative ratings, respectively. Accordingly, the model for rater motivation discussed in Chapter 6, as well as the training programs conducted

to minimize rating biases as discussed in Chapter 7 are just as applicable to team performance management systems.

In short, three types of performance need to be assessed (1) individual performance based on task performance, which refers to the specific activities required by one's individual job, such as a programmer's ability to write quality code; (2) individual performance based on contextual performance, which refers to specific activities that contribute to team performance, such as team members cooperating with each other; and (3) team performance as a whole. Although the saying goes, "There is no 'I' in team," this just isn't so because teams consist of individuals with their individual motivation, needs, and talents. The system should include a good combination of both "me" and "we" considerations.³⁵

How can we assess the "we" side of performance? As in the case of measures of individual performance, measures of team performance should include both results and behaviors. Team performance as a whole can be measured using the following four performance dimensions³⁶:

1. *Effectiveness*. This is the degree to which results satisfy team customers and stakeholders, including both internal and external customers. Results could be the same as those that are measured to evaluate individual performance. Specifically, these can include measures of quality, quantity, cost, and time.
2. *Efficiency*. This is the degree to which internal team processes support the achievement of results, team growth, and team member satisfaction. This can include measures of communication, coordination, collaboration, and decision making.
3. *Learning and growth*. This is the degree to which the team is able to learn new skills and improve performance over time. Specific measures can include innovation, documented learning, best practices, and process improvements.
4. *Team member satisfaction*. This is the degree to which team members are satisfied with their team membership. Specific measures can include team members' perceptions regarding the extent to which teamwork contributes to their growth and personal well-being.

In total, there should not be more than about 15 measures of overall team performance³⁷; otherwise, team members may spend too much time collecting information and monitoring their activities and insufficient time actually working on their assigned tasks. In addition, when the team has a meeting to assess its own overall performance, it is helpful to include a person from outside the team as part of the performance discussion. This helps team members to be as objective as possible when they evaluate their performance.

11-4-5 Performance Review

The fifth component of the performance management process is the performance review, which takes place when the team members meet with the team leader or manager. In organizations that are structured around autonomous teams, there may not be a supervisor or manager. In that case, a team leader or representative

would meet with a performance review board, which includes representatives from all teams.

At least two meetings are needed. First, the team leader meets with all members of the team together. The focus of this meeting is to discuss the overall team performance, including results achieved by the team as a whole. Information for this meeting comes from team members evaluating their collective performance, other teams evaluating the team in question, and the supervisor's evaluation. Second, the team leader meets each team member individually. The focus of this meeting is to discuss how the individual's behaviors contributed to team performance. Information for this meeting comes from individuals evaluating their own performance, peer ratings of the individual's performance, and the supervisor's evaluation. Recall our discussion in Chapter 9 regarding giving praise and constructive feedback (including the use of a strengths-based approach to giving feedback).

Both meetings emphasize the past, the present, and the future. The past involves a discussion of performance during the review period. The present involves any changes in compensation, depending on results obtained. The future involves a discussion about goals and developmental plans the team and its members will be expected to achieve during the next review period. Are there specific KSAs that would be important for a particular team member to develop further in the future? In the particular case of virtual teams, a study involving more than 400 professionals, recruited through social networks or human resource representatives who distributed the link in their organization, identified the following two KSAs that are related to virtual team member performance³⁸:

- *Leading and deciding*: making clear decisions, taking responsibility, motivating other team members, acting on own initiative, working autonomously, and setting clear goals for other team members.
- *Analyzing and interpreting*: using communication media effectively, communicating in writing understandably and in a structured way, working in a solution-oriented way, analyzing data effectively, effectively learning to use new technologies, gaining an understanding of others' tasks, working effectively with computers and digital media, and showing analytical skills.

Now, pause for a moment to reflect on the two aforementioned competencies. Which of the behaviors involved in each of the competencies are your strengths? Which your weaknesses? Given the inevitability of virtual teams in your career progression, what steps could you take to improve your proficiency regarding each of your weaknesses?

