HR Leaders Monthly

September 2021

In This Issue

Gartner®

HR Leaders Monthly

Contents

Authors
Brent Cassell
Erin Gillette
Blakeley Hartfelder
Brian Kropp
Benjamin Loring
Kashika Mehta
Caroline Ogawa
Aliyah Quereshi
Karishma Sahai
Jonah Shepp
Lauren Smith
Kayla Velnoskey
Jenna Zitomer

Creative
Brittany Fritz
Mayuri Mukker

Editor
Aaron Bynum

755585

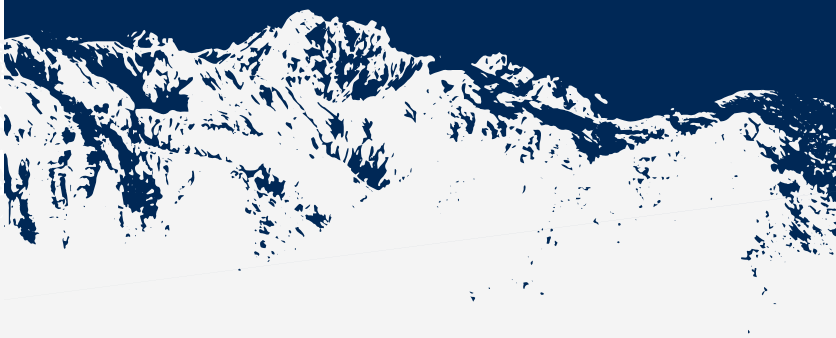
Editor's Note

By Brian Kropp and Lauren Smith

The past 18 months have brought changes and disruptions to the work environment that have caused organizations to rethink how they assess performance and reward employees. In 2020, HR leaders were challenged to fairly and accurately evaluate employee performance during an unprecedented global emergency, as well as to address a growing range of employee needs in a resource-constrained environment. This year has brought new challenges as HR leaders prepare for a future of hybrid work and manage an evolving set of employee expectations.

Performance and rewards are integral components of the new, more human employment deal we see emerging in the postpandemic era. Employers will need new approaches to manage a workforce that is more diverse, not only in terms of who employees are or where they come from but also where, when and how they work. In this new environment, HR leaders will need to rethink how their organizations assess and reward performance to ensure these processes are equitable, aligned with employee expectations and optimally designed to encourage high performance.

This issue of HR Leaders Monthly features our latest research in the fields of performance management and total rewards. We explore best practices for assessing employee behaviors as well as outcomes in performance management and applying motivational psychology to maximize the impact of rewards and recognition on performance. Other articles discuss the fast-changing landscape of employee well-being and challenge common assumptions about how to identify high-potential employees. We also look into the future with a set of predictions for how performance management will likely evolve in the next few years. This journal covers only a selection of the challenges organizations face, but the insights within can help HR leaders take action on critical issues today and prepare for what comes next.



Target Behavioral Assessment to Improve Performance Evaluation

By Benjamin Loring

As organizations rethink their culture for a hybrid work environment, assessing behaviors in performance evaluation becomes both more important and more difficult than ever. HR leaders should use a targeted approach to behavioral assessment to improve accuracy and accountability.

HR leaders are looking closely at how their organizations can effectively manage and measure "the how" of performance. Ninety-one percent of organizations evaluate both employee outcomes ("the what," or the results achieved) and behaviors ("the how," or the actions taken to achieve those results) as part of their performance evaluation.[1] However, despite efforts to incorporate behavioral assessment into the evaluation, behaviors have no measurable impact on employees' overall performance ratings.[2] Instead of investing heavily in more thorough behavioral assessments, organizations seeking to effectively incorporate behavior into performance evaluations should target their assessments by using:

- **Chief Objective Alignment —** Align behavioral criteria to the organization's chief objective by prioritizing behaviors that contribute the most toward its main goal.
- **Cumulative Inputs —** Focus managers on behaviors by helping them process small amounts of information about behaviors throughout the performance management cycle.
- **Applied Decision Support —** Build manager capability to assess behaviors by developing their judgment to make evaluation decisions in difficult situations.

Behavioral Assessments Are Falling Short

Assessing behaviors in performance evaluation is now both more important and harder than ever. Eighty-seven percent of organizations are reevaluating their culture following the pandemic and the subsequent shift to hybrid work.[3] Incorporating behavioral assessment in performance evaluations is an important component of driving cultural change. At the same time, the move to hybrid means organizations have lost visibility into employee behaviors: 77% of CHROs say managers at their organization are at least somewhat more likely to miss positive examples of employee behaviors when not colocated.[4]

Even though HR recognizes the importance of behavioral assessment, our recent analysis of employee performance ratings found a clear bias for outcomes over behaviors. An employee's behaviors have no measurable effect on that employee's rating, meaning the rating only incorporates outcomes.[2] This is true whether assessing good behaviors (such as collaboration, teamwork, integrity or commitment) or bad ones (such as speaking over others, putting little effort into work or making hurtful comments about others).

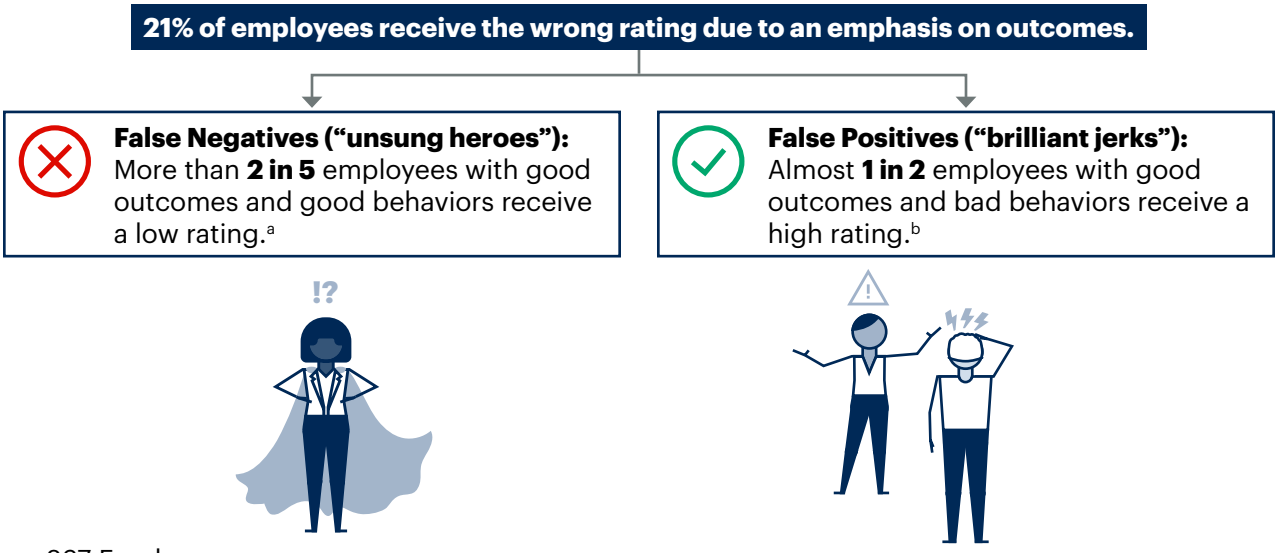
This clear bias for outcomes over behaviors means that organizations are making two kinds of errors:

- **False Negatives ("unsung heroes") —** More than two out of five employees who achieve good outcomes and exhibit good behaviors receive low performance ratings.
- **False Positives ("brilliant jerks") —** Nearly one in two employees who achieve good outcomes but exhibit bad behaviors receive high ratings.

Twenty-one percent of employees received the wrong rating due to one of these two errors (see Figure 1).[2]

These assessment errors yield negative short-term and long-term consequences. In the short term, performance evaluation errors increase attrition: Employees who experienced an error in their most recent evaluation were 20% less likely to say they intend to stay with their current organization for the next 12 months.[2] In the long term, organizations may promote the wrong people, leading to a greater risk of scandals, workplace investigations and a toxic environment due to poor leadership.

Figure 1. Errors Caused by Bias for Outcomes



n = 837 Employees

Source: 2021 Gartner Employee Performance and Progression Survey

[a] Good behaviors include developing others, teamwork, collaboration, caring for colleagues, innovation, integrity, client focus and commitment.

[b] Bad behaviors include deviant workplace behaviors, such as intentionally working slowly, playing cruel pranks on coworkers and putting little effort into one's work. For the full list of deviant workplace behaviors from which these were selected, see Bennett and Robinson (2000).

Differentiate High and Low Performers Based on Behaviors

Reducing errors in performance evaluations is hard to do. HR leaders cannot solve the bias toward outcomes by simply adjusting the prescribed percentage weightings of outcomes and behaviors. The bias will persist whether HR says outcomes should account for 30% or 60% of the overall rating.

But when managers use behaviors to differentiate high and low performers, the evaluations are more accurate. When employees report that the rating they received focused more on their behaviors than their outcomes, the rating was 28% less likely to contain errors than if the outcomes were emphasized more (see Figure 2).[5]

Organizations therefore need to reexamine the way they support how managers make evaluation decisions to ensure they emphasize behaviors relative to outcomes in their employee evaluations. By using an accurate process to effectively differentiate high performers from low performers on the basis of behaviors, managers can minimize the bias toward outcomes, reducing evaluation errors and their effects.

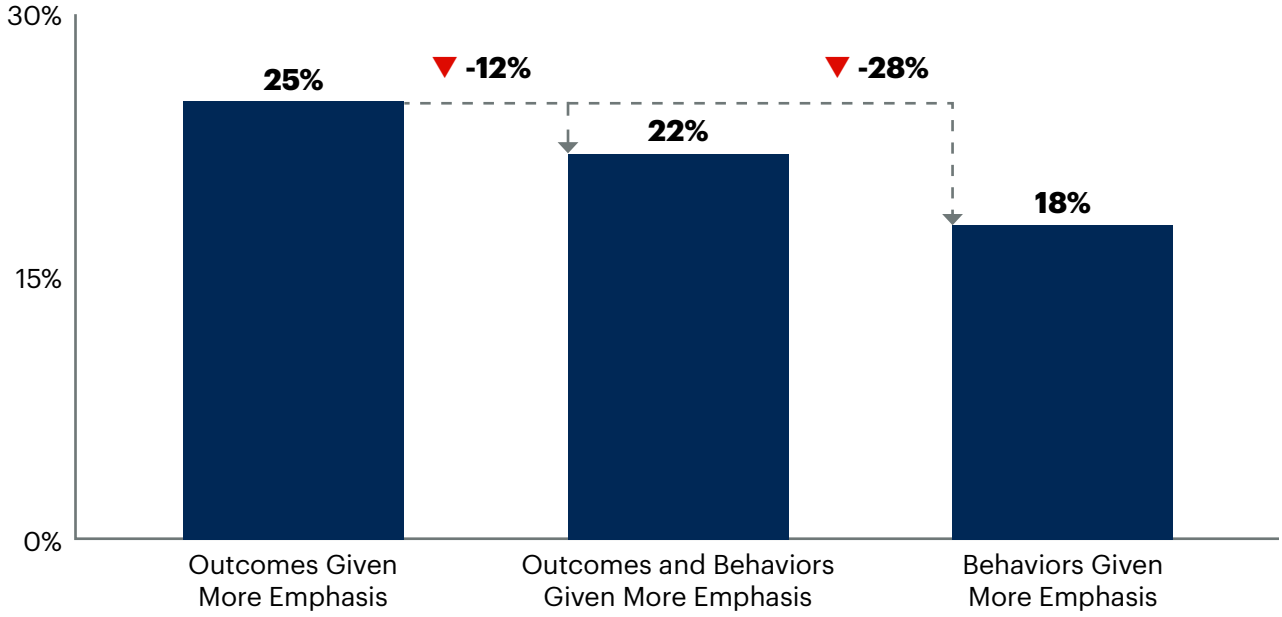
Organizations confront three pitfalls to ensuring accurate manager assessments of behaviors:

- **Priority Pitfall —** Managers do not think behaviors are important enough to prioritize in performance evaluation.
- **Perception Pitfall —** Managers have an incomplete or biased perception of how employees exhibit behaviors.
- **Capability Pitfall —** Managers are unprepared to apply behavioral criteria to real-life situations.

Facing these pitfalls, many organizations make their behavioral assessments more thorough by supporting managers with extensive frameworks, information and guidance. However, this approach can overwhelm managers, leading them paradoxically to fall back on emphasizing outcomes instead of focusing on behaviors.

