

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

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

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

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

## SUMMARY POINTS

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

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

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

(2) performance planning (e.g., consideration of results, behaviors, and a developmental plan), (3) performance execution (e.g., role of team leaders, how to turn a team of B-players into a winning team), (4) performance assessment (e.g., evaluations from other team members, assessing the “we” side of performance), and (5) performance review (e.g., feedback about individual contributions to team performance, feedback on the performance of the team as a whole). Although the inclusion of a team component adds a layer of complexity to the process, the fundamental principles guiding the design and implementation of the system discussed throughout this book remain the same.

- If the performance management system includes the measurement of individuals’ contribution to team performance and overall team performance, it also needs to reward these types of performance. The principles guiding the allocation of rewards in systems including a team component are similar to those guiding the allocation of rewards in systems including individual performance only. For example, rewards should be visible, contingent, and reversible. Also, similar pitfalls that take place in the allocation of individual rewards should be avoided, such as the “folly of rewarding A while hoping for B.”

### EXERCISE 11-1 TEAM PERFORMANCE MANAGEMENT AT BOSE

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

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

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

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

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

## EXERCISE 11-2 TEAM PERFORMANCE REVIEW

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

### **Team Leaders:**

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

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

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

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

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

### Team Members:

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

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

## CASE STUDY 11-1

# Team Performance Management at American Electric and Gas

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

## CASE STUDY 11-2

### Team-Based Rewards for the State of Georgia

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

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

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

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

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

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

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

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

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

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

## ENDNOTES

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