In short, including team performance as a part of the performance management system includes the same five components as when a system included individual performance only. An important difference is that in addition to individual performance, the system includes individual performance as it affects the functioning of the team, as well as the performance of the team as a whole. As an additional example of team performance management in an organization that is global and includes thousands of teams, most of them virtual, see Box 11-3 describing Wikipedia.

Box 11-3

Company Spotlight: Managing Performance of Volunteer and Virtual Teams at Wikipedia

Wikipedia is a free online encyclopedia that any Internet user can edit. The encyclopedia is available in several languages and has over 40 million articles in 293 languages. Wikipedia is run by the Wikimedia Foundation, a nonprofit organization with only 300 employees; however, the website has approximately 31.7 million registered user accounts across all language editions, of which around 270,000 are “active” (made at least one edit every month). The organization has tackled the question of how to manage the performance of this large, virtual, and volunteer community. Several steps are taken to maintain the website in a way that allows readers to contribute and make edits. First, volunteers monitor one another. If an entry is made on a given page that a volunteer previously worked on, volunteers are immediately alerted so that they can review

the new entry. Edits are also traced directly and openly to the person who made the edit. Others can correct errors, and the software allows simple reversals of any errors to be made. Any discussion between volunteers is also easily retrievable, so others can read about any disagreement or questions. Second, Wikipedia has policies that request all users to treat one another in a civil manner, and it is possible to be banished from making entries on the site. Volunteers are encouraged to work out disagreements. If that fails, an established escalation and dispute-resolution process can be enacted, which includes a process of appeals with arbitration or mediation. In summary, Wikipedia provides an example of how an organization utilizes policies and procedures to manage the performance of a virtual, volunteer workforce.³⁹

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11-5 REWARDING TEAM PERFORMANCE

Teams are a pervasive fact of organizational life. Because of this, organizations that implement performance management systems that include team performance must redesign their rewards system to reward team performance. As an illustration, teams of workers in the production line at Motorola’s plant in Tianjin, China, receive additional compensation if they keep the percentage of errors under a prespecified threshold. In a second example, a recent study investigated the effects of implementing a pay-for-performance system at the team level with top management teams at a global information technology company.⁴⁰ The teams included seven or eight members. Each of the teams had team-level performance goals, which were specific but differed from team to team. Rewards were allocated based on organizational performance goals (25 percent), team-level goals (50 percent), and individual-level goals (25 percent). Similarly, at Apple and Google, team performance assessment and rewards are part of the formal review process.⁴¹

Organizations can reward team performance in ways similar to those in which they reward individual performance. For example, consider the case of Phelps Dodge Mining Company. The company implemented a team-based reward system involving more than 4,200 employees in six locations throughout North America. The company moved from being unionized to being nonunionized, and a key strategic objective was to help employees move away from working for an hourly wage to understanding how to work as a salaried workforce. To accomplish this goal, team performance was measured and rewarded accordingly. For example, a

team goal in a truck maintenance shop was to shorten the time that trucks were off-line for maintenance. Goals were set through the active participation of all team members, and employees are given additional compensation, depending on whether they accomplish team-based goals.

An organization can have a variable pay system in which an individual is eligible for a bonus if her team achieves specific results. This reward would be in addition to any performance-based rewards allocated according to individual performance (either task performance or contextual performance). The amount of the bonus could also be controlled by the team: teams that are able to generate savings that result from controlling cost and improving efficiency may see some of this money come back in the form of bonuses. In this case, the rewards are called *self-funded*. In other cases, the bonus can come from a company-wide pool that varies each year, based on overall organizational performance.