Figure 2. Error in Performance Rating by Relative Emphasis on Outcomes and Behaviors

Percentage of Employees Receiving an Erroneous Rating



n = 753 Employees

Source: 2021 Gartner Employee Performance and Progression Survey

Targeted Approach to Behavioral Assessments

Instead of trying to be thorough, organizations should conduct targeted behavioral assessments as part of their performance evaluations. This means addressing each pitfall with the more focused strategies described at the outset: chief objective alignment, cumulative inputs and applied decision support (see Table 1).

Chief Objective Alignment

To ensure managers prioritize behaviors, many organizations align behavioral criteria comprehensively to their cultural values or competency frameworks. This, however, can cause managers to deprioritize behaviors relative to outcomes: If all behaviors are important, none are. This perspective can distract from an organization's long-term goals: Only 28% of CHROs say their organizations' performance evaluations assess the behaviors the organization needs for future growth.[6]

To be more targeted, organizations should align their behavioral assessment criteria to the organization's chief objective. This means using the behavioral assessment to prioritize only those behaviors that have the greatest positive effect on the organization's goals. Kuwait Finance House's behavioral contribution assessment is one example of how to accomplish this.

Case in Point: Kuwait Finance House's Behavioral Contribution Assessment

بيت التمويل الكويتي
Kuwait Finance House

Kuwait Finance House (KFH) realized that leaders and managers needed to demonstrate new behaviors to achieve critical organizational goals.

First, KFH identified collaboration as the most critical value employees needed to demonstrate to advance organizational goals, as employees were missing opportunities to work as a single team. The organization introduced a behavioral contribution assessment into its performance evaluation to align employee behaviors to this value. Specifically, KFH required employees to demonstrate excellent network performance, defined as the behaviors needed to improve others' performance and to use others' contributions to improve one's own performance.

Next, KFH segmented its employees according to the roles they played in achieving organizationwide outcomes, starting with the senior leadership and then continuing to senior managers and on down to individual functions. KFH used stakeholder interviews, internal data and external research to uncover what network performance looked like for each employee segment. The organization then used these segment-specific behaviors as performance evaluation criteria, asking peers and stakeholders to use them to assess each employee's network performance and including these results in the employee's overall performance rating.

KFH leadership attributed 14% higher engagement scores and improved financial results to the collaboration prompted by the behavioral contribution assessment.

Table 1. Behavioral Assessment Pitfalls and Targeted Approach Solutions

Behavioral Assessment Pitfalls	**Priority Pitfall** Managers do not think behaviors are important enough to prioritize in performance evaluation.	**Perception Pitfall** Managers have an incomplete or biased perception of how employees exhibit behaviors.	**Capability Pitfall** Managers are unprepared to apply behavioral criteria to real-life situations.
Targeted Approach	**Chief Objective Alignment** Align behavioral criteria to the organization's chief objective.	**Cumulative Inputs** Help managers collect small amounts of information throughout the entire performance management cycle.	**Applied Decision Support** Build manager judgment to make behavioral evaluation decisions in ambiguous situations.

Source: Gartner

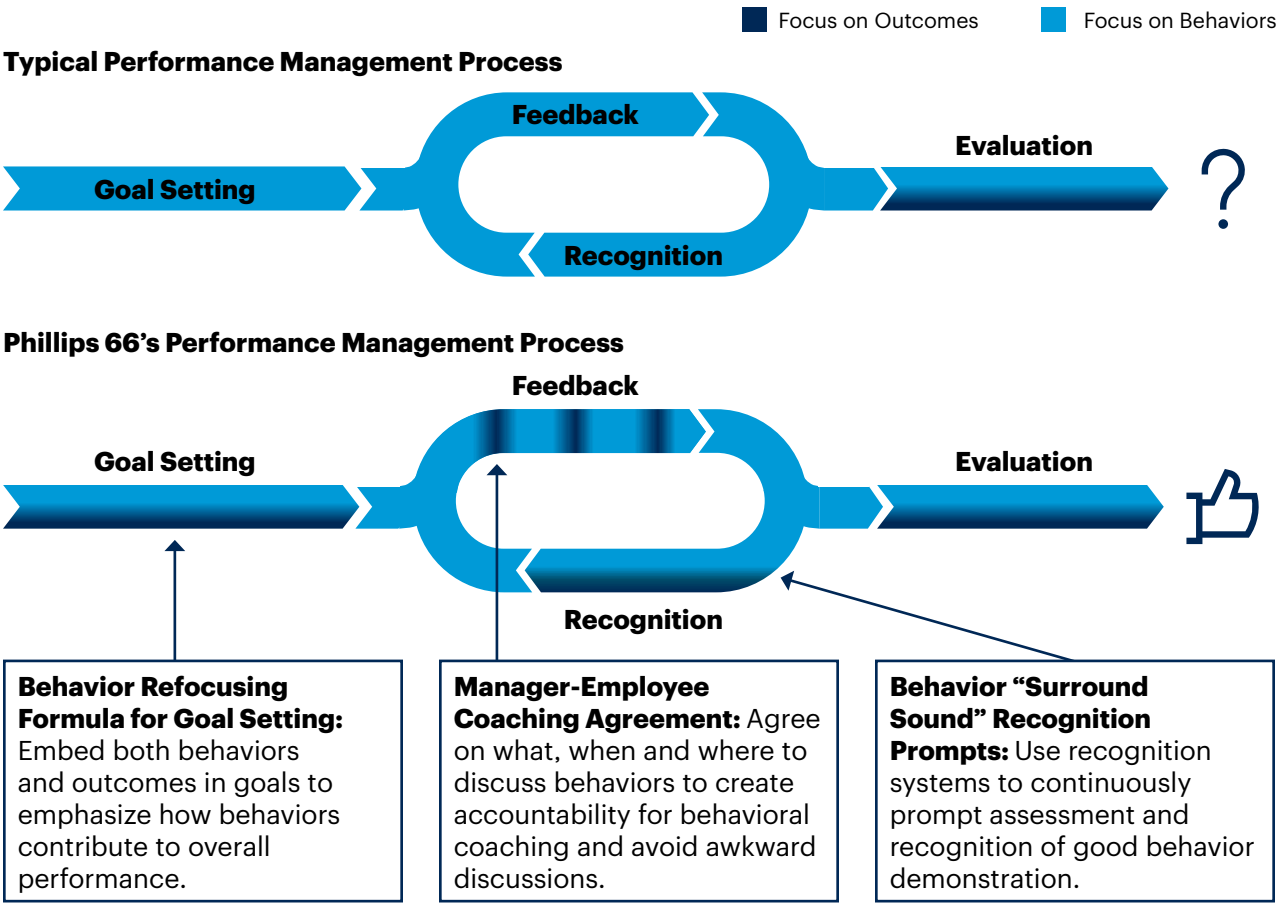
Cumulative Inputs

To ensure managers have all of the information they need to write evaluations, many organizations give them a "data dump" of information about employee behaviors at evaluation time. Managers then suddenly need to interpret their team members' behaviors, spanning the course of an entire year. For many, the volume of information is overwhelming, and managers respond by falling back on what they have been paying more attention to throughout the year: outcomes.

To keep managers focused on behaviors throughout the performance management cycle and avoid overwhelming them at the end, some organizations attempt a "data drip" strategy of helping managers process and record small amounts of information about employee behaviors throughout the year. Phillips 66 implemented behavior refocusing measures across the performance management cycle to maintain managers' attention and support for its "energy in action" behaviors (see Figure 3).

Refocusing on behaviors throughout the performance management cycle makes behavioral assessment more accurate. Our data shows, for example, that employees who frequently discussed progress against behavioral expectations with their managers at informal check-ins were 21 percentage points more likely to report that their performance rating emphasized behaviors than those who rarely spoke about behaviors during manager check-ins.[7]

Figure 3. Phillips 66's Behavior Refocusing Measures Across the Performance Management Process



Source: Adapted From Phillips 66

Applied Decision Support

Most organizations provide managers with brief descriptions of the behaviors employees are expected to demonstrate, and many provide more specific guidance around what good and bad behaviors look like. Some organizations also prescribe ratings for specifically demonstrated behaviors in common situations.[6] However, rubrics developed by HR often fail to help managers assess behaviors in complex and ambiguous situations.

Instead of developing elaborate evaluation matrices, HR leaders can help managers develop their own judgment. For example, one organization devised "guiding principles" to help managers assess behaviors in complex or ambiguous situations. It used these principles to train managers using real-life scenarios, which helped them more confidently apply behavioral criteria, which in turn increased the completion rate and accuracy of behavioral assessments.

Conclusion

Organizations need accurate behavioral assessments in their performance evaluations for their long-term sustainability, but managers struggle to provide them. By targeting assessments — focusing on critical behaviors, maintaining manager attention on them and developing manager judgment to assess them — HR leaders can help managers assess behaviors more accurately and effectively.

Disclaimer: The organizations profiled in this research are provided for illustrative purposes only, and do not constitute an exhaustive list of examples in this field nor an endorsement by Gartner of the organization or its offerings.

[1] 2021 Gartner Performance Management Benchmarking Survey for HRBPs (n = 76 HRBPs)

[2] 2021 Gartner Employee Performance and Progression Survey (n = 837 employees)

[3] 2020 Gartner COVID-19 Quick Poll on Culture (n = 53 HR Leaders)

[4] 2021 Gartner Performance Management Benchmarking Survey for CHROs (n = 69 CHROs)

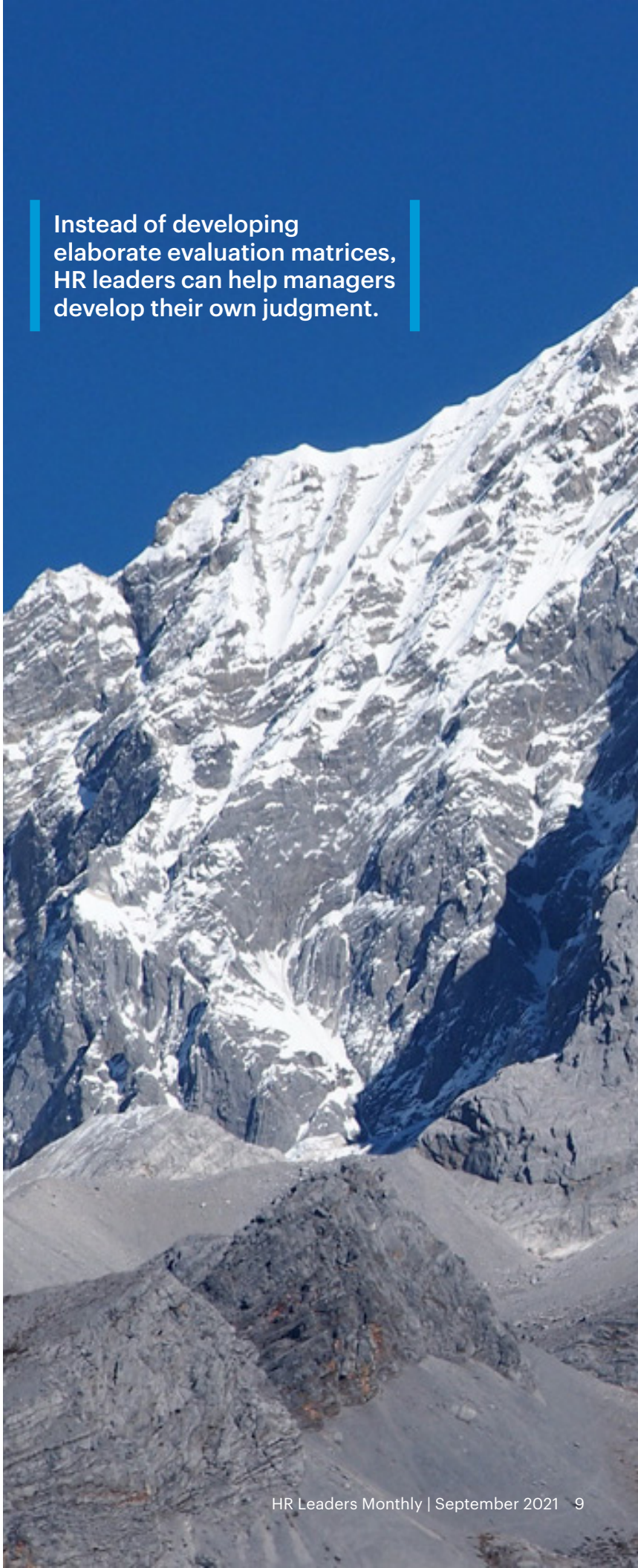
[5] 2021 Gartner Employee Performance and Progression Survey (n = 753 employees)

