CASE STUDY 1-2

Performance Management at Network Solutions, Inc.

Network Solutions, Inc.,* is a worldwide leader in hardware, software, and services essential to computer networking. Until recently, Network Solutions, Inc., used more than 50 different systems to measure performance within the company, many employees did not receive a review, fewer than 5% of all employees received the lowest category of rating, and there was no recognition program in place to reward high achievers. Overall, it was recognized that performance problems were not being addressed, and tough pressure from competitors was increasing the costs of managing human performance ineffectively. In addition, quality initiatives were driving change in several areas of the business, and Network Solutions decided that these initiatives should also apply to "people quality." Finally, Network Solutions wanted to improve its ability to meet its organizational goals and realized that one way of doing this would be to ensure that they were linked to each employee's goals.

Given this situation, in 2001, Network Solutions' CEO announced that he wanted to implement a forced distribution performance management system in which a set percentage of employees were classified in each of several categories (e.g., a rating of 1 to the top 20% of performers; a rating of 2 to the middle 70% of performers; and a rating of 3 to the bottom 10% of performers). A global cross-divisional HR team was put in place to design and implement the new system. The first task for the design team was to build a business case of the new system by showing that if organizational strategy was carried down to team contributions and team contributions were translated into individual goals, then business goals would be met. Initially the program was rolled out as a year-round people management system that would raise the bar on performance management at Network Solutions by aligning individual performance objectives with organizational goals by focusing on the development of all employees. The desired outcomes of the new system included raising the performance level of all employees, identifying and retaining top talent, and identifying low performers and improving their performance. Network Solutions also wanted the performance expectations for all employees to be clear.

Before implementing the program, the design team received the support of senior leadership by communicating that the performance management system was the future of Network Solutions and by encouraging all senior leaders to ensure that those reporting directly to them understood the process and accepted it. In addition, they encouraged senior leaders to use the system with all of their direct subordinates and to demand and utilize output from the new system. Next, the design team encouraged the senior leaders to stop the development and use of any other performance management system and explained the need for standardization of performance management across all divisions. Finally, the team asked senior leaders to promote the new program by involving employees in training of talent management and by assessing any needs in their divisions that would not be addressed by the new system. The Network Solutions global performance management cycle consisted of the following process:

1. Goal cascading and team building
2. Performance planning
3. Development planning
4. Ongoing discussions and updates between managers and employees
5. Annual performance summary

Training resources were made available on Network Solutions' intranet for managers and individual contributors, including access to all necessary forms. In addition to the training available on the intranet, 1- to 2-hour conference calls took place before each phase of the program was begun.

Today, part of the training associated with the performance management system revolves around the idea that the development planning phase of the system is the joint year-round responsibility of managers and employees. Managers are responsible for scheduling meetings, guiding employees on preparing for meetings, and finalizing all development plans. Individual contributors are responsible for documenting the developmental plans. Both managers and employees are responsible for preparing for the meeting, filling out the development planning preparation forms, and attending the meeting.

With forced distribution systems, there is a set number of employees that have to fall into set rating classifications. As noted, in the Network Solutions system employees are given a rating of 1, 2, or 3. Individual ratings are determined by

* This case study is based, in part, on actual information. Network Solutions, Inc., is a pseudonym which is being used to protect the identity of the actual company in question.

the execution of annual objectives and job requirements as well as by a comparison rating of others at a similar level at Network Solutions. Employees receiving a 3, the lowest rating, have a specified time period to improve their performance. If their performance does improve, then they are released from the plan, but they are not eligible for stock options or salary increases. If performance does not improve, they can take a severance package and leave the company or they can start on a performance improvement plan, which has more rigorous expectations and time lines than did the original action plan. If performance does not improve after the second period, they are terminated without a severance package. Individuals with a rating of 2 receive average to high salary increases, stock options, and bonuses. Individuals receiving the highest rating of 1 receive the highest salary increases, stock options, and bonuses. These individuals are also treated as "high potential" employees and given extra development opportunities by their managers. The company also makes significant efforts to retain all individuals who receive a rating of 1.

Looking to the future, Network Solutions plans to continue reinforcing the needed cultural change to support forced distribution ratings. HR Centers of Expertise of Network Solutions continue to educate employees about the system to ensure that they understand that Network Solutions still rewards good performance; they are just measuring it in a different way than in the past. There is also a plan to monitor for and correct any unproductive practices and implement correcting policies and practices. To do this, Network Solutions plans on continued checks with all stakeholders to ensure that the performance management system is serving its intended purpose.

Consider Network Solutions' performance management system in light of what we discussed as an ideal system. Then answer the following questions:

1. Overall, what is the overlap between Network Solutions' system and an ideal system?
2. What are the features of the system implemented at Network Solutions that correspond to the features described in the chapter as ideal characteristics? Which of the ideal characteristics are missing? For which of the ideal characteristics do we need additional information to evaluate whether they are part of the system at Network Solutions?
3. Based on the description of the system at Network Solutions, what do you anticipate will be some advantages and positive outcomes resulting from the implementation of the system?
4. Based on the description of the system at Network Solutions, what do you anticipate will be some disadvantages and negative outcomes resulting from the implementation of the system?

CASE STUDY 1-3

Distinguishing Performance Management Systems from Performance Appraisal Systems

What are the differences between a performance appraisal system and a performance management system? How are the two systems related to each other? After answering these questions, consider the following 11 criticisms. Which of the following criticisms pertain to performance appraisal systems but not to performance management systems? Which criticisms pertain to both performance appraisal and performance management systems? Use Xs on the table below to denote [illegible]. Then, provide an explanation for categorizing the 11 criticisms in the way you did.

Criticism 1: "[There can be] inconsistency between comments and scores on an employee's evaluation."

Criticism 2: "The annual performance review is a bad management tool. To start with, it is not timely. If your subordinate is deficient in some ways, you wait 11 months to say something about it. How does that help next week's performance?"

Criticism 3: "Never make the evaluation a hit-and-run. It should take the form of a dialogue between the supervisor and subordinate, not an isolated event but rather a part of performance/career management more generally."

Criticism 4: "A number of years ago, the U.S. Equal Employment Opportunity Commission (EEOC) created a 'Like Me' task force. It reached a conclusion—there was a natural tendency to favor employees who are like the manager making the employee's assessment."

Criticism 5: "Few managers jump with glee at appraisal time. When they triage workplace demands, many times appraisals end up at the bottom. As a result, late appraisals are often the norm and not the exception."