Team-based rewards are effective if they are implemented following similar principles as those used for individual rewards discussed in Chapter 10 (see Table 10-4). For example, all teams should be eligible, and rewards should be visible, contingent, and reversible. Do these team-based reward systems work? In one study, team performance-based pay motivated teams to spend 22 percent more time on the task at hand, which led to improved performance.⁴²

There are several success factors specifically related to team rewards. First, a study consisting of a review of 30 separate investigations concluded that team rewards are more potent in smaller, compared to larger, teams.⁴³ The reason? In smaller teams, it is easier for everyone to see everyone else's effort, motivation, and performance. Second, studies have provided evidence in support of team-based contingent pay plans. But similar to the case of individual rewards, in implementing team rewards, we need to be aware of the factors that make rewards fail (see Table 10-2). For example, rewards given to team members based on the extent to which they cooperate with each other are likely to enhance accuracy, but not necessarily speed.⁴⁴ If the goal of the reward is to motivate employees to work faster, giving rewards for cooperation may be yet another example of the "folly of rewarding A while hoping for B."

SUMMARY POINTS

- A team is in place when two or more people interact dynamically and interdependently and share a common and valued goal, objective, or mission. Individuals can be members of the same team even if they work in different geographic locations. Teams are pervasive in today's organizations, and it would be difficult to find an organization in which some type of work is not done by teams.
- Teams have become popular because businesses are facing increased pressures, including global competition, and the use of teams is a way to improve products and services and to increase productivity. Also, many organizations have gone through downsizing and restructuring, which has led them to become flatter and has reduced the number of hierarchical levels. Using teams provides greater flexibility for these organizations. Third, products and services are becoming very complex, requiring many

people contributing their diverse talents to the same project. In most cases, no one individual can surpass the combined talent of an entire group. Finally, rapidly changing business environments are also responsible for the popularity of teams because teams are able to respond more quickly and more effectively to changes than can individuals working alone.

- Because teams are so pervasive, it is important that the performance management system focus not only on individuals, but also on teams. Organizations should take proactive steps to make sure that teams perform well, that their performance improves on an ongoing basis, and that individuals are active and motivated contributors to their teams. So, performance management should include individual performance, an individual's contribution to the performance of his or her teams, and the performance of teams as a whole.
- There are three conditions that are necessary for team performance management to lead to improved team performance. First, the processes involved in the performance of the team are relatively unconstrained by other requirements of the task or the organization. Second, the team is designed well and the organizational context supports team performance. Third, performance feedback focuses on team processes that are under the control of team members.
- There are three basic types of teams, based on the tasks they perform (from routine to nonroutine) and based on membership configuration (from static to dynamic): work or service teams, project teams, and network teams. Also, these teams can be virtual (i.e., members do not interact in person, but through technology). A good performance management system should include measures of team performance that are congruent with the types of teams under consideration.
- A performance management system that includes a team component needs to focus on three types of performance (1) individual performance, (2) individual performance that contributes to team performance, and (3) team performance. All three are necessary for a system to be successful.
- We must consider six basic principles in including a team component in a performance management system: make sure teams are really teams, make the investment to measure, define measurement goals clearly, use a multi-method approach to measurement, focus on process as well as outcomes, and measure long-term changes.
- Including a team component in the performance management system has some unique challenges. The system needs to achieve a good balance between individual and team performance measurement and rewards. In other words, it is not sufficient to measure and reward overall team performance. There also needs to be a way to measure and reward the contribution that each individual makes to the team. In this way, individuals are held accountable for contributing to team performance.
- The performance management process of a system including a team performance component is similar to the process of a system including individual performance only. The components of the process include (1) prerequisites (e.g., knowledge of the organization's mission, team charters—serving a similar purpose as individual job descriptions),

- (2) performance planning (e.g., consideration of results, behaviors, and a developmental plan), (3) performance execution (e.g., role of team leaders, how to turn a team of B-players into a winning team), (4) performance assessment (e.g., evaluations from other team members, assessing the “we” side of performance), and (5) performance review (e.g., feedback about individual contributions to team performance, feedback on the performance of the team as a whole). Although the inclusion of a team component adds a layer of complexity to the process, the fundamental principles guiding the design and implementation of the system discussed throughout this book remain the same.
- If the performance management system includes the measurement of individuals’ contribution to team performance and overall team performance, it also needs to reward these types of performance. The principles guiding the allocation of rewards in systems including a team component are similar to those guiding the allocation of rewards in systems including individual performance only. For example, rewards should be visible, contingent, and reversible. Also, similar pitfalls that take place in the allocation of individual rewards should be avoided, such as the “folly of rewarding A while hoping for B.”