[6] 2021 Gartner Performance Management Benchmarking Survey for CHROs (n = 57 CHROs)

[7] 2021 Gartner Employee Performance and Progression Survey (n = 406 employees who have informal check-ins with managers)

Additional Source:

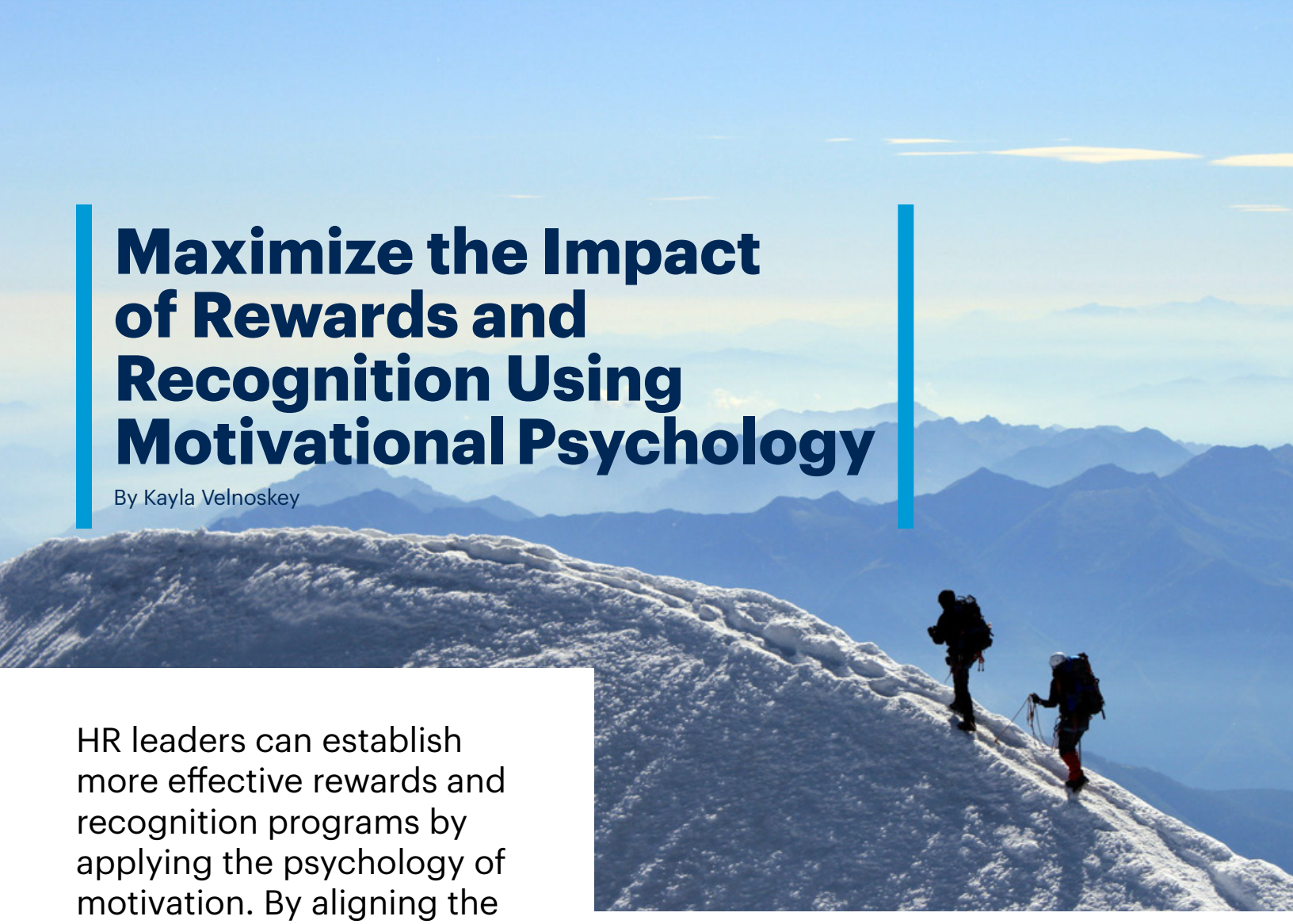
R. J. Bennett and S. L. Robinson, "Development of a Measure of Workplace Deviance," Journal of Applied Psychology, 2000, 85(3):349-360.



Instead of developing elaborate evaluation matrices, HR leaders can help managers develop their own judgment.

Maximize the Impact of Rewards and Recognition Using Motivational Psychology

By Kayla Velnoskey



HR leaders can establish more effective rewards and recognition programs by applying the psychology of motivation. By aligning the reason for an award with appropriate award type, presentation and vehicle, leaders can maximize the impact of awards on employee performance.

Rewards and recognition programs are effective at motivating employee performance, but careful program design is critical for rewards and recognition to have their intended impact. Our research shows that HR leaders who fine-tune their rewards and recognition programs using the principles of motivational psychology see a greater impact on employee performance (see Figure 1). To achieve this outcome, HR leaders need to understand how intrinsic and extrinsic motivation influence different behaviors and correctly align awards given through rewards and recognition programs to the aspects of performance they aim to improve.

Figure 1. Alignment of Award Features With Motivation Principles Drives Greater Impact

Source: Gartner

Rewards and Recognition Positively Motivate Performance

An optimally designed rewards and recognition program can boost employee performance by up to 11%.[1] These programs offer rewards, praise or acknowledgment in return for employee achievements outside of regularly occurring merit and bonus cycles. Rewards and recognition programs encompass three main types of award:

- **Personal Recognition —** Acknowledgment of an achievement given personally, without the need for an audience.
- **Social Recognition —** Acknowledgment of an achievement given visibly, where other employees or senior leaders see the award being given.
- **Reward —** A direct financial award, such as cash, or something else of value, such as a gift, offered in return for an achievement.

In 2020, employees who received at least one type of reward or recognition showed, on average, 8% greater performance than those who did not receive any reward or recognition.[2] Rewards and recognition encourage employees to perform by associating desired employee behaviors with positive outcomes, a process behavioral psychologists refer to as positive reinforcement. Positive reinforcers help people learn to act in ways that benefit them and avoid doing things that do not.

The Psychology of Motivation

Rewards and recognition programs are primarily designed to provide external positive reinforcement to encourage employee behaviors, but employees are not motivated only by external forces. Employees are also motivated to act by their own internal interests and drive to succeed. Psychologists characterize these two types of motivation as: intrinsic motivation, which is generated internally, and extrinsic motivation, which is driven by external factors.

Intrinsic Motivation

Intrinsic motivation refers to an internal drive to act because the task is inherently interesting, enjoyable or satisfying to complete. While intrinsic motivation cannot be directly created by external factors, like rewards and recognition, external factors can create the right conditions for intrinsic motivation to thrive. Three important conditions foster intrinsic motivation:

- **Autonomy —** The feeling that actions are voluntary and within one's own control.
- **Competence —** The feeling of being effective and having satisfaction in a job well done.
- **Relatedness —** The feeling of being cared about and caring for others.[3]

Extrinsic Motivation

Extrinsic motivation refers to being motivated by a desire to obtain external rewards or avoid punishments. Rewards and recognition programs are primarily designed to influence extrinsic motivation, because they can affect it more directly than intrinsic motivation. However, HR leaders looking to optimize rewards and recognition must understand both types of motivation, as attempting to encourage intrinsically motivated behaviors with extrinsic motivators can lead to unintended negative outcomes.

Improper Incentives Can Reduce Motivation

Psychologists have identified a phenomenon, commonly referred to as "crowding out," in which providing an extrinsic reward for a behavior sometimes causes people to do the behavior less, instead of more. In a famous example, when people were paid to donate blood in response to hospital shortages, they actually donated at a lower rate than they did prior to the incentive being introduced.[4] The problem was a misalignment between peoples' motivation for donating blood and the presence of a reward. People donate blood because it feels good to help, not because they expect a reward in return; put another way, donating blood is a primarily intrinsically motivated behavior. When extrinsic incentives are introduced to reinforce behaviors that are primarily intrinsically motivated, they can actually diminish or "crowd out" the original intrinsic motivation for the behavior, ultimately reducing, rather than increasing, the behavior.

Rewards and recognition programs often fail to take into account why employees are motivated to exhibit certain aspects of high performance in the first place. This can lead to a misalignment between the motivation for a behavior and the associated reward or recognition. Though this misalignment rarely goes so far as to actively reduce performance, it can blunt the overall impact of incentives on performance. HR leaders who intentionally align the reason for an award with the appropriate type, presentation and vehicle can maximize the impact of rewards and recognition programs on employee performance.

Design Rewards and Recognition Around Motivation Principles

The three main types of rewards and recognition fall along a spectrum of motivation, ranging from primarily boosting intrinsic motivation to primarily boosting extrinsic motivation (see Figure 2):

- **Personal Recognition —** Personal recognition primarily boosts intrinsic motivation. Instead of providing employees with financial or social gain, it helps to foster one or more of the conditions that boost intrinsic motivation: autonomy, competence and relatedness.
  Example: Being given access to a special training or development opportunity, allowing an employee to improve their skills and increase their feeling of competence.
- **Social Recognition —** Social recognition can boost intrinsic motivation by making employees feel a higher sense of competence and relatedness, but also provides an extrinsic reward of increased social status due to its high visibility.
  Example: Being presented an award live on stage in front of an audience that includes senior leaders, improving an employee's status in the eyes of their peers and leaders.
- **Reward —** Rewards primarily act as extrinsic motivators, as they focus on external gain rather than boosting autonomy, competence or relatedness.
  Example: Receiving a cash reward for exceeding a performance target.

HR leaders can apply their understanding of how different types of rewards and recognition impact motivation to align awards with motivation. They can take the following three steps to maximize the impact of rewards and recognition on employee performance.

Figure 2. Alignment of Reward and Recognition Types With Motivation Spectrum
Illustrative

Source: Gartner

Align Award Types With Employee Motivations

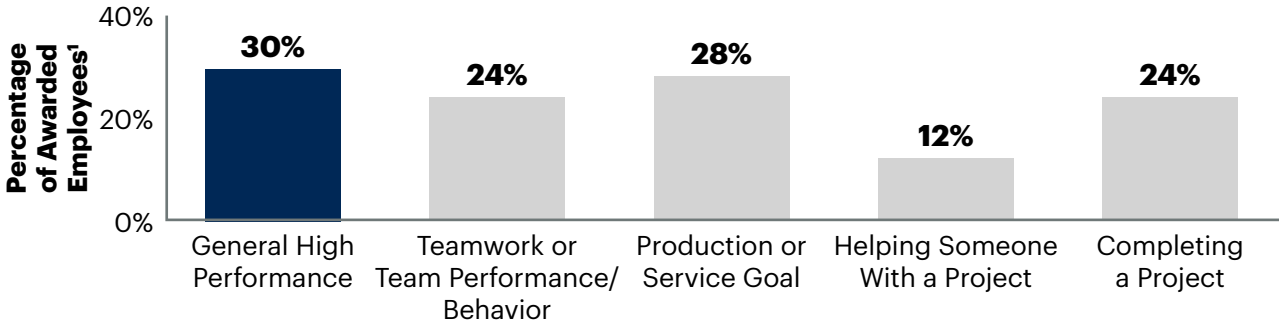
Our research shows that aligning the type of award with the reason it is given increases its impact on performance (see Figure 3). When choosing to give rewards or recognition, HR leaders should consider which of the three types is most aligned to the employee's original motivation for exhibiting the behavior being incentivized. At one end of the spectrum are behaviors, such as teamwork, which are more intrinsically motivated, because employees generally find satisfaction or enjoyment in connecting with their team. On the other end are behaviors, such as completing a project, which are most likely driven less by inherent enjoyment of the task and more by the external pressures of a deadline.

For behaviors that are generally intrinsically motivating, such as teamwork, use personal recognition to help foster even greater intrinsic motivation to continue those behaviors. For behaviors that are unlikely to be inherently enjoyed, use rewards to provide extrinsic motivation. For behaviors that may share elements of intrinsic and extrinsic motivation, use social recognition. Our research finds that meeting production or service goals and helping someone with a project are two behaviors that are aligned with social recognition.

Once the criteria for a reward or recognition are selected, HR leaders can determine whether the desired behaviors are likely to be intrinsically or extrinsically motivated by asking:

- **Are employees likely to inherently find these behaviors interesting, enjoyable or satisfying?** If so, they are likely intrinsically motivated behaviors.
- **Are these behaviors likely to occur only because employees hope they will lead to financial or social gain?** If so, they are likely extrinsically motivated behaviors.

