

Scrap Performance Appraisals?!?!

MACA

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Principal, Verisight Compensation Consulting Group

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Rena Somersan, MBA Background

- Born in Madison, Wisconsin
- Bachelors of Science Economics with focus in Japanese language
- Lived in Japan from 1991-1994
- Lived in Turkey from 1995-2007
- 1995-2000 ~ Ram International Trade Company within Koc Conglomerate
- 2000 Graduated from Koc University Executive MBA program
- 2000-2007 ~ Started own consulting business IMA Danismanlik (represented HayGroup in Turkey)
- 2008-present ~ USA, McGladrey Strategy and Human Capital Consulting
=> bought by Verisight => now becoming Newport Group

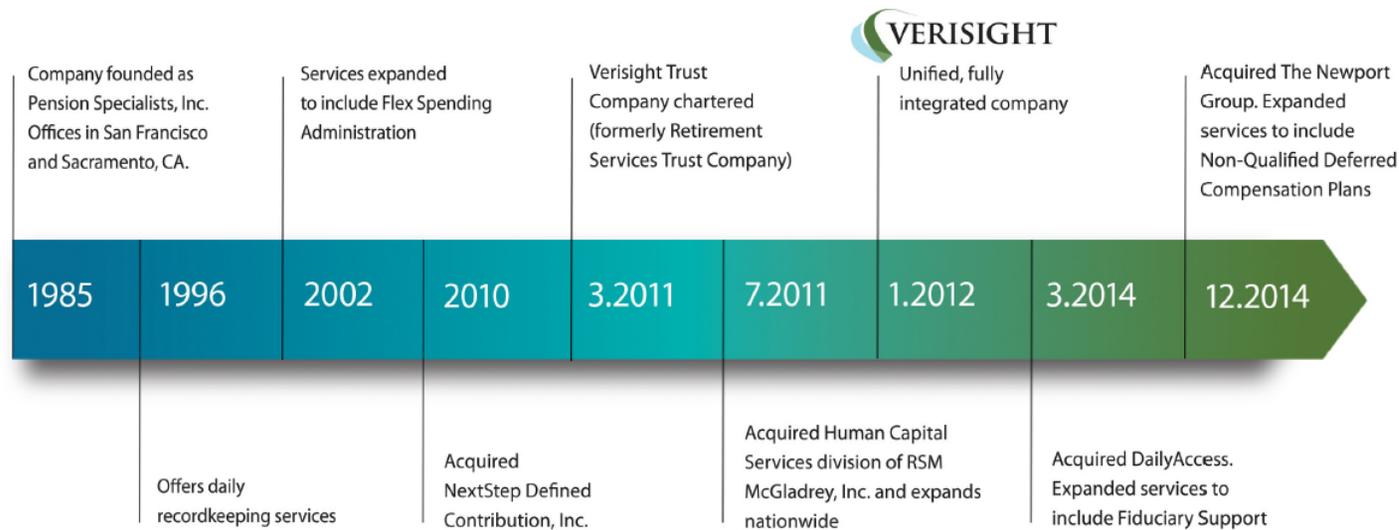
Providing a full service solution to clients with over \$34 billion in retirement plan assets.

- Defined contribution plans—401(k), 403(b) and 457 plan
- Defined benefit pension plans
- Defined benefit/defined contribution combined plans
- Employee stock ownership plans (ESOP)
- Governmental Plans
- Profit sharing plans
- Money purchase pension plans

Customized consulting solutions for clients based on our extensive industry knowledge and objectivity.

- Compliance and administration
- Compensation consulting
- Health and welfare consulting
- Retirement consulting
- Actuarial consulting
- Government representation and reporting
- Surveys and benchmarking
- Employee Education

The Growth of Verisight, Inc.



Agenda

- Literature Review: The Revolution and Reboot
 - 10 minutes in small groups
 - Discuss your article; capture important points and some details and be ready to give a 5-7 minute synopsis
 - 5-7 minutes to report out to group to share content of article and preliminary thoughts
- Evaluating the Current State of Performance Appraisals
 - Three Groups:
 - What do you expect to get out of it?
 - Business Objectives
 - Human Resource Management Objectives
 - Individual's Objectives
 - Where are you now?
 - Attitudes
 - Skills
 - Process

Literature Review

- Harvard Business Review: How Netflix Reinvented HR
 - Hire, Reward, and Tolerate Only Fully Formed Adults
 - Managers Own the Job of Creating Great Teams
 - Tell the Truth About Performance (360-degree reviews: Stop, Start, or Continue)
 - No performance bonuses – just market-based pay, shop it around
 - Leaders Own the Job of Creating the Company Culture

Literature Review

- Harvard Business Review: Deloitte ~ Reinventing Performance Management
 - Radical Redesign – 3 Objectives:
 - Be able to RECOGNIZE performance particularly for variable compensation
 - Be able to SEE performance; ask immediate supervisor 4 different questions (pay, teamwork, poor performance, promotion)
 - Be able to FUEL performance; *radically frequent* regular check-ins
 - 3 interlocking rituals to support objectives
 - Annual compensation decision
 - Quarterly or per-project snapshot
 - Weekly check-in

Literature Review

- Harvard Business Review: Managing Performance When It's Hard to Measure ~ RED HAT
 - Process for regular check-ins
 - Get people on the same page when it comes to the responsibilities and expectations for the role
 - Employees should track what's important and to set individual goals that contribute to our company's mission and strategy, Let employees focus on developing their strengths and growing their capabilities
 - Use the annual review as an opportunity to reflect back on everything they've achieved, what they've learned along the way, and what opportunities they will pursue in the coming months
 - As for promotions, raises, and bonuses, don't force managers to apply a merit matrix or rigid formula. Instead, give them the flexibility to make decisions that are right for their people. This means our managers don't have to enter inaccurate ratings to "game the system," a problem faced by many other companies

Take Care of Top Performers ~ Top Performers Matter

- Critical to company success.
- Set the performance standard.
- How they are treated matters to others.
- Many are future leaders.
- Many employees are considering leaving.
- Top performers and high potential employees are most likely to leave.
- Costly to replace.

Take Care of Top Performers ~ About 20% of Population

- Top performers make up about 20% of employee population.
- High potentials likely part of this group. Perhaps 4% to 10% of talent pool.
 - High potentials: Consistently and significantly outperform peers.
 - Show ability to grow more quickly and effectively

Take Care of Top Performers ~Top Performers Care About Pay

- Rewards represent 4 of 5 reasons key talent leave an organization (1)
- Rank pay first or second in job satisfaction.
- Believe total compensation motivates their performance.
- Expect their pay to accurately reflect their contributions.

(1) Fourth quarter 2014 *WorldatWork Journal*, “Retention of Key Talent and the Role of Rewards”

Taking Care of Top Performers

Rewards => Engagement => Results

- Effective rewards management increases employee engagement.
- Engagement matters. According to Gallup research: Top quartile have 21% higher productivity
- And 22% higher profitability than the bottom quartile

- Engagement top priority of HR professionals
- Effective recognition and rewards management increases employee engagement

Take Care of Top Performers ~ Salary Increase Differentials

- Pay for Performance is not happening the way companies want it to.
 - Outstanding should get at least two times average.
 - Reality is about 1.4 times based on recent WorldatWork surveys.
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- ***There are a number of ways to make reality equal the goal***

Evaluating your Current State

- What you expect from Performance Appraisals
 - Business Objectives
 - Human Resources Management Objectives
 - Individual's Objectives

- Where are you now?
 - Attitudes
 - Skills
 - Process

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