EXERCISE 11-1 TEAM PERFORMANCE MANAGEMENT AT BOSE

Bose Corporation is an organization that specializes in audio equipment that meets virtually any audio challenge. Bose Corporation’s audio technologies can be found in home stereos, stadiums, the Sistine Chapel, and even the U.S. space program. Bose Corporation was founded in 1964 and is headquartered in Framingham, Massachusetts, but has employees around the globe.

Many Bose employees work in a variety of teams. Three different types of teams within Bose are work teams, project teams, and network teams. The work teams are responsible for the production of audio equipment. These teams are long-term and are typically focused on producing a certain type of audio equipment. Project teams are responsible for the research and development of innovative audio equipment. Typically, these teams are focused on the development of a specific type of equipment (e.g., new home entertainment speakers). Network teams arise in instances where team members are spread across the globe. A specific example of a network team within Bose is a team that is designing a new audio system for Ferrari. Within this team, there are members located at Bose’s headquarters, at Ferrari’s plant location in Italy, and at one of Bose’s production factories in Japan. The members at these various locations rarely meet face-to-face, but communicate frequently using technology.

Recently, Bose’s executive team has been interested in implementing a new team-based performance management system for these different teams. They know of your expertise in performance management and they have asked you to help them. You have explained to them the five key components of a proper performance management system, but now, Bose’s executive team is specifically interested in knowing how they may have to be expanded so the system can be used effectively across their three different types of teams. The reason why the

executive team is interested in this is that they would like to establish a main performance management framework that can work across the different types of teams.

Please prepare a 10-minute video presentation specifying how you suggest expanding the performance management system to accommodate the three types of teams. Make sure the proposed system refers to each of the components (i.e., prerequisites, performance planning, performance execution, performance assessment, and performance review). Also, make sure your recommendations comply with as many of the ideal characteristics as possible (e.g., congruent with strategy, congruent with context, thorough, practical) and avoids potential pitfalls (e.g., lowered self-esteem, increased turnover, damaged relationships).

EXERCISE 11-2 TEAM PERFORMANCE REVIEW

The goal of this exercise is to learn how to successfully conduct a team performance review. For this exercise, the instructor will divide the class into separate teams and appoint a “leader” for each team.

Team Leaders:

You are the leader of a team at Carrefour, a large department store. The store is divided into teams based on the product types they sell, such as housewares, sporting goods, women’s clothing, and cosmetics. Rewards for performance are distributed in the form of individual monetary bonuses at the end of the year, and are calculated using an average of the percent of team and individual sales targets achieved. So, for example, if the sporting goods department achieves 80 percent of its target, and an individual achieves 50 percent of his target, the bonus for this person will be calculated based on average target achievement of 65 percent. In addition, you as the team leader have the ability to increase or decrease the bonus for a particular employee by up to 10 percent, based on their performance evaluations (which include self, peer, customer, and supervisor evaluations).

You are now going to conduct the team performance review meeting. This meeting, which lasts 15–20 minutes, is used to discuss overall team performance and give the team an opportunity to ask questions. Overall, the team achieved 70 percent of its team sales target. However, some team members significantly outperformed relative to their individual sales target, while others were well below the desired level.

1. Deliver an opening statement that outlines the goal and format of the meeting.
2. Reiterate the criteria used to evaluate overall performance and determine bonuses.
3. Provide information on how the team performed relative to its overall sales target.

4. Answer team member questions about the performance management and reward allocation processes.
5. Your goal, as you provide feedback, is to address the concerns of top performers and average/low performers in a satisfactory manner, where all members accept that the review was fair.

(Hint: It is important that this meeting focuses specifically on the results achieved by the team as a whole, and not highlight (positively or negatively) any specific individual. In addition, see Section 9-4 Coaching, Development, and Performance Review Meetings in Chapter 9 for additional information on key considerations to keep in mind when conducting performance review meetings).