Figure 3. Reason for Most Recent Award Received and Its Impact on Performance



Greater Impact

	Impact on Performance[2]				
Any Reward or Recognition	▲ **4%**	▲ **2%**	▲ **3%**	▲ **2%**	▲ **2%**
Personal Recognition	▲ **6%**	▲ **3%**	—	—	—
Social Recognition	▲ 4%	—	▲ **5%**	▲ **5%**	—
Reward	▲ 2%	▲ 2%	▲ 3%	—	▲ **3%**

n = 5,000 employees worldwide

Source: Gartner 2020 Global Rewards and Recognition Survey

Note: In this research, employee performance is operationalized as enterprise contribution, an independently validated battery that assesses individual employees' effectiveness across aspects of both individual and network performance.

[1] Percentage of employees who received at least one award; Multiple responses permitted

[2] Percent increase in enterprise contribution

Design the Presentation to Fit the Motivation

Once the most appropriate award is identified, HR leaders should then ensure it is presented in a manner that fits the type of motivation it is designed to drive. Consider the following factors:

Is the reward or recognition being presented to an individual or a group?

- Rewards are equally effective when they are presented to individuals or to groups, as the extrinsic value of the reward remains the same regardless.
- Both personal and social recognition are more effective when they are presented to individuals, as this helps boost feelings of individual competence and personal relatedness to the presenter.

Who is presenting it?

- Both rewards and social recognition are more effective when they are presented by someone of professional importance to the employee, such as senior leaders, direct managers or someone acting on behalf of the organization as a whole. Professionally important presenters increase the perceived impact of the reward on the employee's overall status in the organization.
- Personal recognition is equally effective regardless of the presenter. Personal recognition from a peer can have an equally strong impact on an employee's feelings of relatedness as personal recognition from someone of professional importance.

Fine-Tune Award Vehicles to Maximize Impact

After aligning the type and presentation of an award with the reason for giving it, HR leaders must then consider the specific vehicle they will use to deliver the reward or recognition. If you are giving a material reward, will it be a cash bonus, a gift or extra paid time off? If you are offering social recognition, will that take the form of a live event or perhaps a statement from a senior leader? Figure 4 shows the specific vehicles for each award type that had the strongest impact on employee performance in 2020.

Figure 4. Motivational Alignment of Reason, Presentation and Vehicle

	Personal Recognition	Social Recognition	Reward
Aligned Reasons	• General High Performance • Teamwork or Team Performance/Behavior	• Production or Service Goal • Helping Someone With a Project	• Completing a Project
Aligned Presentation	• Presented to Individuals • Any Presenter	• Presented to Individuals • High Status Presenter	• Presented to Individuals or Teams • High Status Presenter
Most Impactful Vehicles	• Informal Recognition • Special Access to Training/Development	• Live Company Event • Recognition on Intranet	• Additional PTO • Home-Delivered Gift Basket

Source: Gartner

To determine if a reward or recognition vehicle is likely to be effective, HR leaders should ask whether it is optimally aligned to the kind of motivation it is meant to induce:

- **If the intent is to provide intrinsic motivation —** Does this specific personal or social recognition vehicle help employees feel more autonomous, competent or related to the organization?
- **If the intent is to provide extrinsic motivation —** Is this specific reward or social recognition vehicle designed to feel maximally valuable based on what we know our employees care about?

HR leaders who understand and apply the psychology of motivation when designing rewards and recognition programs will see the greatest return on investment for these programs. By aligning the reason why an award is given with the most appropriate type, presentation and vehicle, HR leaders can ensure that all elements of program design are working together to maximally impact motivation.

[1] 2019 Gartner Employee Preferences Survey (n = 10,539 employees worldwide)
[2] 2020 Gartner Rewards and Recognition Survey (n = 5,000 employees worldwide)
[3] R. M. Ryan and E. L. Deci, "Self-Determination Theory and the Facilitation of Intrinsic Motivation, Social Development, and Well-Being," American Psychologist, 2000, 55(1):68-78.
[4] C. Mellström and M. Johannesson, "Crowding Out in Blood Donation: Was Titmuss Right?" Journal of the European Economic Association, 2008, 6(4):845-863.

6 Predictions for the Future of Performance Management

By Karishma Sahai and Blakeley Hartfelder

Employees' expectations and their ways of working are changing, but performance management has not yet shifted to align with this new reality. HR leaders should use these predictions to plan changes to performance management at their organizations.

The rise of hybrid and contingent workforces has redefined employee productivity and performance. To reduce bias and provide employees the flexibility to determine how best to get their work done, organizations focus on measuring employee outcomes. However, with this added flexibility, the output focus has become transactional.

At the same time, performance management has changed at most organizations to continually support rapid employee growth and development rather than to simply check the annual appraisal box. This transition from a monolithic, annual milestone-based approach to a continuous approach is laudable, but incomplete. Employees want and expect their organizations to see them as people, not just workers.

To balance these two shifts, we predict that HR leaders will collaborate with business leaders over the next three to five years to embrace a humane-output-focused approach to performance management. A humane output focus in performance management implies that leaders and managers will move beyond just measuring employees' outcomes and consider the context in which employees' outcomes are achieved: their personal goals, the circumstances they work in, the teams they belong to and the type of work they complete. This focus will be embedded throughout performance management processes and employee touchpoints, from goal setting to pay decisions (see Figure 1).

Figure 1. Elements of Humane Output Focus in Performance Management

Source: Gartner

Prediction 1: Employees Will Be Accountable for Achieving Their Personal Goals, Not Just Professional Goals

Goal-setting and feedback conversations are meaningful when they help employees directly link their contributions to the organization's goals. However, employees no longer want to restrict themselves to the organization's idea of success. Our 2021 EVP Employee Survey showed that 82% of employees want their organization to see them as people, not just employees.[1] Employees want their employers to know them for who they truly are and what personal success looks like for them. For example, your high-performing operations manager might want to pursue a course in astrophysics while taking care of her newborn. Or your newly hired analyst could be aspiring to start a podcast on food culture and train to become a certified yoga practitioner.

In the next evolution of performance management, HR leaders will leverage goal-setting practices to make employees accountable for achieving those personal goals (e.g., well-being goals, skills unrelated to their work). In addition to fostering an environment in which employees can openly and honestly discuss these personal goals with their managers, employees will be equipped with self-assessment tools to list and evaluate their progress against each personal goal. With a greater understanding of their personal and professional goals, along with the measures of success, employees will seek support with intention and truly integrate, not just balance, work and life.

Prediction 2: Short-Cycle, Project-Based Performance and Pay Decisions Will Become the Norm

At the macro level, we are witnessing the emergence of a workforce whose work is agile and project-based. With a slow and steady shift to contingent workers during the pandemic, these new work models are influencing many organizations' postpandemic planning. At the same time, agile, project-based ways of working have expanded beyond IT to other parts of organizations. This project-based work appeals to young employees who want to gain a diverse set of work experiences.

In a world of project-based work, employees want to know how their performance measures up after each project they complete; they expect to see the explicit link between evaluations and rewards payouts regularly. Organizations will assess employee performance regularly to make staffing and resourcing decisions as projects conclude. To support the needs of this new workforce, the cadence of performance evaluation will align with the duration of project cycles.

These assessments will:

- Provide employees with feedback, evaluation and rewards based on their project-to-project performance
- Evaluate employees based on (a) outcomes achieved (by leveraging digital performance assessment tools), and (b) critical feedback from peers and clients using an essential question (e.g., Would you want to work with your colleague again?)
- Clearly define and explain how employees' performance on each project has affected their pay

Prediction 3: Performance Ratings Will Incorporate Empathy to Accurately Measure Performance

Assessing project-based work can be tricky and can boil down to a yes-or-no question of whether to staff the employee on a new project or not. This simplistic view of employee performance takes away the context in which employee outcomes are achieved. If organizations want to attract and retain high performers to grow their careers at the organization, they need to factor in that context so employee assessments are a fair depiction of their varied experiences. Did a top-performing employee take on a new-in-kind role on a project to learn new skills? Did an employee find it hard to focus at work because of a personal tragedy? Are teams struggling to achieve their goals due to recurring hiccups in collaboration technology?

HR leaders realize more than ever that employees work in various contexts that directly or indirectly affect outcomes, and performance ratings will account for these contexts. HR leaders will involve employees in the design of empathetic performance ratings to accurately measure their performance. Imagine an organization that deploys a new set of ratings to use, such as "learning new skills'' ' (for the top performer learning new skills in a challenging project); "focusing outside of work'' ' (so an employee facing tough circumstances at home is not penalized) or "prioritizing wellness goals" (so employees do not sideline their wellness goals due to increased workload).

> In a world of project-based work, employees want to know how their performance measures up after each project they complete.

Prediction 4: Technology Will Accelerate Employee Ownership of Feedback and Development

Employees are no longer passive feedback recipients, and organizations are continuously moving toward employees taking ownership of their feedback and development. Employees understand, even better than their managers, the kind of development support they need to improve their performance. Currently, performance assessments and performance management technologies lag in enabling full employee ownership of feedback and development. This will soon change.

Organizations have increased investment in employee-productivity-monitoring technologies, especially in the hybrid world. Productivity-monitoring technology using automated data collection and analytics to report employees' activities — such as work patterns — can be a powerful tool to help individual employees understand how they are performing and where they need to improve. In the future, this technology will automate feedback processes and provide timely, data-based feedback to employees. Coupled with peers and clients providing instant feedback via improved feedback and collaboration technology, employees will be well-equipped to adjust their goals and priorities and take charge of their development and day-to-day performance.

Prediction 5: Performance Assessment Will No Longer Be a Manager's Responsibility

If these projections are true and performance evaluations are based on data gathered by productivity-monitoring technology, peers and clients, and employees proactively serve as their own day-to-day performance managers, how will the role of the manager evolve? Managers will not need to assess employee performance anymore. At most, managers or HR professionals will double-check the performance evaluations and ratings generated, based on this data, to factor in the context.

Managers will focus on supporting employee career pathing and development. HR leaders will equip managers with the resources to nurture talent, step in to support challenging work situations and help employees make decisions about their next projects and skills. Organizations will become more intentional about who becomes a career manager and have only a small, centralized cohort of dedicated career managers who demonstrate the ability to listen empathetically and are open to upward accountability by employees.

Prediction 6: Team Performance Management Emerges as a Separate Focus Area

The legacy approach of performance management to measuring individual performance conflicts with the need to support collaborative work, which is essential to innovation among hybrid and agile teams. As distributed teams adjust where, when and how they collaborate, team performance management will emerge as a separate entity.

Performance management will focus on evaluating employees' project-based performance as well as encourage teams to define their desired team dynamics and hold each employee accountable for team success. Teams will be equipped with the tools and resources to assess important factors of team health (e.g., inclusivity, cohesion, accountability, customer centricity), and diagnose challenges visible to everyone. These resources will be dynamic to support the evolving nature of teams as employees move around the organization and work with a variety of team members.

Next Steps to Prepare for the Future

Reinventing performance management has been a priority for HR leaders since long before the pandemic. Emerging new ways of working have made it urgent for performance management practices to transform to become more human. Not all of these predictions will occur in the same time frame or apply to all organizations. However, HR leaders can use them to frame how their organizations think about performance management moving forward.

Here are a few questions to jump-start a conversation about the future of performance management at your organization:

- How have employees' expectations of your organization changed? Does your performance management strategy align with those expectations?
- How do you expect work will look different in your organization in the future (e.g., expanding contingent workforce, increased automation)? What impact will those changes have on performance management?
- How do your performance management processes and practices support team performance? How can they do better?
- Are your leaders and managers prepared to adopt a humane output focus in their leadership style? How will you help them do so?