Team Members:

You are a member of one of the departments at Carrefour. It is now time for the annual performance review meeting and distribution of monetary bonuses. As described above, rewards for performance at Carrefour are calculated using a mix of team- and individual-performance data, and also include a percentage allocated at the manager's discretion. Some of you have done very well this year, and have generated considerably more sales revenue than your individual target. Others however have fallen well short of their target.

1. To perform this exercise, as a team, you will need to assign members who will play the role of either an excellent performer or an average performer. Decide on the performance achieved by each team member with regard to their individual sales targets. At a minimum, two employees should have exceeded their target by 10 percent to 15 percent, while another two should have achieved 50 percent to 70 percent of their goal. Overall, the team should include employees with varying levels of performance.
2. After the leader provides information on the team's performance, respond with follow-up questions and comments consistent with your level of performance. For example:
 - a. High performers (those who exceeded their sales goal) might talk about how the feedback and rewards are unfair because they are being penalized for others' poor performance. For example, a top performer may say, "It is not fair that our team bonus won't be as good because of the poor performance of others on the team."
 - b. Average/Low performers (those who met or fell short of their sales goal) may opine that their contributions are being overlooked. They might mention that the situation is unfair because they undertook important functions, such as training, team-building, and boundary-spanning, which are not adequately factored into the bonus reward system.
 - c. Yet other employees might mention that they did not receive adequate information and coaching about their performance throughout the year. Therefore, the system is unfair because they did not have opportunities to improve their performance.

CASE STUDY 11-1

Team Performance Management at American Electric and Gas

American Electric and Gas (AE&G) is a large public utility organization offering electricity and gas. The company's performance management system reflects the focus placed on results, the need for creativity and imagination, and the need for continuous improvement. Under its current framework, the system links individual performance with that of the team or department, as well as the organization. Therefore,

- Department business plan goals link to the business plan and business priorities.
- Performance goals and measures grow out of a department's business plan.
- Employee performance measures align with those of the organization.
- The department, teams, and individuals are rewarded and recognized on the basis of these measures.

The organization's team structure consists primarily of *work or service teams*, which align with the company's departments. Because of the close relationship with local government entities, however, the organization also utilizes *network teams* that focus on government regulatory needs as they relate to public service providers and *project teams* that are assembled on an as-needed basis to work on various projects that come from the *network teams*.

The elements of the current performance management system are as follows:

Organizational performance. Organizational performance measurement is a continuous process conducted to assess the department's performance—efficiency, effectiveness, and client satisfaction—in relation to the vision and business plan. The steps in the process include:

1. *Business plan goals and strategies.* Identify the desired outcomes that the organization is seeking to achieve and outline how the goals will be realized.

2. *Human resources department plan.* Outline the key strategies the department will undertake to address identified human resources (HR) issues to meet its business plan, within the context of the vision, values, government business plan, and the HR plan.
3. *Performance measures.* Identify specific criteria that will be used to monitor progress toward the goals.
4. *Targets.* Describe specific performance levels that will be used to achieve the desired outcome.
5. *Learning supports.* Identify practices, policies, and initiatives that provide incentive and encouragement to employees to develop new skills, knowledge, and abilities.

Employee performance. Employee performance can be enhanced through a continuous and interactive process to help departments and teams achieve business goals and to help employees continually improve. The steps in the process include:

1. *Performance plans.* Link employee performance to that of the organization and identify and set measures for desired outcomes.
2. *Orientation.* Provide information for employees regarding their new job and the organization to enhance understanding and effectiveness.
3. *Learning and developmental plans.* Identify competency development required for employees to carry out the performance plan.
4. *Performance coaching.* Provide ongoing performance feedback and assistance to employees from managers, supervisors, and other key individuals.
5. *Performance assessment.* Provide a summary of feedback received throughout the

performance period, analyze what employees have achieved relative to the desired outcomes set out in their performance and learning plans, and handle the subject of performance pay increases.