[1] Gartner 2021 EVP Employee Survey; n = 5,000 employees worldwide

How Well-Being Programs Are Evolving for a Postpandemic World

By Jonah Shepp and Brent Cassell

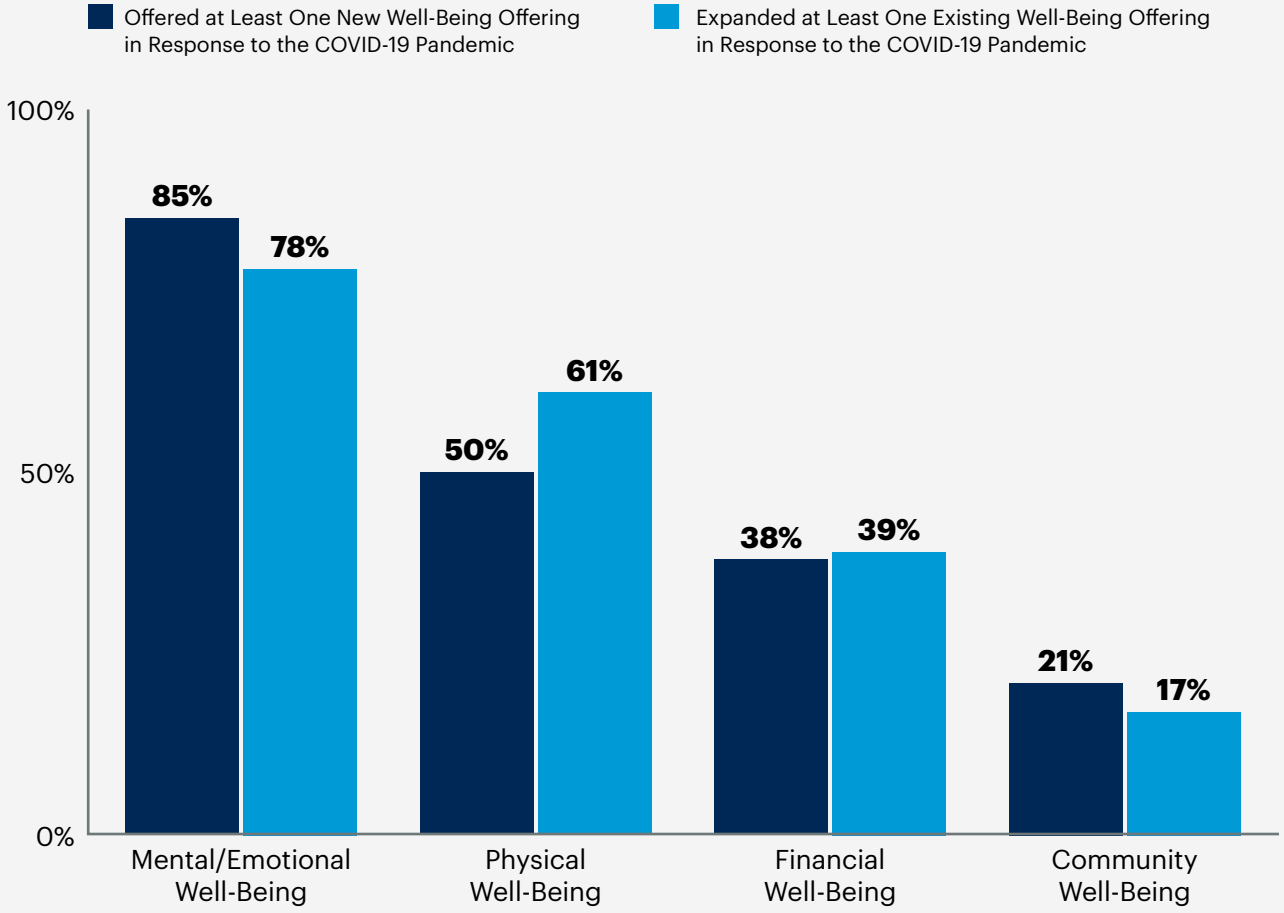
Most employers added or expanded well-being benefits in 2020 in response to the pandemic, but they did not always focus on the offerings with the highest impact on employee engagement. Total rewards leaders can use this research to focus their well-being strategies on the highest-impact offerings.

In 2020, most organizations added new well-being offerings or expanded existing ones in response to the COVID-19 pandemic. These offerings spanned the four main pillars of well-being: mental and emotional, physical, financial, and community well-being. Mental and emotional well-being programs were the most common additions: Among organizations that added at least one new well-being offering in 2020, 85% added an offering in this area (see Figure 1). The average number of offerings in organizations' well-being portfolios grew from 13 in 2019 to 21 in 2020.[1,2] This partly reflects an increase in the total number of options we asked HR leaders about in our surveys, as new types of offerings came into widespread use last year.

Even though many organizations faced budgetary constraints, only 6% of HR leaders said their well-being budgets decreased in 2020. Forty-six percent said their budgets increased, while for the other 48%, budgets stayed the same.[2] The fact that well-being programs largely survived the budget cuts many organizations implemented during the pandemic demonstrates how HR leaders increasingly see these programs as critical to talent outcomes.

Figure 1. Well-Being Offerings Added or Expanded

Percentage of Organizations That Offered New or Expanded Existing Offerings in Response to the COVID-19 Pandemic



n = 34 organizations that offered new offering(s); 18 organizations that expanded existing offering(s)

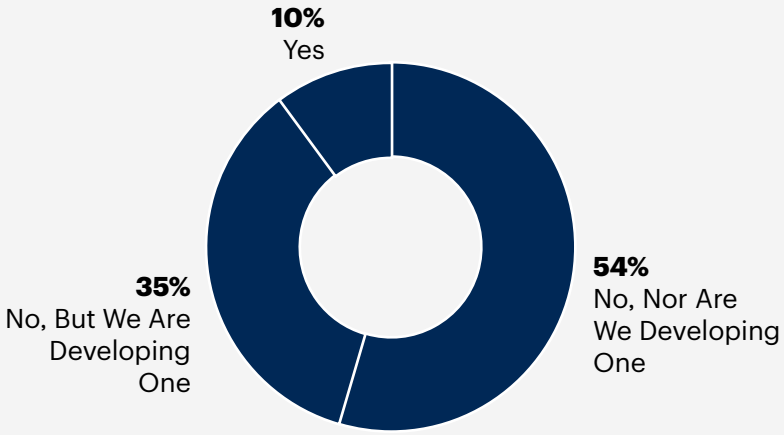
Source: 2020 Gartner Well-Being Benchmarking Survey

> The most common metrics organizations track are program participation rates, employee engagement and medical claims data.

Tracking Effectiveness and ROI

At the same time, employers are becoming more intent on formally tracking the ROI of well-being programs. HR leaders often tell us how difficult it is to communicate the value of well-being to senior business leaders as must-have, rather than nice-to-have, benefits. Finding ways to capture ROI is essential for making that case clearly in terms of business value. Organizations are making progress toward tracking ROI, but most are still not doing so. In 2020, just 10% of HR leaders said they were tracking well-being ROI with formal, quantitative metrics (see Figure 2) — but even this represents a substantial increase from the previous year, when 0% did.[1,2]

Figure 2. Well-Being ROI Tracked by a Formal, Quantitative Metric
Percentage of Organizations



n = 48 organizations

Source: 2020 Gartner Well-Being Benchmarking Survey

Note: Percentages may not add up to 100% because of rounding.

HR leaders are also using data to measure the effectiveness of their well-being programs. The most common metrics organizations track are program participation rates, employee engagement and medical claims data. These are among the metrics HR leaders consider most important. However, other metrics, such as employee mental health, employee-reported behavior changes and employee productivity, are also considered important but are not as commonly tracked.[2]

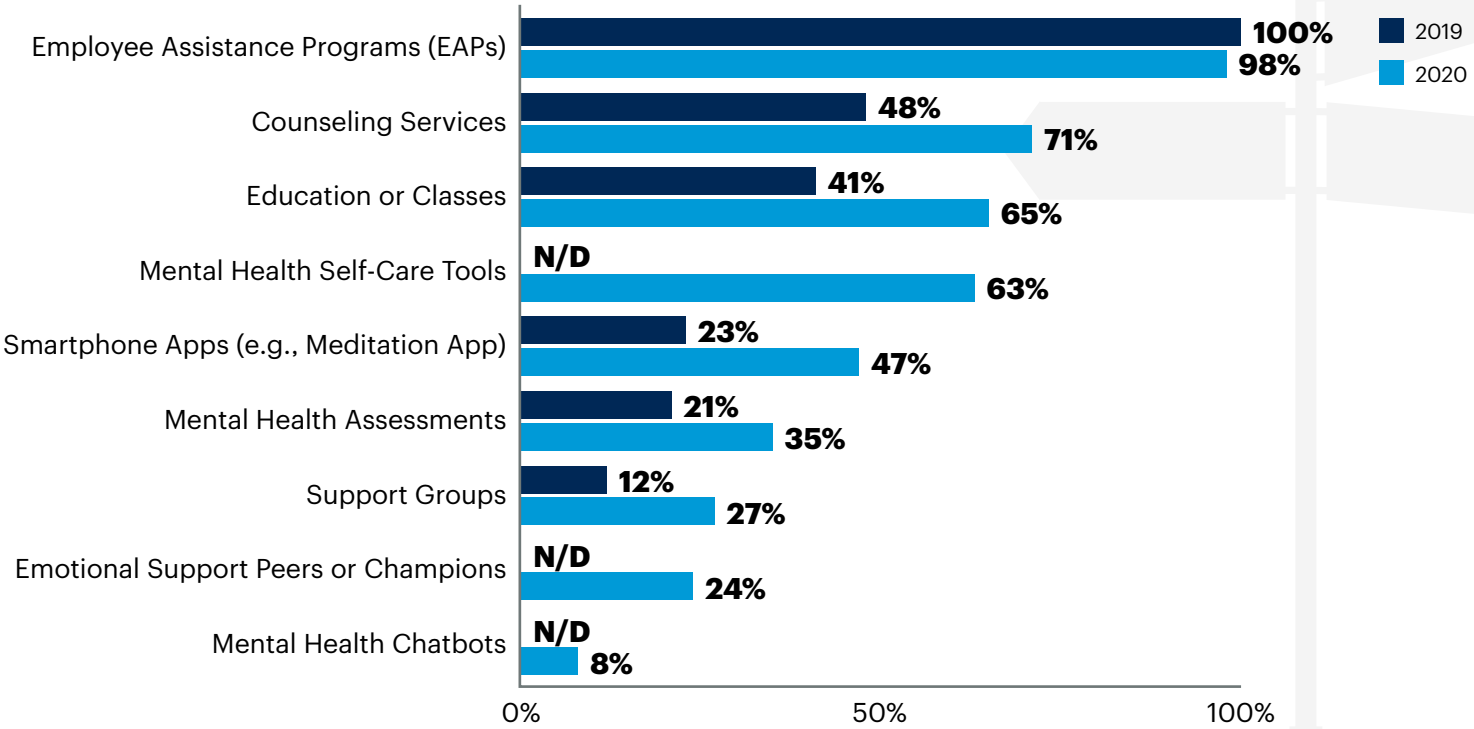
Mental Well-Being Options Expand

Organizations offered a greater variety of mental well-being tools in 2020 (see Figure 3). Employee assistance programs remain practically universal, but the adoption of counseling services, education or classes, and mental health assessments increased significantly, while the use of smartphone apps and support groups doubled.[2] We also began tracking new offerings, such as mental health self-care tools, emotional support peers or champions, and chatbots.[2] Mental health self-care tools stand out as an important trend, as they have the highest impact of all of the mental well-being offerings we measured on employee engagement (2.8%). In fact, all of these offerings have a positive impact on engagement except mental health chatbots, which do not have a measurable impact.[3]

Physical Well-Being Goes Virtual

The most common physical well-being offerings in 2020 included on-site immunizations, exercise competitions, nutrition or healthy diet promotion, and ergonomic support.[2] Many of these programs were disrupted by the shift to remote work. Benefits such as on-site gyms could not be offered during pandemic lockdowns, so physical well-being programs relied heavily on offerings that could be virtualized. For example, employees who could no longer work out at an on-site gym may have received subscriptions to apps for virtual exercise classes instead. Many organizations, for instance, subsidized employees' purchases of ergonomic equipment for home offices. As the hybrid work environment evolves in the coming years, employers will likely continue to innovate in providing physical well-being support to employees virtually, in their homes and remote workplaces.

Figure 3. Mental Well-Being Programs Offered
Percentage of Organizations



n = 61 (2019); 51 (2020) organizations that offer mental/emotional well-being programs

Source: 2019 Gartner Well-Being Benchmarking Survey; 2020 Gartner Well-Being Benchmarking Survey

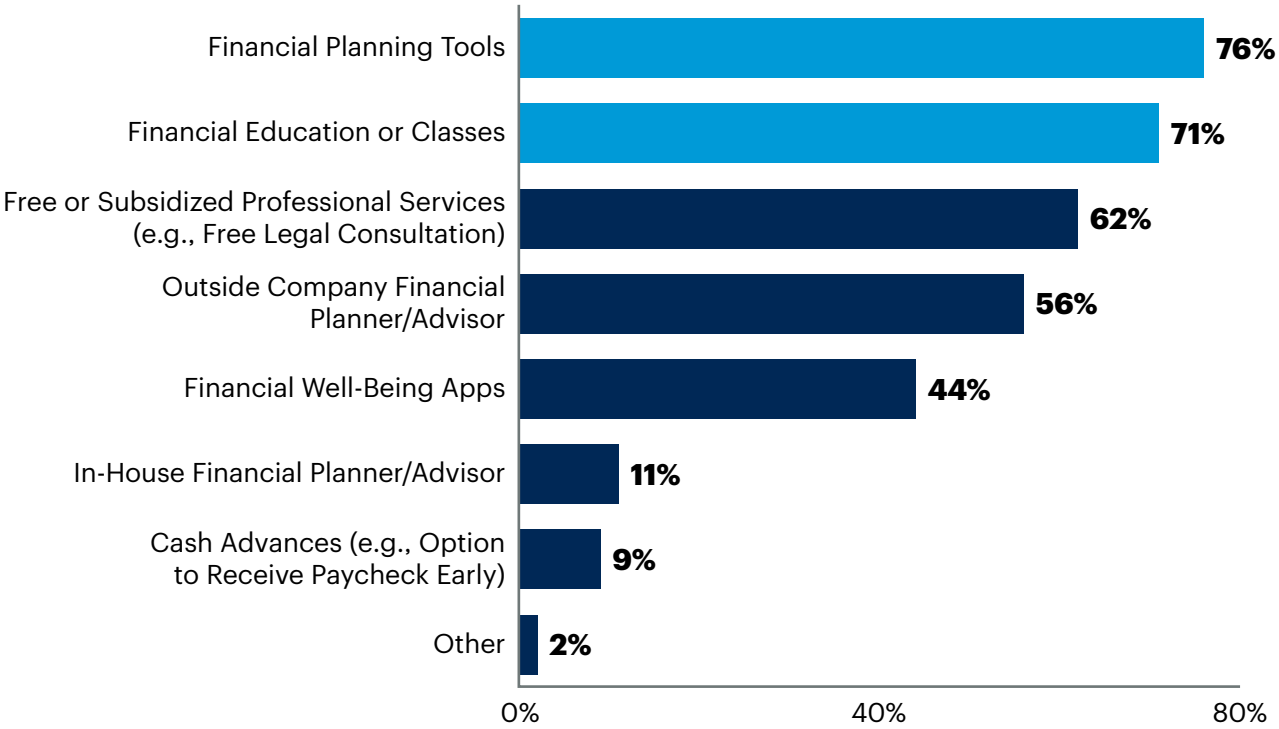
Note: "N/D" indicates that no data was collected.

Financial Well-Being Shifts Focus

The pandemic was disruptive to many employees' finances, even those who did not face layoffs, furloughs or reduced hours. The most common financial well-being offerings in 2020 were self-service financial planning tools and financial education or classes (see Figure 4). These offerings were also popular in 2019, but in 2020, the nature of information employees sought out was different. In 2019, the most impactful financial education classes focused on tax preparation and retirement readiness.[1] In 2020, the most impactful topics included COVID-19-specific topics, such as what to do with economic relief checks, and family budgeting.[2] Financial well-being apps were offered only by 44% of organizations in 2020, even though these apps have the greatest effect on employee engagement (4.4%) of all the financial well-being offerings we explored.[3]

Community well-being is a less familiar concept that centers on supporting employees to get involved in helping their communities. Community well-being includes a few key offerings, such as work-sponsored volunteer projects, charitable donation matching and paid time off for volunteer work.[2] Looking at how these offerings affect employee engagement, it becomes clear that employees care whether the organization makes a tangible, financial commitment to supporting their volunteer work and charitable giving. Merely communicating support for these activities is not enough. The offerings with the greatest impact on engagement include charitable contribution matching (3.7%), work-sponsored volunteer trips (3.1%) and paid volunteer time off (3%). By contrast, offering unpaid volunteer time off has a negative impact on engagement of 1.5%.[3]

Figure 4. Financial Well-Being Programs Offered
Percentage of Organizations



n = 47 organizations that offer financial well-being programs

Source: 2020 Gartner Well-Being Benchmarking Survey

Note: Not all financial well-being offerings included in the survey are shown on this graph.

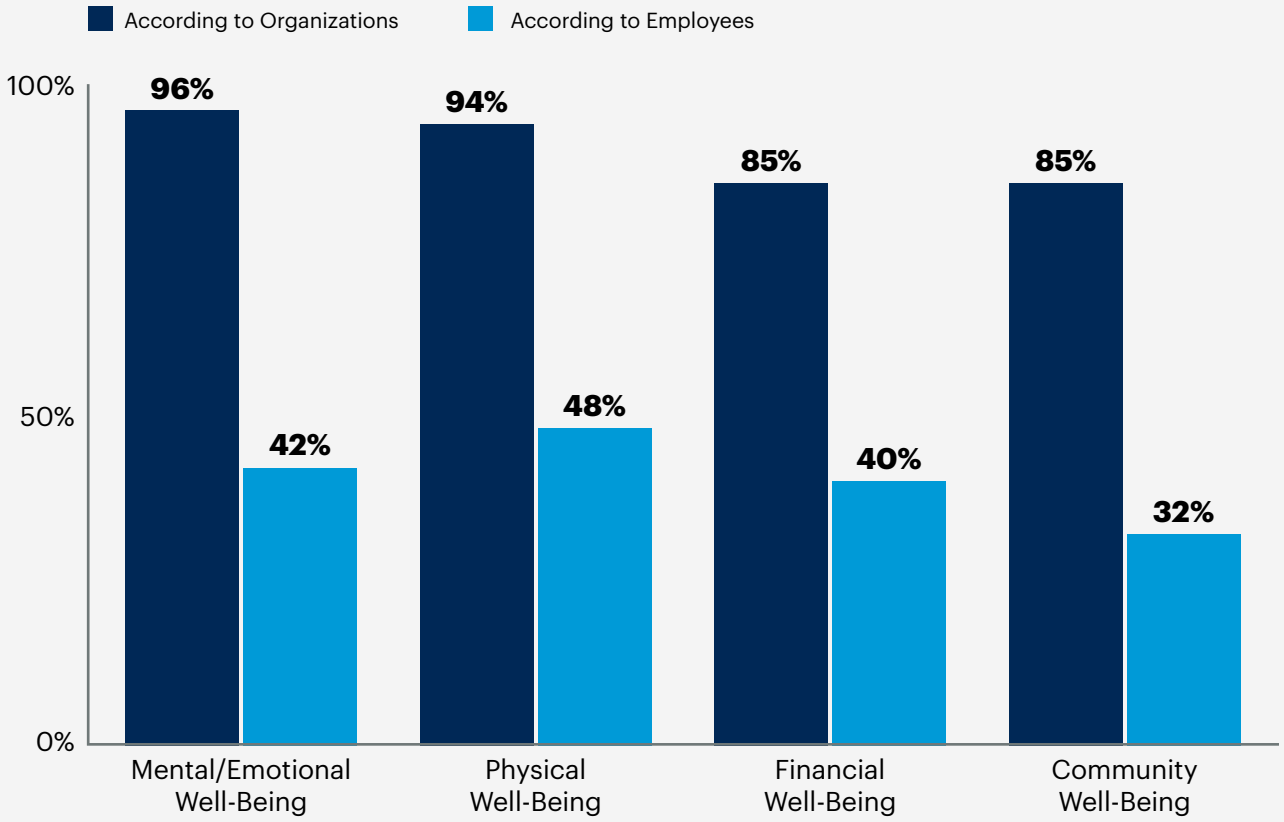
Awareness and Participation Gaps Remain

An enduring challenge for HR leaders is to maximize employee participation in well-being programs. Participation in these programs only increased slightly between 2019 and 2020, despite employees having a greater need for well-being support due to the pandemic. Participation in mental/emotional well-being programs increased substantially from 44% to 49%, but still lags the other pillars of well-being.[3,4] There is also a large gap in awareness between HR leaders and employees. For example, 96% of organizations say they offer mental/emotional well-being benefits, but only 42% of employees believe their employer provides them (see Figure 5).

To bridge this gap, organizations have invested significant time and effort in communicating these benefits, but these investments don't seem to be moving the needle. The more effective strategies we've seen involve helping managers discuss well-being appropriately with employees, reducing stigma around mental health and personalizing well-being to better help employees achieve their individual well-being goals.

[1] 2019 Gartner Well-Being Benchmarking Survey
[2] 2020 Gartner Well-Being Benchmarking Survey
[3] 2020 Gartner Well-Being Employee Survey
[4] 2019 Gartner Total Rewards Survey

Figure 5. Pillars of Well-Being Offered
Percentage of Organizations Versus Percentage of Employees



n = 53 (organizations); 5,055 (employees)

Source: 2020 Gartner Well-Being Benchmarking Survey; 2020 Gartner Well-Being Employee Survey

Challenging 3 Assumptions of Traditional HIPO Management

By Jenna Zitomer and Aliyah Quereshi

HR leaders often struggle to distinguish common assumptions from best practices in HIPO management. This research article challenges three common assumptions of HIPO talent management and offers guidance on what HR leaders should do instead to ensure their HIPO strategies succeed.

Identifying and investing in high-potential employees (HIPOs) often seems like a necessary, yet complicated facet of talent management. Ideally, HR leaders imagine that HIPOs with innate leadership capabilities are identified early in their careers, undergo specialized development programs and go on to lead the organization at the highest levels. However, HIPO management rarely goes this smoothly. Numerous questions arise for HR leaders as they navigate the process of identifying, developing and managing HIPOs. Common questions include: Is the identification and development of HIPOs fair and equitable? Is our investment paying off? Are other organizations doing this better?

Usually, the answers to these questions are convoluted and unclear, forcing HR leaders to teeter between conventional HIPO talent management strategies and experimental new ideas. Our goal is to cut through the noise and challenge some of the most common assumptions around HIPO talent management, share why they may not (or no longer) be true and provide recommendations for what strategies to pursue instead.

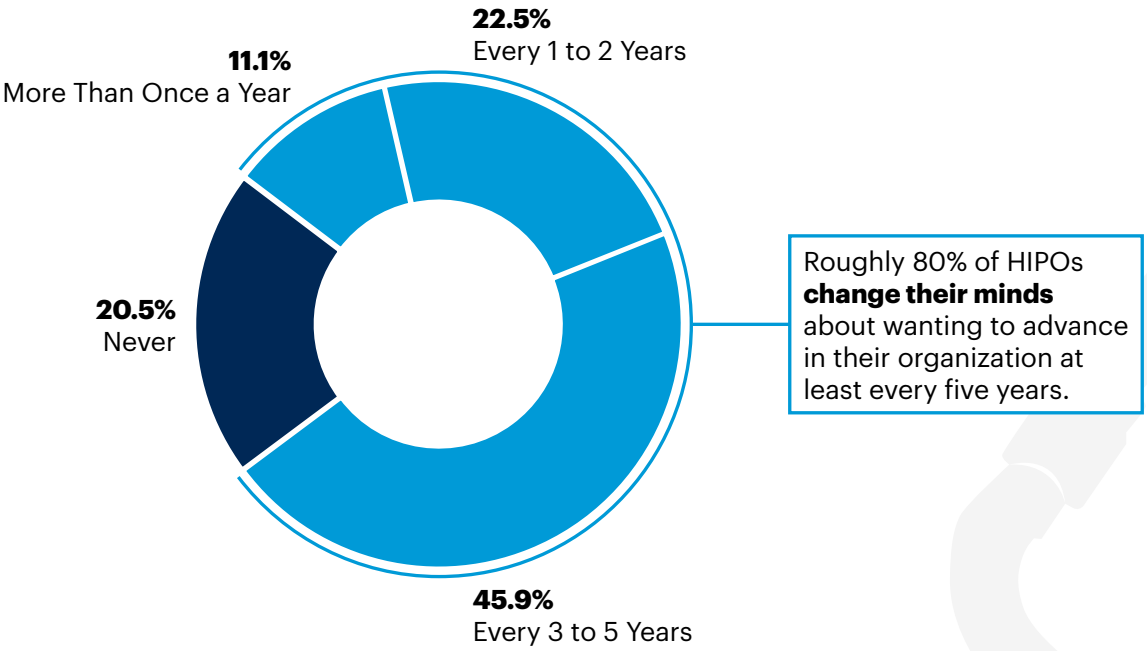
Assumption 1: "Identify and invest in HIPOs as early in their career as possible"

Assumption: HR leaders often say the right time to invest in and engage HIPOs is early in their careers. Organizations often hedge their bets with early-career talent pools, hoping to groom these employees into future leaders. Nearly half of HR leaders say their organization considers entry-level individual contributors eligible to be identified as HIPO.[1]

Reality: Employees' professional and personal interests may change. There is no guarantee they will stay at the organization, let alone aspire to a leadership role in the near or distant future. Our research finds that roughly 80% of HIPOs change their minds about wanting to advance in their organizations at least every five years (see Figure 1). Since early-career performance does not necessarily predict long-term career potential, identifying HIPOs earlier in employees' careers often increases the risk of misidentification. Given that only 32% of HR leaders rate themselves as successful at identifying HIPOs in general, this is a chance organizations cannot afford to take.[2]

Our Advice: Bringing HIPOs into the fold as early into their careers as possible does not actually allow organizations to "capture talent early." What organizations should do instead is focus on making the HIPO identification process flexible and adaptable to shifts in both business needs and HIPOs' aspirations. Royal Dutch Shell, for example, creates this flexibility by regularly reassessing potential status in HIPOs and normalizing changes in potential as career aspirations, movitations and life circumstances shift. The organization equips managers to help employees understand alternative paths in the organization and support employees' individual career aspirations. This approach creates greater transparency and openness about employees' potential and provides the organization with a more accurate picture of how employees view their own future at the organization.