AE&G's current performance recognition (pay) plan supports and reinforces the desired performance for both the organization and the employee as follows:

- *Performance pay.* This compensation for employees links pay with individual performance. It consists of a market-driven base pay and a market-driven increase system that provides the ability to address cost-of-living increases and a bonus based on achievement of department, individual, and team goals.
- *Special programs.* The company also has two recognition programs for outstanding performance: (1) Award of Excellence, which can be applied for and awarded to team leaders, and (2) Executive Excellence Recognition, which is a unique program that

recognizes teams that achieve measurable enhancements in the service they provide. Each of these programs requires an application process, and the award is determined by a committee.

Consider the performance management process (see Figure 11-2) as it is applied in implementing team-based systems. Then, please answer the following questions:

1. How is AE&G implementing each of the components of the performance management process?
2. Consider how AE&G assesses performance. Which aspects of the measurement system are appropriate and which are not, given its goal of enhancing team performance?
3. What additions or revisions should be made to each of the components of the performance management process to make the system more effective from a team performance point of view?

CASE STUDY 11-2

Team-Based Rewards for the State of Georgia

The state of Georgia's Department of Human Resources (DHR) updated its performance management system. The performance management process is used for all employees who are to receive performance evaluations. The following outlines the critical features of this system:

- *Manager training.* Prior to utilizing the system, all managers receive training in how the system works and how to implement each phase of the system.
- *Performance planning.* This is the first step of the performance management system process and is used to create the employee's performance plan. Developing a performance plan involves identifying job and

individual responsibilities and performance expectations. It is the primary responsibility of the manager to develop this plan using input from the employee that he or she may want included in the performance plan.

- *Performance coaching.* Coaching is the key supervisory activity during a performance period. It involves ongoing communication, both formal and informal, that motivates employees by letting them know where they stand in meeting expectations and carrying out responsibilities. The three steps to performance coaching are (1) observing performance; (2) providing regular performance feedback, based on information gathered through personal observation, team

input, and input from the employee; and (3) documenting performance.

- *Performance evaluation.* This phase culminates with a meeting of the evaluating supervisor and the employee to rate performance and discuss appropriate salary increases and developmental planning for the employee.
- *Performance development.* Supervisors should discuss performance development with each employee. A developmental plan *must* be developed for each employee who is rated “does not meet expectations” or “needs improvement” in the area of Employment Terms and Conditions. The structured approach of the developmental plan has three objectives (1) to enhance employee strengths, (2) to decrease employee areas that need improvements, and (3) to meet organizational and team needs.
- *Salary increase.* Salary increases are awarded annually to each eligible employee. To be eligible for a performance-based salary increase, employees must:
 - Receive an overall rating for Job and Individual Responsibilities of at least “met expectations.”
 - Receive an overall rating for Terms and Conditions of Employment of at least “needs improvement.”
 - Salary increases for each evaluation period for employees who “met or exceeded expectations” are restricted to the following guidelines:
 - ♦ An overall rating of “met expectations” will receive a standard increase, based on the amount identified for the evaluation period.

- ♦ An overall rating of “exceeded expectations” will receive a standard increase as noted above, along with a lump sum identified for the evaluation period.
- ♦ Each year, a specified amount of money is set aside for salary increases. Because funds are limited, the salary increase amounts may be reduced if the department exceeds the allocated funds. If the salary increase amounts must be reduced, the reduction percentage will be the same for all employees.
- ♦ Unless otherwise authorized, employees at or above pay grade are not eligible for a performance-based salary increase, and employees who are near the pay grade maximum will be granted an increase to the pay grade maximum only.

The performance management and reward system, as currently in place, focuses mainly on individual performance. But given the changing nature of work that is now team-based in many different units and departments, there is a need to revise the system so that it can accommodate team-based rewards. Please answer the following questions:

1. How would you revise the system to include team-based rewards?
2. What are some of the anticipated challenges in including a team-based reward component, given the nature of the organization and its customers?
3. Given the effectiveness of contingent pay plans for teams, what are your recommendations on how to implement this type of system in this particular organization?