Figure 1. Shifting HIPO Aspirations
Percentage of HIPOs Selecting



n = 8,141 employees

Source: 2020 Gartner L&D Disruption Survey

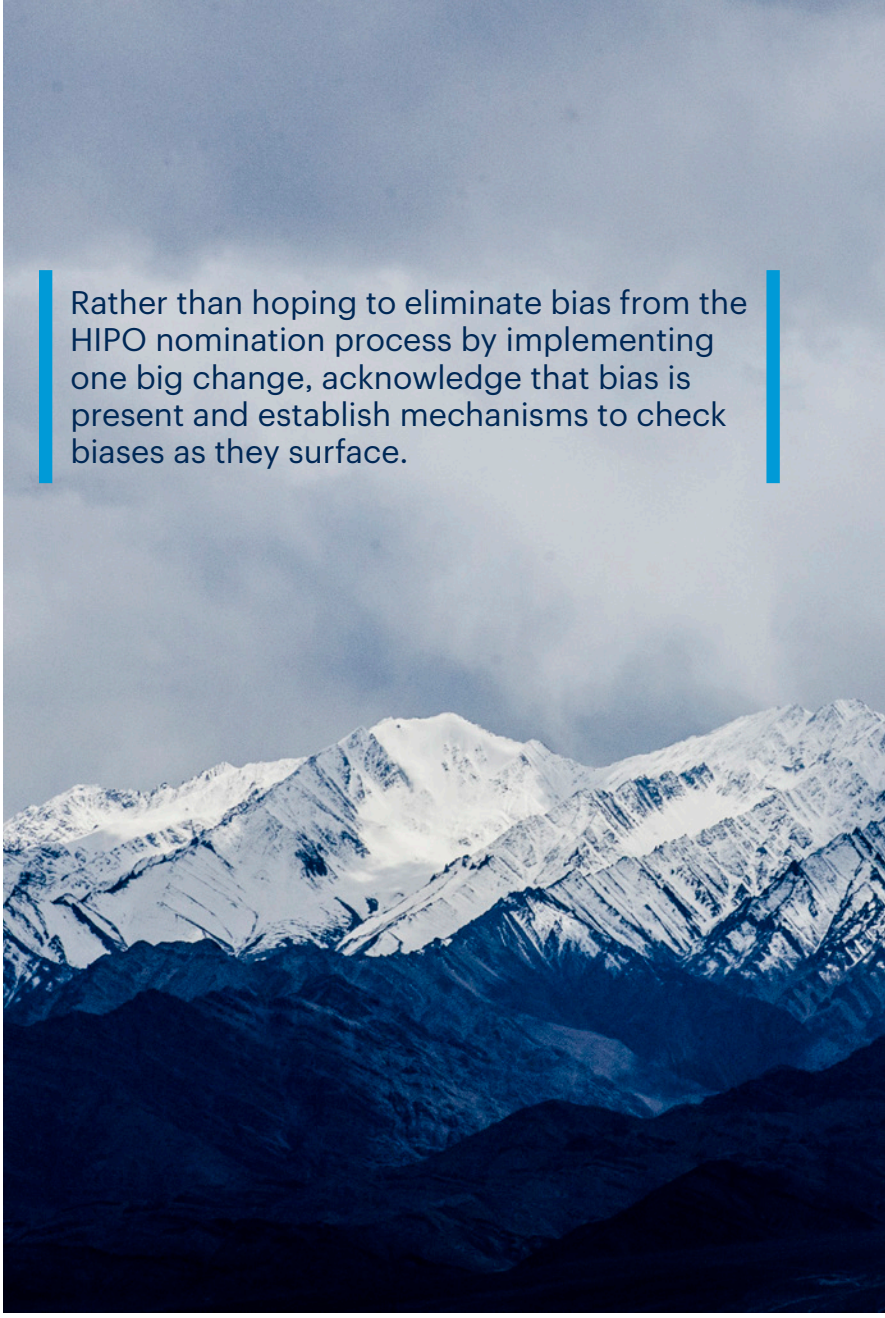
Note: A HIPO is defined here as an employee that is formally identified as a high-potential employee and participates in a program specifically designed for high-potential employees.

Assumption 2: "Self-nomination reduces bias in HIPO identification"

Assumption: Many organizations have changed their HIPO nomination processes to mitigate bias in HIPO identification. For example, one organization implemented a self-nomination process for HIPO identification, with the rationale being that diverse talent would not have to rely on managers or senior leaders (who often introduce their own biases) to nominate them. However, more than one quarter of HIPOs report that the quality of their relationship with their direct manager is actually a barrier to advancing in their organization.[3]

Reality: While introducing this option creates more opportunity for nominations, self-nomination won't root out biases. It may even introduce new ones. In a study from the National Bureau of Economic Research, women consistently rated their own performance on tests significantly lower than did men, even though men and women had the same average scores. Even when told an employer would use the self-evaluation to decide whether to hire them and what to pay them, women still self-promoted less often than men.[4] This means that women's implicit biases, even against themselves, contributed to them not receiving the recognition, pay and roles they deserved. This same issue could easily apply to any underrepresented or minority group that is socialized to feel less worthy of recognition.

Our Advice: Rather than hoping to eliminate bias from the HIPO nomination process by implementing one big change, acknowledge that bias is present and establish mechanisms to check biases as they surface. Shell achieved this by adopting two strategies. First, to ensure a single manager's bias can't adversely affect an employee's rating, Shell requires that multiple raters assess each employee and asks other stakeholders who have worked closely with employees to participate as raters. Second, Shell transparently reports the results of individual managers' and leaders' selections among all leaders and managers involved in the rating process. This strategy maintains accountability by allowing leaders' selections to be evaluated against each other; if one leader gave significantly higher or lower ratings to their own team than others did, it would be visible on the report. Managers and leaders then discuss, as a group, how they rated their teams and why.



Rather than hoping to eliminate bias from the HIPO nomination process by implementing one big change, acknowledge that bias is present and establish mechanisms to check biases as they surface.

Assumption 3: "Formal development programs are the most effective way to engage HIPOs"

Assumption: In conversations with HR leaders, we often hear that special treatment helps HIPOs feel valued by the organization, and investing heavily in them through formalized development programs is the best way to retain and engage them.

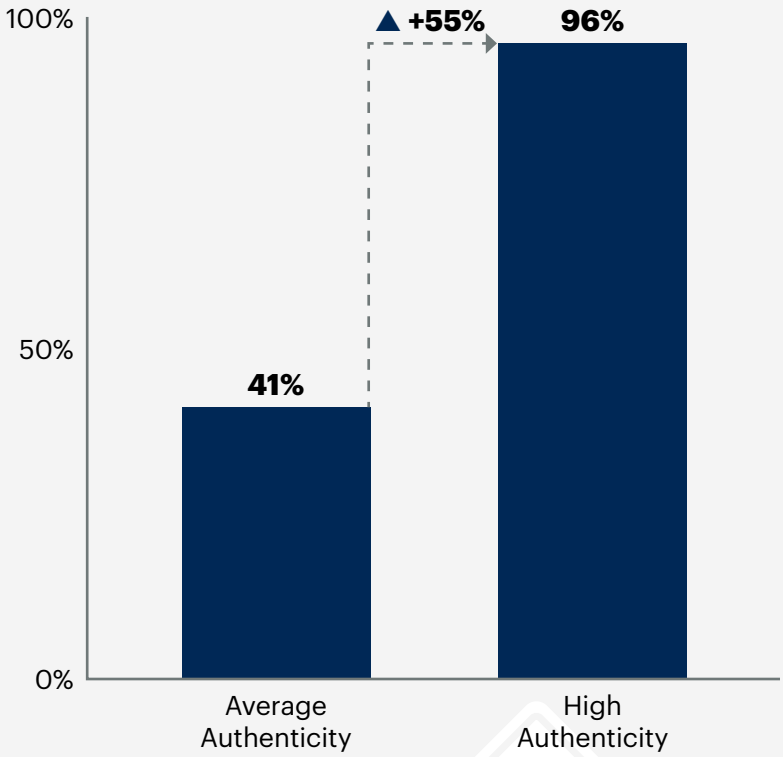
Reality: There is no direct correlation between formal HIPO development programs and improvements in retention and engagement. Many HIPO programs operating on this assumption end up having a negative impact on HIPO engagement and retention. In a recent survey, we found that HIPOs who engage in formal HIPO development programs report, on average, 8% higher intent to leave.[3] This is likely because when a HIPO program ends, HIPOs lose a clear and structured pathway to continuous personal and professional development in the organization. In organizations with low turnover among senior leaders, the end of a HIPO program can feel especially anticlimactic for HIPOs who believe growth opportunities are scarce. One head of learning and development we spoke with shared her personal experience as a HIPO: "When I was looking to get into my first management role several years ago, I was nominated into the organization's HIPO program," she said. "I went through my cohort. Our egos were pumped up and we were told we were the future of the company. But I got done with the program and nothing happened. Shortly after, I left the organization."

Our Advice: Instead of focusing on providing an exclusive formal development experience, organizations should focus on building strong support systems for HIPOs to accelerate their growth as leaders. Access to a network of peers and senior leaders is one of the greatest benefits of participating in a HIPO development program, but the "support systems" created for emerging leaders within these programs typically foster shallow, transactional relationships. HR leaders must establish HIPOs' relationships with senior leaders and peers in a way that ensures HIPOs are developed, supported and advanced throughout the organization.

Capital Group accomplished this by creating accountable and authentic relationships between HIPOs and their senior leaders and peers. Authentic relationships create an experience centered around HIPOs' needs and yield stronger leaders. HIPOs with highly authentic sponsor relationships are 55% more likely to say their sponsor helped them grow as a leader (see Figure 2).

Figure 2. Impact of Authentic Sponsor Relationships on Leader Growth

Percentage of HIPOs Reporting the Relationship Helped Them Grow as a Leader



n = 8,141

Source: 2020 Gartner L&D Disruption Survey

Capital Group built these relationships by assigning each HIPO to an influential senior leader advocate. The HIPO's skip-level manager, who could hold direct managers accountable for HIPO development based on the unique needs that the HIPO and advocate agreed on together. The company also created small, tight-knit peer discussion teams of six HIPOs who met consistently to discuss the real, provocative leadership challenges they have faced or may face as future leaders. This program improved engagement by 14% and improved internal mobility — 44% of participating HIPOs made lateral or upward career moves within a year of the program's end.

Ultimately, organizations still need to make targeted investments in their talent. But in rethinking assumptions behind our traditional approaches to HIPO management, HR leaders can avoid unnecessary risks and invest their time, energy and resources into the initiatives that are proven to yield the greatest return for their organizations.

Disclaimer: The organizations profiled in this research are provided for illustrative purposes only, and do not constitute an exhaustive list of examples in this field nor an endorsement by Gartner of the organization or its offerings.

[1] 2021 Gartner Diversifying the Leadership Bench Survey. This data was collected by surveying 3,523 employees and 53 HR leaders globally from over 15 industries.
[2] 2016 Gartner HIPO Survey
[3] 2020 Gartner L&D Disruption Survey. This data was collected by surveying 6,355 employees and over 120 Heads of HR globally.
[4] The Gender Gap in Self-Promotion, National Bureau of Economic Research.

Upcoming Virtual Events

Gartner regularly hosts virtual events across a variety of Human Resources topics. These webinars present an opportunity for you to gain insights from our research experts on making better decisions for your function and organization.