Source: This case is based, in part, on information available online at <http://team.georgia.gov/performance/> Retrieval date: January, 2, 2018.

ENDNOTES

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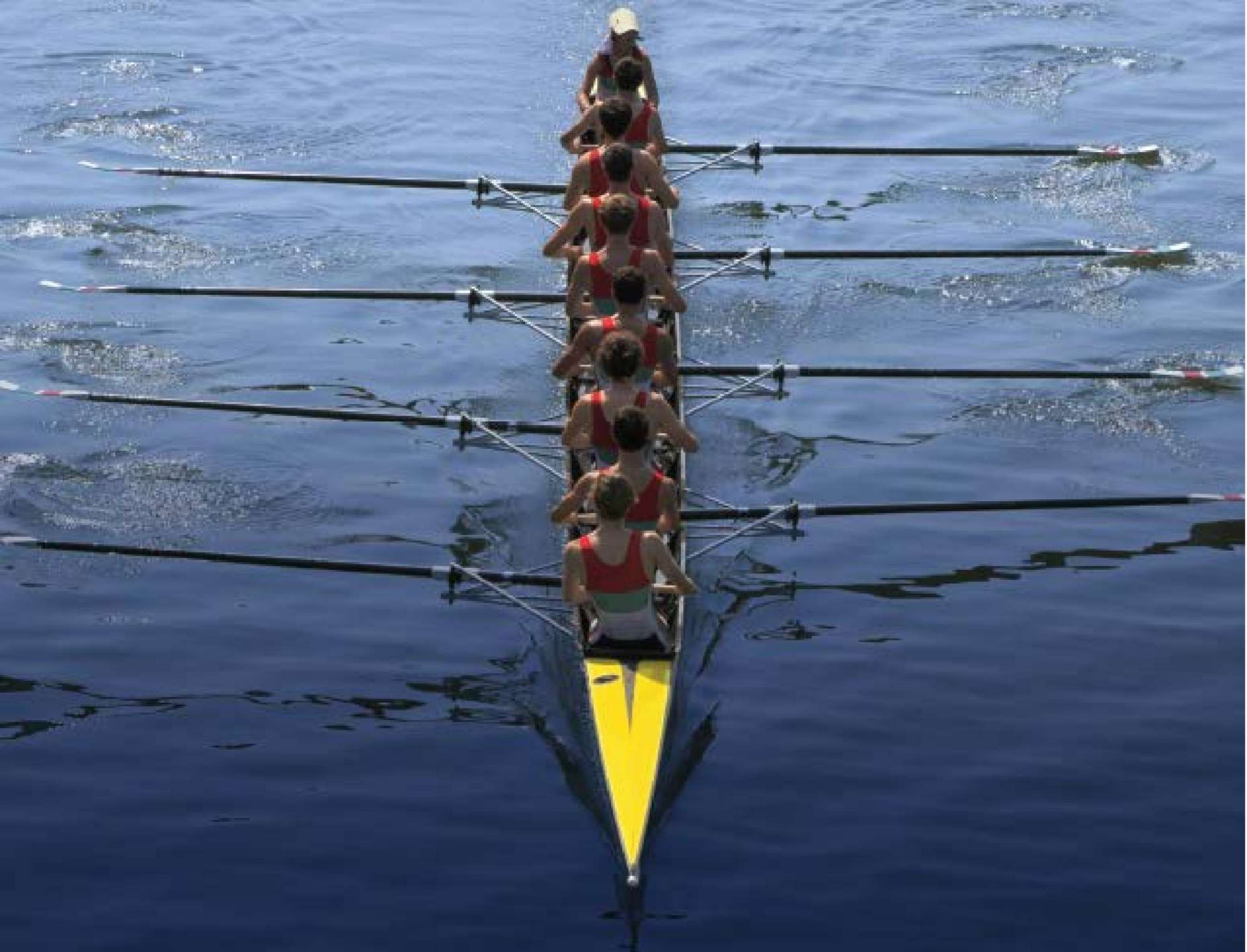
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