Understanding Employee Engagement Today

Competing for Talent in a Candidate Market

How to Future Proof Your Workforce: Guidance From Philips

The 4-Step Approach to Implement an Agile Talent Management Strategy

Use Data-Driven Skills Insights to Drive Digital Talent Strategies

Interview

Unpacking Netflix's High-Performance Culture: Q&A With Erin Meyer

By Caroline Ogawa

Author and INSEAD professor Erin Meyer's latest book explores Netflix's unique approach to driving high performance. In an interview, Meyer offers lessons from Netflix's experiment that HR professionals and leaders can consider to reimagine performance at their organizations.

Erin Meyer
Author, 'No Rules Rules: Netflix and the Culture of Reinvention'

Erin Meyer is the author of "The Culture Map: Breaking Through the Invisible Boundaries of Global Business" and a professor at INSEAD. In 2020, she co-authored "No Rules Rules: Netflix and the Culture of Reinvention" with Reed Hastings, founder and CEO of Netflix.

In Netflix's famous culture deck, there is a slide that says: "Adequate performance gets a generous severance package." When she first encountered it, author and INSEAD professor Erin Meyer took issue with that slide. As a professor, Meyer studied the importance of psychological safety in innovation, which this approach seemed to contradict. But Netflix, recognized globally as a highly innovative organization, was letting go of all but its high performers — and the strategy was working.

Working alongside Netflix co-founder Reed Hastings, Meyer interviewed hundreds of current and past Netflix employees to unearth the management principles that underpin the company's renowned fast and flexible culture. These core principles include talent density, radical candor and removing as many rules as possible.

Meyer recently joined the Gartner Talent Angle podcast to discuss Netflix's approach to a high-performance culture. The following insights are excerpted from that interview. To hear the full interview, listen to this episode on Gartner's Talent Angle podcast (see Podcast: Talent Angle — No Rules the Netflix Way With Erin Meyer).

What is talent density and how is it critical to maintaining high performance?

Talent density is the idea that if you want to give your employees freedom, you have to create a team that has all high performers on it.

For example, in a team of eight, there are maybe six really high performers, and a couple who are kind of medium. The idea at Netflix is that you need to get rid of the medium. This approach acknowledges what we've known in the organizational behavior field for a long time: performance is contagious.

A lot of managers think about an individual performance problem as an individual problem, but actually, we've seen it's a systemic problem. There's a fascinating research project that was conducted by another organizational behavior professor, named Will Felps, and he invited into his lab four MBA students at a time. He gave them a 45-minute task, and he rewarded them financially based on how well they performed as a team.

> Talent density is the idea that if you want to give your employees freedom, you have to create a team that has all high performers on it.

Unbeknownst to the participants, in half of the teams there was an interloper: an actor named Nick. Sometimes he would act a little bored and send text messages to his friends during the project. Or sometimes he would act a little jerky. ... Remarkably, in study after study, team after team, even when the other three MBA students were top-notch, the teams with Nick on them performed 45% worse.

I love this study, because you can really see what Reed discovered at Netflix, which is that if you want a high-performing organization, you have to get rid of the Nicks. That's why they say at Netflix, adequate performance gets a generous severance.

How do you build talent density?

High talent density is very difficult to implement in an organization, because, of course, as managers, we care about our employees. It was hard to find them. It was hard to train them. If things didn't work out well, we had to give them a lot of feedback. So, it's hard to get to the point of thinking, "Am I really going to let this person go?"

And that's why they have this famous test now at Netflix, called the keeper test. The keeper test is actually this very simple system, [where] each manager, on a six-month basis, sits alone in her office. She imagines that each person on her team comes to her and says, "Boss, I'm sorry. I have another job. I'm leaving the company."

And then she asks herself the questions, "How am I going to react? Am I going to be devastated? Am I going to say, 'No, don't leave?' Am I going to fight hard to keep him?" Well, if so, then you know you have the right person on that team. He's a keeper. But if she feels a little bit relieved or maybe even a little bit excited about who she could get to fill that position, then she has to ask herself, "Have I given this person the candid feedback they need to succeed?" And if she has, then it's time to move him on to either another job or out of the company.

How does radical candor enable a no rules strategy?

There are two reasons for candor. One is that even if you have very high performers, if you give them a lot of freedom, some of them will take advantage of the freedom that's given to them. But if you have a lot of candor, then when people try to take advantage of the freedom given to them, others in the organization will step up and give them feedback about it. [Others might say], "Hey, wait, what are you doing? That's not okay. I don't think that's in the best interest of the company." We get this kind of co-accountability that arrives from that candor.

The other thing that happens is that if we're giving one another really clear feedback, corrective feedback that boosts the performance of the entire organization even more, it means we can have even fewer rules.

Netflix's four As of radical candor include:

- **Assist.** You should aim to assist. [Employees at Netflix] are not into a lot of fluff. They're not into putting a lot of positives around the negative. But they know the feedback they're providing will be helpful.
- **Actionable.** You're not just there to complain. You're there to give other employees something they actually can act on.
- **Appreciation.** When you receive the feedback, you should show appreciation. Even if it feels like a kick in the gut when you hear it, you should take a deep breath and say, "Thank you. I appreciate your having told me that."
- **Accept or decline.** The feedback receiver can accept or decline. At Netflix, you will get a lot of feedback. Feedback is really its superpower ... but that doesn't mean that employees have to take all of the feedback that's given to them. Sometimes you can say, "Thank you very much," and then turn your back and think, "I'm not going to do that." That's okay, too.

How can companies implement candor effectively?

Organizations can operationalize candor in three ways:

- **Start with yourself.** The first thing that I saw at Netflix was if you want more candor in your company and you're the boss, the first thing that you have to do is get people to give feedback to you. It's not enough to say, "Please give feedback to one another, and I'll give feedback to you." You have to get the employees to candidly tell you, the boss, what you should do differently.
- **Put feedback on the agenda.** You might come into the office one morning, look at your schedule, and it says 10 a.m. feedback with Jane. That means you're going to be meeting with Jane, and she's going to ask you for some feedback about her, and then she's going to give you some feedback about you.
- **Use 360-feedback dinners**. Get together maybe on an annual basis, over a meal, and sit down as a team for a few hours. If I'm up first, we'll go around, and everybody at the table will give me feedback about how I can improve my performance. The discussion then moves on to the next person. When I first heard that I thought, "Negative feedback should be given in private. What's the point of this kind of public shaming where you drag people's weaknesses out in front of the group?" But this is one of the most popular systems that they use at Netflix. Employees love it.

What's the strategy behind removing as many rules as possible?

Rules and processes have a lot of benefits. They reduce error and they create higher levels of efficiency. In organizations where we are working in safety-critical environments, and error prevention is the overall guiding light, then yes, I'm all for rules and processes. But if you want an environment that is highly innovative, rules

The other thing that happens is that if we're giving one another really clear feedback, corrective feedback that boosts the performance of the entire organization even more, it means we can have even fewer rules.

and processes are a really big problem. The most creative, maverick, innovative people don't want to be boxed in.

There are three types of rules Netflix doesn't have:

- **Management by objective, KPIs or pay-for-performance bonuses.** Those are like management's tools for keeping its hands on its employees' shoulders.
- **Restrictive policies.** At Netflix, the vacation policy is: Take some. The maternity or paternity leave policy is: Do what's best for you and your baby. And the expense and travel policy is: Act in Netflix's best interest.
- **Approvals.** The most interesting and most important idea is that there are no approval policies or approvals necessary at Netflix.

Given the easing of rules, how does Netflix make decisions?

At most companies, decision making is like a pyramid. In a pyramid, you have the low-level employees at the bottom, and the chairperson at the top. The low-level employees can make really small decisions, but if it's a big issue or an expensive issue, then it has to get pushed up at least one level. For really expensive issues, two levels.

At Netflix, the decision-making process or system is like a tree. With the tree, the chairperson is the earth; she's down there at the roots. She's setting the context for the company, talking about which direction the company is headed and what the strategy is. She's giving all the key information to help the company know which way to move. And then you have the senior managers who are the trunk. They are also setting context about their individual divisions for their employees.

Then you have the lower-level managers who are way up in the smaller branches of the trees. They're the ones who are making the big decisions and signing off on the big contracts, based on all of the context that's been set for them by management.

When we look at Netflix, it's crazy how fast they've grown. With a pyramid structure, you can only grow so fast, because the chairperson is the bottleneck. But with a tree, you can grow as fast as the industry will allow you to, because a tree can have as many little branches as you desire.

The most creative, maverick, innovative people don't want to be boxed in.

Quant Corner
Career and Family Well-Being Have Major Impact On Talent Outcomes

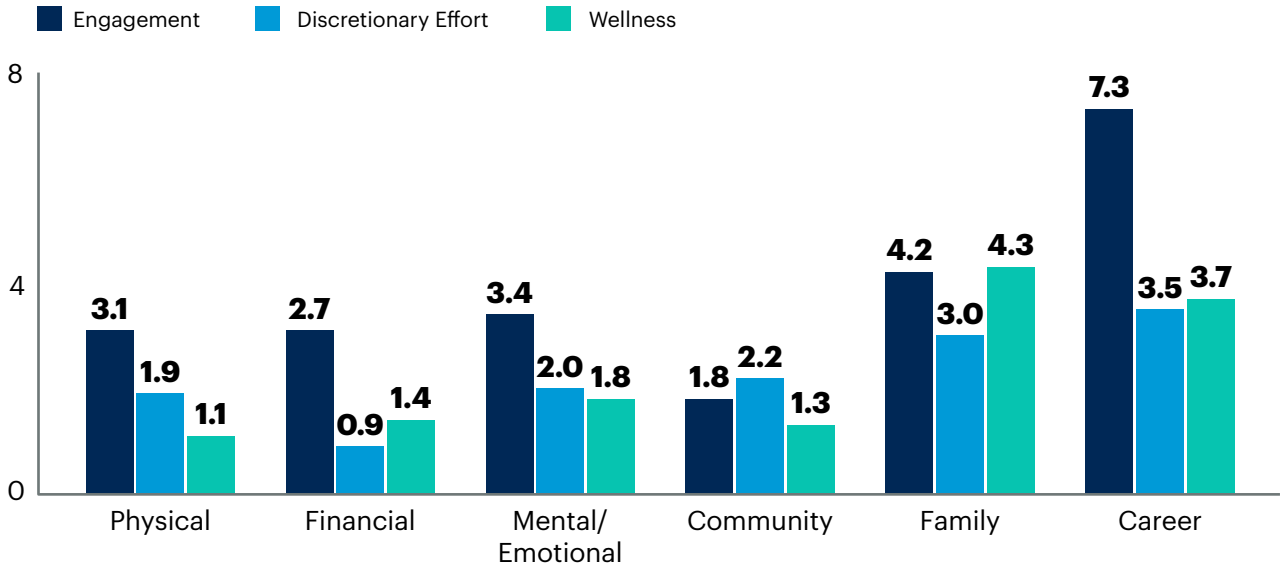
By Kashika Mehta

Over a year into the COVID-19 pandemic, employee well-being remains top of mind among HR leaders. According to our research, 96% of HR leaders have become more concerned about their workforce well-being today, as compared to before the pandemic.

Our research finds that the six different types of well-being offerings, when offered, have varying degrees of impact on the levels of engagement, discretionary effort, and wellness employees report. Career and family well-being offerings have the highest impact on these talent outcomes compared to other well-being offerings.

We further analyzed the impact on engagement of individual career and family well-being offerings. The most impactful career well-being programs are leadership development, mentorship, and specific skills education programs. The most impactful family well-being programs are on-site daycare, domestic violence support and family connection activities (e.g., a family fair day at work). Consider including some of these high-impact well-being offerings as part of a robust well-being portfolio that drives employee impact across numerous outcomes.

Figure 1. Impact of Well-Being Offerings on Talent Outcomes
Percentage Increase in Outcome



n = 5,055 employees worldwide

Source: 2021 Gartner Well-Being Employee Survey

Note: Estimated through multi-variate regression equation; controlled for age, gender, region, level and industry.

Build a Better Strategic Plan for Your Function

Only 8% of strategy leaders report a success rate of 90% or more on long-term strategic initiatives. Why? Because strategic plans are often WORN: written once, read never.

Use our one-page strategic planning template to clearly communicate your function's priorities and create a clear roadmap to meet your strategic business goals.

Download the 2021-2022 strategic planning template for your function.

gartner.com/en/insights/strategic-planning

Gartner®